

Doing Business in Armenia

by **Sedrak Asatryan**, **Aram Orbelyan**, **Janna Simonyan**, **Narine Beglaryan**, **Roustam Badasyan**, **Senior Associate** and **Ani Varderesyan**, **Concern Dialog**

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A Q&A guide to doing business in Armenia.

This Q&A gives an overview of key recent developments affecting doing business in Armenia as well as an introduction to the legal system; foreign investment, including restrictions, currency regulations and incentives; and business vehicles and their relevant restrictions and liabilities. The article also summarises the laws regulating employment relationships, including redundancies and mass layoffs, and provides short overviews on competition law; data protection; and product liability and safety. In addition, there are comprehensive summaries on taxation and tax residency; and intellectual property rights over patents, trade marks, registered and unregistered designs.

This article is part of the global guide to doing business worldwide. For a full list of contents, please visit www.practicallaw.com/dbi-guide.

Overview

1. What are the key recent developments affecting doing business in your jurisdiction?

With the inauguration of Armenia's new president, the Constitution, as amended in 2015, has fully entered into force. Therefore, Armenia currently operates under a parliamentary system of government.

The RA Tax Code, which was adopted in 2016, has replaced a number of separate laws regulating different types of taxes. It partially entered into force in 2017 and since the beginning of 2018 has been fully in force in Armenia.

The New Civil Procedure Code of 2018 has recently entered into force. It contains new regulations in connection with various institutions of civil procedure, including:

- Burden of proof.
- Rules of submission of evidence.
- Measures to secure the claim.
- Participation to the proceedings via audio-visual equipment.

- This Code has considerably developed procedures for the recognition and enforcement of both arbitral awards and foreign judicial acts.

The administration of judicial bodies has been reformed by the New Judicial Code of 2018, which has entered into force together with the New Civil Procedure Code. It consolidates several administrative bodies into the Supreme Judicial Board, which encompasses all their functions. In addition, the Judicial Code has introduced other reforms regarding the administrative structure of judicial bodies, such as:

- Eliminating different district courts of Yerevan, which were all incorporated into the newly created court of general jurisdiction of Yerevan.
- The creation of a specialist bankruptcy court.

Legal system

2. What is the legal system based on (for example, civil law, common law or a mixture of both)?

Armenia is a unitary republic with a civil law system. Since 2007, the reasoning contained in decisions of the Court of Cassation (including interpretations of law) and the European Court of Human Rights are binding on all courts.

Foreign investment

3. Are there any restrictions on foreign investment (including authorisations required by central or local government)?

The regime of foreign investments is regulated by the RA Law on Foreign Investments and bilateral investment treaties (of which there are around 40). Under this law, the activities of foreign investors and legal entities with foreign investments can be restricted in some territories and areas on the grounds of national security.

In practice, there is only one strict limitation, for television broadcasting. Under the Law on TV and Radio, at least 50% of shareholdings in television and radio companies, as well as private multiplexers must belong to or be ultimately controlled by Armenian nationals.

Some limitations apply to financial institutions and institutions relating to gambling and games of chance. For example, games of chance can only be organised by:

- Commercial organisations which are founded by Armenian nationals.
- Legal entities established in Armenia.

4. Are there any restrictions on doing business with certain countries or jurisdictions?

There are no restrictions on doing business with certain countries or jurisdictions.

5. Are there any exchange control or currency regulations?

The circulation of foreign currency is regulated and there are restrictions on the use of foreign currency in transactions, especially cash payments. The restrictions also apply to the foreign direct investments, which can only be made in local currency (drams).

However, the exchange control regime is liberal (the national exchange rate is floating, with the Central Bank of Armenia intervening in critical situations by direct participation in the market or by reviewing the regulations).

6. What grants or incentives are available to investors?

There are no direct incentives that are only available to foreign investors.

However, there are several tax incentives for some sectors of economy, for example:

- Profits earned from the sale of agricultural products enjoy an exemption from profit tax until 2024.
- Under the Special Law on IT Start-ups, a beneficial tax regime has been granted for small IT start-ups with up to 30 employees.

- It is possible to postpone VAT payments relating to the importation of machinery for three years from the date of importation, if in accordance with investment programmes approved by the government.

Business vehicles

7. What are the most common forms of business vehicle used in your jurisdiction?

The main business vehicles are limited liability companies (LLCs) and joint stock companies (JSCs). Partnerships and co-operatives are also noted in legislation but have very limited to no use in practice. The LLC and JSC are more commonly used because of the following:

- Limited liability of shareholders or participants.
- Flexible company management rules.
- Variety of financing methods for business.
- Flexible models of alienation of shares or participation.

It is preferable to establish a JSC, if the company wishes to go public and be listed on a stock exchange or if the company must have a more sophisticated corporate structure.

It is also possible to establish investment funds. There are many different forms of funds, and private equity funds can serve as a good alternative to a trust or other similar structures. The trust, as a concept, is not available under Armenian law.

8. In relation to the most common form of corporate business vehicle used by foreign companies in your jurisdiction, what are the main registration and reporting requirements?

Registration and formation

The State Register of Legal Entities of the Ministry of Justice of the Republic of Armenia (www.e-register.am) is responsible for the registration of organisations other than financial institutions. Financial institutions are registered by the Central Bank of Armenia.

