



VAT Navigator

# Armenia



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Bloomberg Tax

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Bloomberg Tax & Accounting's VAT Navigator provides an overview of the VAT, GST or sales tax regime in more than 200 jurisdictions. The VAT Navigator is continuously updated to reflect developments as they happen and is supported by local experts who review and provide in-country expertise.

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## 1. Legal Basis

The primary Armenian VAT legislation is the Tax Code of Armenia, 2018 (the "Tax Code"), as amended.

The primary Armenian Customs legislation is the Law on Customs Regulation 2015 (the "Customs Code"), as amended.

The State Revenue Committee (the "Tax Authority") is responsible for the administrative oversight of VAT in Armenia, under Article 4(12) of the Tax Code.

## 2. Scope of Tax

### 2.1. In General

Article 60 of the Tax Code provides that VAT is levied on:

- The supply of goods, conduct of works or provision of services in Armenia; and
- Imports of goods.

### 2.2. Goods

#### *Taxation of Supplies of Goods*

Supplies of goods are generally subject to VAT under Article 60 of the Tax Code.

Under Article 4 of the Tax Code, "goods" are defined as any asset other than cash, financial assets, intangible assets and goodwill. Foreign currency in the context of currency dealing or currency exchanges is deemed to be goods.

A supply of goods is defined in Article 4(41) of the Tax Code as the transfer of the right of ownership over goods from one person to another, with or without consideration. This includes supplies through pipelines, transfers of debts in the form of collateral, and certain transfers of leased objects to a lessee.

#### *Time of Supply*

Article 38 of the Tax Code provides that, generally, the time of supply of goods is the earlier of:

- When the goods are delivered to the recipient; and
- When the delivered goods are received by the recipient.

However, if the ownership of the goods passes to the recipient at any other time by agreement, that point is the time of supply.

#### *Place of Supply*

Generally, when a supply of goods does not involve their removal to or from Armenia, the goods are treated as supplied in Armenia if they are in Armenia at the time of the supply, under Article 37 of the Tax Code.

If goods are not in Armenia at the time of supply, they are treated as outside the scope of Armenian VAT.

A supply that involves the removal of goods from Armenia is generally treated as made in Armenia.

### 2.3. Services

#### *Taxation of Supplies of Services*

Supplies of services are generally subject to VAT under Article 60 of the Tax Code.

#### *Supplies of Services*

Under Article 4 of the Tax Code, "services" are actions with no material nature provided to, and consumed by, a recipient.

The provision of services is the performance of a service for the benefit or consumption of a recipient, with or without consideration. Examples also include certain leasing of assets, and the provision or sale of an intangible asset.

Electronic services are the provision of services through an information network, including the internet, the supply of which is impossible without the use of information technology. A list of electronic services is provided in Decision N 178-N, dated February 17, 2022. For a link to this decision, see Appendix 15.2.

### *Time of Supply*

Article 40(4) of the Tax Code provides that the time of supply is generally the earlier of:

- When the services are performed; and
- When the ownership of any rights or intangible assets are transferred to the recipient.

For continuous supplies of services, the time of supply is taken to be the end of every reporting period.

The time of supply of electronic services by a nonresident supplier to unregistered recipients is the last day of the quarter in which the payment for the services is made.

### *Place of Supply*

Article 39(1)(4) of the Tax Code provides that the place of supply of services is generally the location of the service recipient, however, certain services are subject to special rules.

For example, services related to immovable property are supplied in the location of the property, and services relating to culture art, science, tourism and health are supplied where performed.

The place of supply of electronic services is Armenia if the service is received by a recipient located in Armenia. Where the electronic service is received by unregistered recipients, the location of the recipient is Armenia if any of the individual's place of residence, bank account, IP address or mobile phone country code are located in Armenia.

## **2.4. Imports**

### *Imported Goods*

Armenian VAT is generally payable on all purchases of goods brought from outside Armenia as part of a business activity, at the same rate as applies to domestic supplies, under Article 60 of the Tax Code.