The founder or director or other entitled person must submit the following for registration:

- Application for registration.
- Resolution of founder(s) on establishment of the legal entity.
- Charter of the legal entity, approved by the founders' decision.
- Proof of the payment of state fee, where applicable.
- Information about the director and copy of their passport.
- Statement on real beneficiaries of the company.
- Where the organisation is established by a foreign legal entity, documents proving the status of that legal person and the organisation's founding documents (verified, apostatised and translated).
- Where the organisation is established by a foreign individual, a verified copy of the individual's passport (with translation).
- Preferred trade name of the organisation, and consents for use (if applicable).

The registration must generally be made no later than within two working days. If the founders decide to use a pre-approved standard form of documents, the registration is immediate (but the documents will be in Armenian only).

The trade name registration is made simultaneously with the registration of the entity. The suitability of a presented trade name is checked immediately and, if there are grounds to reject the registration, the founder can choose another name (no additional fee is paid).

For joint stock companies (JSCs), in addition to state registration, registration of shares at the central depository is compulsory. The registration is made through an authorised account holder, who later serves as agent for other share transactions. The list of the authorised operators can be found online (<http://bit.ly/2EnxOiH>).

Reporting requirements

Changes to the executive bodies, shareholders and charter must be reported to and registered at the state authority. Some companies may have additional reporting rules under the banking and capital market legislation.

Share capital

Generally, there are no mandatory maximums or minimums for the share capital of the companies. However, some mandatory minimums are imposed for companies with specific areas of activities, such as banks and insurance companies.

Non-cash consideration

In general, the share capital of a business partnership or company can be paid in through:

- Money (cash).
- Commercial papers and securities.
- Other property or property rights.
- Other rights with a monetary value.

Rights attaching to shares

Restrictions on rights attaching to shares. The holder of ordinary shares cannot be granted additional voting rights that are inconsistent with the nominal value and quantity of the ordinary shares they own. The company does not guarantee the payment of dividends for ordinary shares. Preference shares, if not otherwise provided in the statutes of the company, do not grant voting rights.

Automatic rights attaching to shares. Company shareholders are entitled to:

- Participate in the management of the company (mainly by exercising their right to participate and vote at general meetings).
- Receive information on the activity of the company.
- Take part in the distribution of profits.
- Receive, in case of liquidation, property or value left after settlements with creditors.
- Alienate their shares.
- Leave the company at any time, regardless of other participants' consent. In this case, limited liability companies must purchase the share of a participant who wants to withdraw from the company, within six months from the moment of submission of the application to withdraw, whereas a JSC will not have a similar obligation.

9. In relation to the most common form of corporate business vehicle used by foreign companies in your jurisdiction, outline the management structure and key liability issues.

Management structure

Limited liability companies (LLCs) and joint stock companies (JSCs) have almost the same management structure:

- The general meeting of shareholders is the highest body of the company.
- LLCs and JSCs can decide whether to form a board of directors, unless the board of directors is mandatory (such as in a JSC with 50 or more shareholders).
- The executive body in an LLC is composed of a director, or president, or an outsourced manager (usually a company). In a JSC, there is a chief executive officer with or without collegial executive body (executive board, management board) or outsourced executive management.
- Internal audit committees or auditors can be also appointed, and in some cases (depending of the number of shareholders) are compulsory.

Management restrictions

There are no restrictions on foreign managers. In practice, many companies with foreign investment have foreign managers or directors.

Directors' and officers' liability

Members of the executive body and board of directors are bound by fiduciary duties towards the company and can be held liable for damages caused to the company by their actions. In addition to that, the directors and officers who control the actions of the company can be held jointly and severally liable for the obligations of the company towards its creditors in the amount not covered by the assets of the company, if they have intentionally caused the bankruptcy of the company.

Parent company liability

A parent company is not liable for the obligations of its subsidiary, unless there are grounds for piercing the corporate veil on the basis of dominant control by the parent company over the subsidiary. For example, a principal (parent) company that has the right to give obligatory instructions to a subsidiary company, can be jointly and severally liable with the subsidiary company for transactions concluded by the latter in the performance of those instructions. However, this responsibility mechanism has never been put into practice.

Employment

Laws, contracts and permits

10. What are the main laws regulating employment relationships?

The main laws regulating labour relations are the:

- Labour Code.
- Civil Code (where not in conflict with the Labour Code).
- Other laws regulating specific kinds of labour (mostly regulating public services and not applicable to foreign investment).
- Government decrees and ministerial decisions regulating safety and other technical issues.

Armenia is also party to several International Labour Organisation conventions regulating labour relations, which also prevail over national legislation.

These laws apply for both domestic and foreign employees working in Armenia. Armenian labour law does not regulate issues of employment outside of Armenia, unless the labour relationship is established in Armenia and the employee is temporarily seconded abroad.

Labour law regulations do not foresee any conflict of law provisions, and the general principle of choice of law is not applicable to the labour relationship.

11. Is a written contract of employment required? If so, what main terms must be included in it? Do any implied terms and/or collective agreements apply to the employment relationship?

The employment contract or order for employment must (*Article 84, Labour Code*):

- Contain all the terms necessary for the employment contract.
- Be concluded in writing.
- Contain the following mandatory information:
 - date;
 - address of contract conclusion;
 - the employee's first and last and/or patronymic name;
 - name of the organisation or natural person employer's first and last and/or patronymic name;
 - the structural subdivision (where available);
 - the year, month and date of the commencement of work;
 - the name of the position and/or official duties;
 - the amount of salary and/or the method for determining it, and any supplements, additional payments, premiums, and so on granted to employees;
 - validity period of the employment contract (if applicable);
 - duration and terms of any probation period, with the consent of the parties;
 - working time regime;
 - normal duration of working times, or summarised calculation of working time; and
 - the type and duration of annual leave (minimum, extended and additional).

The employer cannot stipulate working conditions that are less favourable to the employee than those defined by the Labour Code, and if such terms are stipulated they are null and void.

A collective labour agreement may be applicable, but signing one is not mandatory. If the parties decide to sign the collective agreement, it will define the:

- Conditions for the terms of probation periods.
- Conditions for significant changes in terms of employment and notification deadlines.
- Terms for the termination of the employment contract.
- Structure of work, rest periods, vacations and vacation dates.

A collective agreement can provide more favourable conditions for employees than those defined by the Labour Code. The terms of the agreement that are less favorable to employees compared with the regulations of the Labor Code will have no legal effect.

12. Do foreign employees require work permits and/or residency permits?

Foreign nationals must have a work permit to work in Armenia (*Law on Foreigners*). However, the management of companies with foreign investment can be undertaken by foreign employers without a work permit.

A foreign national must have a residence permit to legally stay in Armenia for more than 180 days per year. However, staying in Armenia is not a compulsory condition for working in Armenia, as, for example, the work can be done at a distance. Residence permits include:

- Temporary permits, for one year. The fee is AMD105.
- Permanent permits, for five years. The fee is AMD140.
- Special residence permits, for ten years, which are only available to persons who are Armenians by descent, and to foreigners engaged in economic or cultural activities. The fee is AMD150.

Termination and redundancy

13. Are employees entitled to management representation and/or to be consulted in relation to corporate transactions (such as redundancies and disposals)?

Employees are not entitled to compulsory management representation. Shareholders of the company have complete freedom regarding corporate transactions (this forms part of the constitutional provisions on freedom of business undertakings).

14. How is the termination of individual employment contracts regulated?

The employment contract can be terminated:

- By agreement of the parties, under any terms agreed between the employer and the employee, without any specific limitations.
- By the employee, by presenting a written notice to the employer not less than one month before leaving the position, without explaining the grounds or giving any other explanation (in case of, for example, chronic illness, the notification term can be decreased).
- By the employer, where there is a good reason under Article 113 of the Labour Code of Armenia and the legal procedures are observed. The good reasons include:
 - disciplinary violations by the employee (mainly, showing up to work drunk, under influence of drugs or being absent for a whole day without excuse);
 - the employee's non-compliance with their employment obligations;
 - the employee having reached retirement age; or
 - staff reductions/layoffs.

In the absence of the grounds under the Labour Code, the employer cannot terminate an employment contract by offering compensation for the termination. The statutory minimum notices for termination of employment by the employer are:

- In case of dissolution of the contract on staff reduction grounds, the employee must be given two-months' notice.
- In other cases, the term of the notice depends on the employee's work experience and must be between 14 and 60 days.
- In case of breach of labour discipline, notice does not have to be given.
- The notification obligation can be substituted by a payment of a penalty equal to the salary of employee equal to the number of days less than the required minimum period.

Any dissolution of the labour contract without legal grounds or in defiance of the defined procedures is considered to be unfair dismissal and the employee can apply to the court within two months after receiving the order on contract termination. If the court considers the termination of the employment contract was without legal basis or violated the procedure defined by the legislation, the employee can either:

- Be re-employed and paid for the whole period of their absence.
- Receive compensation of up to 12 times their average monthly salary, if re-employment is impossible.

15. Are redundancies and mass layoffs regulated?

If more than 10% of the total number of employees are envisaged to be dismissed during a two-month period, the employer must submit information about the number of the employees to be dismissed to the Ministry of Labour and Social Relations and to the employees' representative, not later than two months before the dissolution of the labour contracts.

Tax

Taxes on employment

16. In what circumstances is an employee taxed in your jurisdiction and what criteria are used?

Tax issues relating to taxation of labour compensation and other equivalent payments are regulated by the Tax Code of RA. The tax base consists of labour compensation and other equivalent payments received by the employee. The concept of tax residence is recognised. A resident is considered to be a natural person who satisfies one of the following:

- Has resided in Armenia for a total of 183 or more days during the course of the tax year at any stage of the 12-month period which starts and ends during the fiscal year (from 1 January through to 31 December).
- Has their centre of vital interests located in Armenia.
- Is a state servant of the Republic of Armenia and works temporarily outside of Armenia.

The location where the family or economic interests of the individual are concentrated is deemed to be their centre of vital interests. A centre of vital interests of an individual is generally:

- Where they have a house or apartment.
- Where their family reside and their main personal or family property is maintained.
- Where their core economic (professional) activity is based.

All other persons are recognised as non-resident.