The importer is generally liable to pay Armenian VAT (referred to as "import VAT") on goods imported into Armenia when the importer is a taxable person.

Under Article 59(6) of the Tax Code, nontaxable natural persons are relieved from paying VAT on import on goods unless they are imported for entrepreneurial activities. The definition of entrepreneurial activity depends on the type of activity carried out. The relevant import limits are provided in Decision N 171-N, dated February 13, 2020. A link to this decision is provided in Appendix 15.2.

Under Article 78(5) of the Tax Code, the time of importation is generally the point when the goods are released into free circulation in Armenia.

### *Imported Services*

A taxable person must collect and pay VAT for services or rights received in Armenia from a nonresident with no place of business in Armenia, under Article 70(2) of the Tax Code. The Armenian taxpayer must collect and pay VAT at the time of payment for the services, under the reverse charge mechanism.

## **2.5. Exempt Supplies**

No VAT is charged on exempt supplies, and no credit is given for related input VAT.

Under Article 64 of the Tax Code, VAT exemptions apply to various supplies, including medical, educational and financial services; newspapers and magazines; gambling; and religious services.

## **2.6. Zero-rated Supplies**

Zero-rated supplies are subject to VAT at the nil rate and a credit is available for related input VAT.

Under Article 65 of the Tax Code, a zero rate of VAT is applicable to supplies including exports and related services, and certain supplies related to international transport. To apply the exemption for exports, original official or commercial proof of export must be retained and available for inspection by the Tax Authority where

required. Such proof may include official customs documents, air or seaway bills, and commercial invoices, under Article 57 of the Tax Code.

### 3. Registration

#### *Registration, Generally*

Article 59 of the Tax Code provides that persons are required to register for VAT if they carry out an entrepreneurial activity and their turnover from taxable or exempt supplies in the preceding tax year exceeds 115 million drams.

Persons not required to register for VAT may register voluntarily.

Article 293 of the Tax Code provides that entrepreneurs meeting the requirements for VAT registration must submit an application to the Tax Authority within 20 days, following the format specified in Decree 190 - N.

The Tax Authority maintains a searchable list of VAT-registered persons on its official website.

Registration may be completed online.

#### *Registration of Nonresident Persons*

Supplies of services or rights to Armenian taxable recipients from a nonresident are subject to the reverse charge.

#### *Nonresident Suppliers of Electronic Services*

Article 288 of the Tax Code provides that nonresident suppliers with no permanent establishment in Armenia, providing specified electronic services to individuals who are not sole entrepreneurs or public notaries in Armenia, must register for VAT with the Tax Authority. The Tax Authority publishes a list of all registered nonresident suppliers on its website.

Nonresident suppliers of electronic services may register for VAT in Armenia using the e-VAT system administered by the Tax Authority.

#### *Turnover Tax Regime*

Resident organizations and individual entrepreneurs with turnover in the preceding calendar year of less than 115 million dram, are considered turnover taxpayers under Article 254 of the Tax Code, unless an application for VAT registration is submitted.

Turnover tax is calculated based on the turnover for the reporting period for each type of activity, with no deductions or offsetting permitted, according to Article 258 of the Tax Code.

### 4. Chargeable Amount

#### *General Rule*

Article 61 of the Tax Code provides that the value of a supply of goods or services in Armenia is generally the total monetary consideration received for the supply, excluding VAT.

#### *Imports*

Under Article 61(3) of the Tax Code, the value of goods imported into Armenia is the sum total of the customs value, customs duty and excise tax (if any).

In the case of imports of goods from Eurasian Economic Union (EAEU) member states into Armenia, the valuation for VAT purposes is the acquisition value of imported goods, plus any excise tax.

For imports of tobacco products, the valuation for VAT is the maximum retail price marked on the package as prescribed by the Armenian legislation, excluding VAT.