All taxable income received within and outside Armenia forms part of the tax base for a resident. Taxable income received from Armenian sources forms part of the tax base for a non-resident.

17. What income tax and social security contributions must be paid by the employee and the employer during the employment relationship?

Generally, the employer acts as a tax agent and calculates and transfers income tax to the state budget for both resident and non-resident employees. The employee is the taxpayer and not the employer, who just has responsibility as tax agent. Tax residents and non-residents pay income tax for their employment remuneration and other equivalent payments at the same rate. Resident and non-resident employees also pay mandatory social contribution payments based on the amount of salary under the Law on Funded Pensions, if they are born after 1 January 1974. Non-residents pay social contribution payments on an equal basis. Mandatory payments must also be paid to a special fund, which is intended for the remuneration of soldiers or their families in case of death or some degree of harm to the health caused during the military service. The annual amount equals AMD12,000 for each employee.

Tax resident employees

The income tax rates for employees are as follows (*Tax Code of RA*):

- Up to AMD150,000: 23%.
- Between AMD150,000 and AMD2 million: 28%.
- Above AMD2 million: 36%.

The following rates are set for mandatory social payments (*Law on Funded Pensions*):

- 5% on salary up to AMD500,000.
- 10% on salary above AMD500,000.

Every month, tax agents calculate the income tax due. By the 20th day of the next month, tax agents must electronically submit to the tax office, a summary income tax return and pay the amount of income tax to the state budget. There are some exceptions. For example, organisations implementing projects under treaties signed and ratified on behalf of the Republic of Armenia are exempt from withholding income tax on incomes paid to individuals at source. In these cases, these organisations can, at their own discretion, act as tax agents on the basis of a declaration filed with the tax office, or otherwise individuals must themselves pay and submit tax returns under the same terms and conditions.

The same filing requirements are set for mandatory social payments.

Non-tax resident employees

See above, *Tax resident employees*.

Employers

Employers do not pay taxes but act as tax agents (see above, *Tax resident employees*).

Business vehicles

18. When is a business vehicle subject to tax in your jurisdiction?

Tax resident business

Tax residence for business vehicles is recognised by the Tax Code of RA. All companies who are registered in Armenia or whose place of residence is Armenia are deemed to be residents. All other companies are deemed to be non-residents.

Non-tax resident business

Non-tax resident businesses can operate in Armenia with or without establishing a permanent establishment (a branch is included in the notion of the permanent establishment). In both cases, the object of taxation is the taxable profit received from Armenian sources. Non-tax residents who operate in Armenia with the use of a permanent establishment must pay and submit tax returns and can deduct losses attributable to income derived from Armenian sources. Income received from the Armenian sources by non-tax residents is taxable at the source and the Armenian source entities must withhold and pay VAT and profit taxes on behalf of the non-tax residents.

19. What are the main taxes that potentially apply to a business vehicle subject to tax in your jurisdiction (including tax rates)?

Taxation is regulated by the Tax Code of RA. Taxpayers can choose between two taxation regimes:

- Profit tax plus VAT.
- Turnover tax instead of VAT and profit tax. This regime is not available to:
 - non-residents;
 - taxpayers who work under special taxation systems, such as in relation to presumptive payments and patent fees; and
 - taxpayers who pay excise tax.

Profit tax

For residents, the object of taxation is the taxable profit received within and outside Armenia. For non-residents, the object of taxation is the taxable profit received from Armenian sources. Taxable profit is gross income less expenses and is taxed at 20%.

If a non-resident engages in economic activity without a permanent establishment, taxation of the income derived by the non-resident in Armenia from Armenian sources must be performed by a tax agent at the income source. Armenian residents must submit tax returns on the calculation and payment of income to non-residents before the 20th date of the first month following the quarterly reporting period.

Under the Tax Code, residents and non-residents who engage in economic activity through a permanent establishment must submit tax returns and pay profit tax before 20 April following the yearly reporting period.

VAT

VAT is an indirect tax applicable when implementing transactions, such as a supply of goods, rendering services, importing goods, or free or partially free consumption. The VAT rate is 20%. If a foreign entity conducts VAT-taxable entrepreneurial activities in Armenia (including importing goods) but are not registered as entities conducting entrepreneurial activities in Armenia, Armenian VAT payers that are parties to contractual relations with the foreign entity must act as tax agents. Tax returns must be submitted before the 20th day of the first month following the reporting period (quarterly or monthly).

Turnover tax

Turnover tax applies to the marketing turnover and other income received from supplied products and rendered services. Income received from trade activities or from rendering services is taxed at 5%. Non-resident companies cannot be regarded as a turnover taxpayer. Reporting periods for calculation and payment of turnover tax are quarterly. The submission of the tax return and payment of turnover tax must be made before the 20th day of the following first month of the reporting period.

Other

Excise tax is applicable to the production or import of some special goods (for example benzene, some alcohol products, cigarettes and so on). Excise tax rates were increased by the new Tax Code, applicable from 1 January 2018 (see *Question 24*). Special tax regimes are available for certain activities. Presumptive payments are applicable (for example, for gas stations) and there are fees for public food services. Local taxes are also applicable for companies and individuals, such as local taxes for immovable property and vehicle taxes.