#### *Adjustments*

Under Article 62(6) of the Tax Code, if a supply of goods or services is provided for no consideration, or is significantly undervalued, the valuation for VAT purposes is generally taken to be 80% of the actual value of identical or similar supplies.

A supply is considered to be significantly undervalued where the consideration excluding VAT is at least 20% lower than the net market value of identical or similar supplies.

## 5. Tax Rates

### *Standard Rate*

The standard rate of Armenian VAT is 20%, under Article 63 of the Tax Code.

### *Reduced Rates*

The Armenian Tax Code does not provide for any reduced rates of VAT.

## 6. Input Tax Credits

### *General Rules*

Article 71 of the Tax Code provides that input VAT that has been paid for goods and services used to make taxable supplies in the course of carrying on a business is generally deductible for Armenian VAT purposes.

A claim must be supported by a valid tax invoice or import declaration for input tax to be available as a credit. All tax invoices should be issued electronically and verified by electronic signature in order to claim input VAT.

Input VAT is specifically irrecoverable under Article 72 of the Tax Code on certain supplies, for example:

- VAT-exempt or nonbusiness activities;
- If the underlying tax invoice is not received, not submitted or incomplete; and
- Certain vehicles not acquired for hire or resale.

Under Article 70 of the Tax Code, the input VAT deduction should be claimed in the Armenian VAT period in which the taxable transaction occurred and the invoice has been electronically signed.

## 7. Refunds

### *Availability of Refunds*

If an Armenian taxpayer's input VAT exceeds his or her output VAT liability for a taxable period, the excess credit amount is carried forward to set against VAT liabilities in future periods, under Article 74 of the Tax Code.

### *Process*

Input VAT credit may be carried forward indefinitely. Alternatively, a taxpayer may claim a refund to the taxpayer's unified tax account on a monthly basis, from the day following the end of the reporting period. The claim is based on a joint calculation of VAT and excise taxes due, if any, in the previous month. Requests for a refund are subject to verification by the Tax Authority.

## 8. Reverse Charge

Article 70(2) of the Tax Code provides that an Armenian taxable person must apply the reverse charge to supplies of services or rights received from a nonresident without a place of business in Armenia.

Under the reverse charge, the purchaser is responsible for accounting for the VAT on behalf of the nonresident.

For supplies to nontaxable recipients in Armenia, the nonresident must generally register and account for VAT.

## 9. Administrative Matters

### **9.1. Invoices**

Taxable persons who supply nonexempt goods or services are required to issue a tax invoice meeting the requirements of Article 55 of the Tax Code.

The invoice must contain information prescribed under Article 55 of the Tax Code, including:

- Unique invoice number and invoice date;
- Name, address and TIN of the supplier;
- Name, address and TIN (if applicable) of the recipient;
- Detailed description of the goods or services, including date of supply, total price and unit value; and
- Rate and amount of any VAT.

Taxpayers must issue invoices electronically through the e-invoicing system.

A link to the e-invoicing software is provided in Appendix 15.2.

### *Language*

Article 33 of the Tax Code provides that where invoices are provided in languages other than Armenian, English or Russian, a notarized translation into Armenian must also be provided.

### *Currency*

Where the counterparty to a transaction is a foreign legal entity, the price may be indicated in foreign currency. The conversion of any VAT amounts must be made using the average exchange rate published by the Central Bank of the Republic of Armenia on the date of the invoice, under Article 16 of the Tax Code.

## **9.2. Filing and Payment**

### *Timing*

Under Article 75 of the Tax Code, the filing deadline for Armenian VAT returns is the 20th of the month following the reporting period.

Article 69 of the Tax Code defines the reporting period for calculation and payment of VAT as one calendar month.

For nonresident suppliers of electronic services, the reporting period is one quarter.

### *Method*

Electronic VAT return filing is compulsory for all VAT-registered taxpayers.

Nonresident suppliers of electronic services may submit their VAT return using the e-VAT system administered by the Tax Authority.

### *Payment*

Article 78 of the Tax Code provides that taxpayers must pay the tax for the VAT return period by the deadline for filing the VAT return.