Dividends, interest and IP royalties

20. How are the following taxed:

- Dividends paid to foreign corporate shareholders?
- Dividends received from foreign companies?
- Interest paid to foreign corporate shareholders?
- Intellectual property (IP) royalties paid to foreign corporate shareholders?

Dividends paid

Dividends paid to foreign corporate shareholders are taxed at 10%, unless a treaty on the elimination of double taxation prescribes a more favourable rate.

Dividends received

Dividends received from foreign companies must be deducted from the tax base of the profit tax taxpayer. Dividends received by physical persons are taxable at 5% from 1 January 2018.

Interest paid

Interest paid to foreign corporate shareholders is taxed at 10%.

IP royalties paid

Royalties paid to foreign corporate shareholders are taxed at 10%.

Groups, affiliates and related parties

21. Are there any thin capitalisation rules (restrictions on loans from foreign affiliates)?

The thin capitalisation rules set maximum amounts, above which deduction of paid interest is not allowed. It is not possible to deduct paid interest for the use of loans or credits above an amount exceeding twice the bank interest rate established by the Central Bank of the Republic of Armenia (currently 12%, so an amount exceeding 24% is not deductible).

Interest paid on loans received by financial organisations is not deductible if it exceeds twice the equity capital. For a non-financial organisation, it is not deductible if it exceeds nine-times the equity capital. Interest paid on loans received by financial organisations is not deductible if the received loan is granted to a third party without interest, or if the amount of interest is less than would be the case if the loan was received from a financial organisation.

22. Must the profits of a foreign subsidiary be imputed to a parent company that is tax resident in your jurisdiction (controlled foreign company rules)?

There are no controlled foreign company rules under domestic law.

23. Are there any transfer pricing rules?

Under the Tax Code, transfer pricing rules are applicable for taxpayers who pay VAT, profit tax and/or royalties for the use of natural resources. Transactions between interconnected persons of these taxpayers are regarded as supervised transactions. If the amount of all supervised transactions of the taxpayer exceeds AMD200 million for the current year, transfer pricing rules can apply. In principle, a transfer price must match either:

- What the seller would charge an independent, arm's length customer.
- What the buyer would pay an independent, arm's length supplier.

Customs duties

24. How are imports and exports taxed?

VAT, and in special cases excise tax, is applicable to the imports of goods. The VAT rate is 20%. A zero VAT rate is applicable to the export of goods or the rendering of services outside Armenia. VAT is applied based on the custom value of the imported goods (the transaction price is the main option for deciding the customs value but in practice there can be some problems with this in practice. Custom authorities have a list of fixed prices and even if the documents necessary for clearance are in place, they can require additional documents or state, with reason, that the submitted documents are not sufficient. For the reporting obligations, see *Question 19, VAT*.

There are some additional procedural requirements for imports and exports from the countries of the Eurasian Union (Armenia, Russia, Kazakhstan, Belarus and Kyrgyzstan). For example, to apply for zero-rate VAT for exports made from Armenia to the territory of another Union member, relevant information on import of goods and payment of VAT in that other Union member state must be provided.

Double tax treaties

25. Is there a wide network of double tax treaties?

There is a wide network of international treaties for the avoidance of double taxation and the prevention of tax evasion, which are concluded with 46 countries, including Germany, Ireland, the UK, Russia, Cyprus and Malta. Negotiation on conclusion of double taxation elimination treaties with the US are currently ongoing. The final list is available (www.petekamutner.am/Content.aspx?itn=tsTLDoubleTaxationAvoidance).

Armenia joined the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting in 2017.

Competition

26. Are restrictive agreements and practices regulated by competition law? Is unilateral (or single-firm) conduct regulated by competition law?

Competition authority

The competition authority is the State Commission for the Protection of Economic Competition. Its website (www.competition.am) gives guidance on the competition law rules, including:

- When a concentration must be declared.
- Forms for the reports to be submitted by entities who hold dominant or monopoly positions.

Restrictive agreements and practices

The Law on the Protection of Economic Competition prohibits restrictive agreements and practices. The law defines restrictive agreements and practices as those that indirectly result or might result in the restriction, prevention or prohibition of competition, including:

- Contracts and agreements between economic entities.
- Direct or indirect joint actions or behaviours.
- Concerted practices.
- Decisions made by unions of economic entities.

Restrictive agreements and practices relate to the following, among other things:

- Distribution or division of markets or supply sources.
- Setting unfair prices.
- Restricting other economic entities from entering the market.

The Law on the Protection of Economic Competition sets substantial fines for the implementation of restrictive agreements and practices. An economic entity can be fined between AMD5 million and AMD200 million. The profit gained through implementation of restrictive agreements and practices can also be ordered to be paid to the state budget, as an additional penalty. The Criminal Code of Armenia also sets out criminal liability for setting unfair monopoly prices and for agreements and practices that restrict competition.

The regulations are applicable to foreign companies that operate in the Armenian market (for example, by establishing an Armenia-resident company or using a permanent establishment or by other means). If an Armenian-resident economic entity owned by a foreign company is engaged in restrictive agreements, the legal consequences may also be applicable to the foreign company, as these two entities may be regarded as a "group of persons".

Unilateral conduct

The Law on the Protection of Economic Competition prohibits the abuse of a dominant or monopoly position, including:

- Charging unreasonably high or low prices.
- Obstructing competitors in the market.
- Refusing to deal with certain customers or offering special discounts to customers who buy all or most of their supplies from the dominant company.

The Law on the Protection of Economic Competition sets substantial fines for the abuse of a dominant position. An economic entity can be fined between AMD5 million and AMD200 million. The profit gained through the abuse of dominant position can also be charged to the state budget. The regulations are applicable to foreign companies that operate in the Armenian market.

27. Are mergers and acquisitions subject to merger control?

Mergers and acquisitions are subject to merger control. The following cases are deemed to be a concentration under the Law on the Protection of Economic Competition:

- Consolidation of business entities.
- Mergers of business entities.
- The acquisition of assets of an economic entity by another economic entity, if the value of those assets together with the assets already owned by that economic entity equal 20% or more of the total assets of the first economic entity.
- The acquisition of shares of an economic entity by another business entity, if the amount of those shares together with the shares already owned by that economic entity equal 20% or more of the total shares of the first economic entity.
- Any unification of economic entities enabling one economic entity to directly or indirectly influence the decisions or competitiveness of another economic entity.

Economic entities must declare the concentration before putting it into action if:

- At least one of the parties of concentration holds dominant position in any market in Armenia.

- There is a horizontal concentration where, based on the results of previous financial year preceding the concentration, any of the following applies:
 - the total assets of the parties to the concentration equal AMD500 million or more, or the total assets of one of the parties equal AMD300 million or more;
 - the total gross income of the parties of the concentration equals AMD1 billion or more, or the gross income of one of the parties equals AMD700 million or more;
 - the total assets of the parties of the concentration equals AMD1 billion or more;
 - the total assets of one of the parties equals AMD700 million or more;
 - the total gross income of the parties of the concentration equals AMD3 billion or more; or
 - the total gross income of one of the parties equals AMD2 billion or more.

Concentrations can take place between business entities operating in:

- The same market (competitors or horizontal concentration).
- A market of interconnected but different markets (non-direct competitors, vertical concentration).
- Different markets (mixed concentration).

Whether foreign-to-foreign mergers and acquisitions are defined as a concentration (and therefore whether there is an obligation to submit a declaration) depends on whether they are operating in the Armenian market. If foreign companies operate in the Armenian market (for example, by establishing an Armenian resident company or by using a permanent establishment or other means) the regulations are applicable. There is no distinction between resident and non-resident companies when defining the notion of economic entity, so the main test for deciding whether there is a responsibility to declare the concentration, is deciding whether there is an operation in the market by the foreign entity.

Intellectual property

28. Outline the main IP rights in your jurisdiction.

Patents

Definition and legal requirements. Patents are granted for technical solutions in any domain that concerns a product, use or method. There are three conditions for the patentability of the invention:

- It must be new.
- It must have an inventive value.
- It must be industrially useful.

Registration. Patents are registered by the Intellectual Property Agency of Armenia. The Agency website has guidance on the procedure and necessary form samples (*www.aipa.am*).

Enforcement and remedies. If the object of the protection is a product, the right holder has an exclusive right to prohibit any third party from manufacturing, using, introducing to market, offering for sale, or importing or obtaining the product for any of those purposes. Similar prohibitions can be imposed if the object is a method. The infringement of a patent can result in civil and criminal responsibility imposed by a competent court.

Length of protection. 20 years from the moment of introduction of the application.

Trade marks

Definition and legal requirements. A trade mark is a mark that is used to distinguish the products and/or services of one person from the products and/or services of another. There are very detailed regulations on the circumstances where the registration must or can be rejected. For example, circumstances precluding the possibility of registration include the mark being:

- Non-distinctive.
- Descriptive or generic.
- Representative only of the form of the product itself.
- Against public order or morals.

Protection. Trade marks are registered by the Intellectual Property Agency of Armenia. The Agency website has guidance on the procedure and necessary form samples (*www.aipa.am*). For unregistered trade marks, the only protection available is refusal by the Agency to register any mark that is confusingly similar to the unregistered trade mark being used in Armenia or outside of its territory, where the applicant is not acting in good-faith.

Enforcement and remedies. The right holder of a registered trade mark has a right to prohibit:

- Any use of a mark that is identical to his or her trademark for the same products and/or services.
- Any use of an identical or similar mark for identical or similar products and/or services, if there is a possibility of confusion in the spirit of the public.
- Any use of an identical or similar mark for different products and/or services, if the trade mark is well-known in Armenia and the use of the mark would unfairly benefit the infringing party.

Length of protection and renewability. Ten years from the moment of introduction of the application and then it can be renewed indefinitely for ten years at a time.

Registered designs

Definition. A design is a solution in connection with the appearance of the object, that is new and unique.

Registration. Designs are registered by the Intellectual Property Agency of Armenia. The Agency website has guidance on the procedure and necessary form samples (*www.aipa.am*).

Enforcement and remedies. A right holder has a right to prohibit any use of the design without their permission. The infringement can result in civil responsibility imposed by a competent court.

Length of protection and renewability. Five years from the moment of introduction of the application. It can be renewed further for five years at a time but for no more than for 25 years in total.

Unregistered designs

Definition and legal requirements. An unregistered design is a design that is protected by the law, although it is not registered.