In the case of imports of goods, the import VAT must be paid to the Customs authority prior to the release of goods into free circulation in Armenia.

Payments of VAT amounts due to the Tax Authority must be made by bank transfer. There is generally no restriction on payments from a foreign bank account.

Nonresident suppliers of electronic services may pay the VAT due on such services using the e-VAT system administered by the Tax Authority.

## **10. Interest and Penalties**

A taxpayer may be subject to financial penalties, imprisonment, and prohibition from engaging in commercial activity as punishment for various civil and criminal activities, under Article 400 of the Tax Code. Armenia levies interest on underpaid VAT at statutory rates.

Failure to raise a correct invoice for a supply of goods may result in a penalty of 50% of the value of the goods, with a minimum value of 200,000 dram. There are no similar penalties for supplies of services.

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Where a taxpayer raises an invoice for a fictitious supply, he or she may be liable for a penalty of 1 million dram, under Article 415 of the Tax Code. Repeated violations incur increased penalties.

In addition to interest charges, late payment triggers a penalty amount of 0.04% for each overdue calendar day, under Article 401 of the Tax Code.

Failure to submit the VAT return by the filing deadline may result in a penalty of 5% of the VAT liability for each 15 days of delay, up to the total amount of VAT due.

An underdeclaration of VAT due may result in a penalty of 50% of the understated VAT, under Article 403 of the Tax Code. Repeated violations incur increased penalties.

Illegal activities may result in a penalty of 50% of the business income generated as a result of those activities, with a minimum amount of 200,000 dram. Repeated violations may incur increased penalties or criminal sanctions.



## About the Author



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From 2016 to 2019, Arthur Hovhannisyan held the position of the First Deputy Minister of Justice of the Republic of Armenia. He was responsible for ensuring the drafting and improvement of the legislation of the Republic of Armenia including the normative acts based on the Constitutional reforms, legal expertise and state registration of legal acts, official translation, publication and re-publication of legal acts, developing policy in the field of notary, advocacy, compulsory enforcement of judicial acts, mediation and bankruptcy.

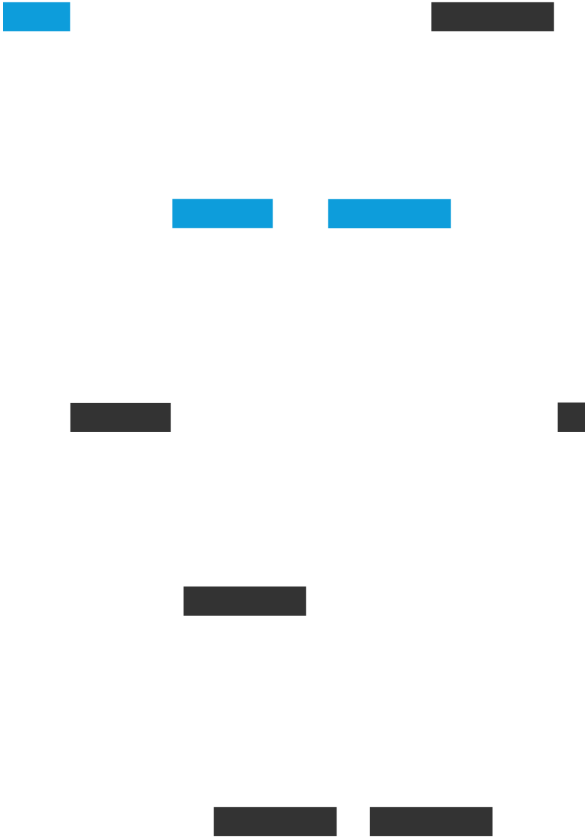
He holds a bachelor's degree in law and a master's degree in international relations from Yerevan State University. In 2009, he completed the Advanced Training Certificate Program in Public Policy and Public Administration at the Fletcher School of Law and Diplomacy at Tufts University (Boston. USA).



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