Enforcement and remedies. No specific remedies are explicitly prescribed by law for unregistered designs. However, there is general protection under unfair competition or other general concepts.

Length of protection. Three years from the moment when the design was made public in Armenia.

Copyright

Definition and legal requirements. Copyright protects unique results of creative work that are both:

- Executed by the author alone or together with other authors in the fields of literature, science and art.
- Expressed in oral, written or other objective form, regardless of form of creation, its value or the purpose of its creation.

Protection. Copyright does not require registration.

Enforcement and remedies. The author has the exclusive right to use their creation as they wish and to prohibit or authorise its use by a third party. The infringement of copyright can result in civil and criminal responsibility imposed by the competent court.

Length of protection and renewability. The tangible rights of the author are protected during their lifetime and for 70 years after their death. The intangible (personal) rights do not have any time limit for protection.

Other

Inventions can also be protected as utility models or trade secrets, and signs can also be protected as geographical indications or designations of origin.

Marketing agreements

29. Are marketing agreements regulated?

Agency

Under an agency agreement, the agent undertakes an obligation to conduct legal or other actions in accordance with instructions given by the principal and in return for certain remuneration, either on his or her behalf but at the principal's expense, or on behalf of the principal and at the principal's expense. There is no restriction on the nationality of the parties. The agency agreement can be exclusive or non-exclusive. It must have a written form. There is no obligation for registration.

Distribution

The Civil Code of Armenia does not specifically regulate distribution agreements.

Franchising

Under a franchising agreement, the right holder allows its exclusive rights to be used by another party in its commercial activities. The parties must be commercial organisations or sole proprietors. There is no restriction on their nationality. The contract must be in written form and be registered by the entity that registered the right holder. If the right holder is registered in a foreign state, the contract must be registered by the entity that has registered the user. If the agreement concerns the use of an object protected by patent, the permission for use must be registered by the authority that registers the patents and trade marks.

Franchising agreements can be exclusive or non-exclusive.

E-commerce

30. Are there any laws regulating e-commerce (such as electronic signatures and distance selling)?

Laws exist on the circulation of electronic documents, electronic signatures, electronic invoicing and electronic purchases. In addition, the government is currently in the process of reviewing the Civil Code to regulate e-commerce more in detail, including in relation to consumer protection issues.

Advertising

31. Outline the regulation of advertising in your jurisdiction.

The Law on Advertising sets requirements concerning the content of advertisements and their circulation. There are restrictions in relation to the advertising of alcohol, tobacco, weapons, drugs, medicines, medical services and

pharmaceutical activities, gambling and casinos, and some other areas. Advertisements must be either in Armenian, or accompanied by Armenian translation, except for trade marks and registered brands.

Data protection

32. Are there specific statutory data protection laws? If not, are there laws providing equivalent protection?

The law on protection of personal data entered into force on 1 July 2015. This law regulates any processing or other use of data concerning individuals (personal data), and prescribes rules of state oversight over its use.

Product liability

33. How is product liability and product safety regulated?

The main relevant act is the Law on Protection of Rights of Consumers, which prescribes the right of consumers to products (for example, works and services) that are safe for their life, health and property. A victim has a right to full compensation for damages, regardless of whether or not the consumer was in direct contractual relations with the seller or service provider. The victim can demand reparation of damages caused by defects of a product from the seller or the manufacturer. Damages caused by defects of works and services must be compensated by the seller or provider.

Main business organisations

State Register of the Legal Entities of the Ministry of Justice of the Republic of Armenia
W www.e-register.am

Main activities. Registration of legal entities, their separated divisions and sole proprietors.

State Revenue Committee under the Government of the Armenia

W www.taxservice.am and www.customs.am

Main activities. Tax services and customs.

State Committee of Real Property Cadastre of the Government of Armenia

W www.e-cadastre.am

Main activities. State registration of real property rights and restrictions.

Online resources

Armenian Legal Information System (ARLIS)

W www.arlis.am

Description. Official database of Armenia legislation with up-to-date acts.

Contributor profiles

Sedrak Asatryan, Managing Partner

Concern Dialog



T +374 77 262 226

F +374 10 575 121

E sedrak.asatryan@dialog.am

W <http://dialog.am>

Professional qualifications. Attorney, Armenia

Areas of practice. Head of labour law practice.

Recent engagements

- Has managed and completed around 15 major labour law related due diligence processes of companies (within support of M&A processes or as a standalone service) during 2015 to 2017.
- Is representing the employer's republican union during the tripartite consultations with the republication workers union and the Ministry of Labor and social relations.
- Has authored two handbooks on labour law issues and is regularly conducting trainings on different labour law issues, including work safety standards, correct implementation of hiring and dismissal procedures, internal labour regulations, collective agreements and others, including based on legislative developments and on recent court practice. He is also regularly co-authoring labour law publications in different comparative guides (Chambers and partner Global practice guide, ICLG, GLG, Thompson Reuters Practical law and others).

Languages. Armenian, Russian, English (limited working proficiency)

Professional associations/memberships. Chamber of Advocates of RA (since 2008); US Alumni Association in Armenia (since 2010).

Aram Orbelyan, Senior Partner

Concern Dialog



T +374 93 662 726

F +374 60 278 888

E aram.orbelyan@dialog.am

W <http://dialog.am>

Professional qualifications. Attorney, Armenia

Areas of practice. Head of litigation and arbitration practice. Actively engaged in governmental relations and policy advice area of practice.

Recent transactions

- Assisted clients in developing relevant legal framework on numerous cases (drafted legislation and supported during public and internal discussions), as well as acted as individual consultant to many projects sponsored by international organizations on development of policy and legislative documents (including legislation on protection of foreign direct investment, NGO legislation, civil procedure code, law on commercial arbitration and many others).
- Represented clients in several high-level cases on defamation (including cases with participation of previous ministers and prime ministers of Armenia).
- Has lead the team on behalf of the Yerevan Municipality acting as a respondent in a case brought before the International Court of Arbitration of ICC.
- Is representing the Government of Armenia in ongoing ICSID arbitration.

Languages. Armenian, Russian, English, German (limited proficiency)

Professional associations/memberships. Member to the Russian association of international law (since 2008); Member to the Chamber of Advocates of RA (since 2009); Founding member to the International and Comparative law Centre NGO (since 2010); Arbitrator of the International Centre for Settlement of Investment Disputes (ICSID) of the World Bank (since 2013); Arbitrator of ADR Partners dispute resolution centre (since 2014); Member of the International Editorial Board of Belarusian Yearbook of International Law (since 2015); Member to US Alumni Association of Armenia (since 2011), President of the Association of Arbitrators of Republic of Armenia.

Janna Simonyan, Partner

Concern Dialog



T +374 91 211 050

F +374 10 575 121

E janna.simonyan@dialog.am

W <http://dialog.am>

Professional qualifications. Attorney, Armenia

Areas of practice. Labour and employment.

Recent engagements

- As part of broader due diligence or as standalone service performed labor law due diligence checks for at least seven major cases in 2015-2017.
- Regularly organizes individual and group courses on labor law regulations and developments, seminars on issues related to labor law for HR department managers and employees of organizations, and discussions on labor law with law clinic students from universities of Armenia.
- Has successfully represented clients (both employees and employers) in more than 200 labor law related cases since 2014.

Languages. Armenian, Russian, English (limited working proficiency).

Professional associations/memberships. Chamber of Advocates of RA (since 2010).

Narine Beglaryan, Partner

Concern Dialog



T +374 99 353 452

F +374 10 575 121

E narine.beglaryan@dialog.am

W <http://dialog.am>

Professional qualifications. Attorney, Armenia

Areas of practice. Head of corporate and financial law practices and is extensively engaged in privacy and data protection practices

Recent engagements

- Supported a share sale transaction in major Armenian mining company (mostly on Armenian corporate, contract law, as well as regulatory issues).
- Leads a major project on purchase of land plots for further construction thereon as well as establishment of construction company, investments into construction company, submission for licenses and approval for construction of building in the land plots,
- Performed a due diligence of proposed subjects of pledge (around 60), supported a conclusion and registration of pledge agreements (involve mining company and foreign investors),
- Managed the process for registration of a successor's rights toward pledge and security (over 200 registrations),
- As part of broader due diligence process has completed corporate law due diligence of a major payment and settlement organization, as well as supported the share transfer process.

Languages. Armenian, English, Russian

Professional associations/memberships. Chamber of the Advocates of the RA (since 2012).

Roustam Badasyan, Senior Associate

Concern Dialog



M +374 55 207 416

T +374 10 575 121

E roustam.badasyan@dialog.am

W <http://dialog.am>

Professional qualifications. Attorney, Armenia

Areas of practice. Head of tax law and white-collar crime areas of practices.

Recent transactions

- Represented a major Armenian management software producer in proceedings before the State Commission on protection of economic competition (SCPEC) in connection to allegations of abuse of dominant position.
- Represented the major mining company in tax and royalty payment dispute with the tax authorities in a dispute over 4 bln AMD. Additional taxes and penalties were requested in connection to VAT, profit tax, corporate tax of non-resident and royalty payments for nature utilization.
- In several cases has successfully represented shareholders of the company against the management of the company for breach of fiduciary duties, including in criminal proceedings. This is a new development in Armenian practice. Those crimes are very rarely investigated properly, as there is a lack of sufficient skills and knowledge, and it is only evolving field.

Languages. Armenian, English, Russian.

Professional associations/memberships. Chamber of the Advocates of the RA (since 2015).

Ani Varderesyan, Junior Associate

Concern Dialog



M +374 93 418 551

T +374 10 575 121

E ani.varderesyan@dialog.am

W <http://dialog.am>

Areas of practice. International and comparative law.

Recent transactions

- As part of a team participated in the dispute resolution procedures initiated in connection with the rehabilitation works of 17 pumping stations in Armenia performed based on the General Conditions of FIDIC Yellow Book ed 1999.
- Supported the Lawyers' team in representing the interests and drafting written submissions on behalf of the Yerevan Municipality acting as a respondent in a case brought before the International Court of Arbitration of ICC.
- Provided legal representation and participated in negotiations on behalf on the NGO aimed at settlement of the dispute between said NGO and European Union Delegation in Armenia in connection with the grant received for implementation of a project in Yerevan and six other regions of the RA.

Languages. Armenian, English, Russian, French

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