



Country Guide

Armenia

Information provided is current as of October 2022



Bloomberg Tax

Table of Contents

1.	Overview	1
1.1.	Government and Tax System	1
1.2.	Currency	1
1.3.	Membership of International Organizations	1
1.4.	Official Websites	1
1.5.	Automatic Exchange of Information	1
2.	Corporate Tax Computation and Administration	1
2.1.	Residence, Taxable Status, Entity Characterization	1
2.2.	Corporate Tax Base	2
2.3.	Taxable Year	3
2.4.	Computing Taxable Income	3
2.5.	Intercompany Dividends	4
2.6.	Special Tax Regimes	4
2.7.	Double Taxation Protection	5
2.8.	Returns and Filing Dates	5
2.9.	Payment Mechanics	6
2.10.	Statute of Limitations	7
3.	Corporate Tax Rates	7
3.1.	National Taxes	7
3.2.	State, Cantonal, Provincial or Other Local Taxes	8
3.3.	Taxes Imposed as a Penalty	8
4.	Corporate Tax Capital Gains, Losses, Group Treatment	8
4.1.	Taxation of Corporate Capital Gains	8
4.2.	Definition of Corporate Capital Gains	8
4.3.	Computation	8
4.4.	Corporate Combinations and Divisions	9
4.5.	Position of Losses from Business Operations	9
4.6.	Group Treatment	9
5.	Corporate Withholding Taxes on Nonresident Corporations	10
5.1.	Dividends	10
5.2.	Interest	10
5.3.	Royalties	10
5.4.	Services	10
5.5.	Other Withholding Taxes	10
5.6.	Special Tax Havens Rates	10
6.	Personal Taxes	11
6.1.	Domicile and Residency Requirements	11
6.2.	Income Tax Base	11
6.3.	Main Rates and Bands	12
6.4.	Dividends	12
6.5.	Interest	12
6.6.	Social Security/National Insurance Payments	12
6.7.	Royalties and Rents	13

7.	Transfer Pricing Policies	13
7.1.	Application	13
7.2.	Permissible Pricing Methods	14
7.3.	Penalties for Improper Pricing	14
7.4.	Advance Rulings or Pricing Agreements	14
7.5.	Documentation	14
8.	Anti-Avoidance Provisions	15
8.1.	General Anti-Avoidance Provisions	15
8.2.	Thin Capitalization/Other Interest Deductibility Rules	15
8.3.	Controlled Foreign Company (CFC) Rules	15
9.	Other Taxes	15
9.1.	Payroll Taxes	15
9.2.	Capital Taxes (Capital Duties)	15
9.3.	Property Taxes	16
9.4.	Miscellaneous Taxes	16
10.	Special Industries	16
10.1.	Oil, Gas and Mineral Extraction	16
10.2.	Banking and Finance	17
	About the Author	18

Bloomberg Tax Country Guides provide overviews of the tax regimes of more than 200 jurisdictions. The Country Guides are continuously updated to reflect developments as they happen. Written by local experts, each jurisdiction profile covers corporate taxation, personal taxation and social security, transfer pricing and anti-avoidance rules, important miscellaneous taxes, and any special tax regimes applicable to the oil, gas, mining, and banking sectors.

This Armenia Country Guide is a sample of our content. The full version of this Country Guide is available with a subscription to Bloomberg Tax. To learn more or request a demo, visit

pro.bloombergtax.com/international-tax-resources.

1. Overview

1.1. Government and Tax System

The Republic of Armenia ("Armenia") is a unitary parliamentary state with separation of powers between the executive government led by the Prime Minister, a single chamber National Assembly as the supreme legislative authority, and an independent judiciary. The head of state is the President. The tax authority is the State Revenue Committee (SRC).

Legislation must be passed by the National Assembly and approved by the President. It becomes law on publication in the Official Gazette.

The key source of tax legislation in Armenia is Law No. HO-165-N of October 4, 2016, establishing the Tax Code of Armenia (TCA), which entered into force on January 1, 2018 and is amended from time to time.

For a link to the legislation, see Section 1.4.

Companies are subject to corporate income tax (locally known as "profit tax"), under the general system of taxation.¹ In addition, the TCA provides for two special taxation regimes, applicable depending on the type of business and other factors such as turnover. For more information, see Section 3.1.1 and Section 3.1.2.

1.2. Currency

The currency of Armenia is the Armenian dram.

1.3. Membership of International Organizations

Armenia is a member of the Eurasian Economic Union (EEU) and the World Trade Organization (WTO).

1.4. Official Websites

Government agencies

- Ministry of Finance – <http://www.minfin.am>
- Central Bank of Armenia – <https://www.cba.am>
- State Revenue Committee (Tax Authority) – <https://www.petekamutner.am>

Legislation

- Database of Armenian Legislation – <https://www.arlis.am>

1.5. Automatic Exchange of Information

Armenia has signed the Convention on Mutual Administrative Assistance in Tax Matters.

Armenia has enacted legislation to implement a FATCA Model 2 IGA with the United States.

Armenia is a member of the Organization for Economic Cooperation and Development's (OECD's) Inclusive Framework on BEPS, a group of countries that is developing standards on BEPS-related issues and is reviewing and monitoring implementation of the OECD/G20 BEPS Action Plan.

2. Corporate Tax Computation and Administration

2.1. Residence, Taxable Status, Entity Characterization

2.1.1 Residence

A company is a resident of Armenia if it is incorporated and located in Armenia. Location of a company means the place of state registration of the company.²

2.1.2 Taxable Status

Companies resident in Armenia are subject to CIT on their taxable income.

¹ TCA, art. 8.

² TCA, arts. 22 and 23.

2.1.3 Legal Classification of Nonresident Entities

A foreign enterprise undertaking business activity in Armenia must be registered with the SRC as a taxpayer and may conduct entrepreneurial activity either through a permanent establishment (PE) (see Section 2.2.4) or a branch of the foreign head office.³

2.2. Corporate Tax Base

2.2.1 Resident Corporations

A company resident in Armenia is subject to tax on its worldwide income.⁴ Capital gains from the disposal of assets are included in taxable income (see Section 4).

2.2.2 Nonresident Corporations

Nonresident corporations are taxed in Armenia on the income which arises in, or is derived from, Armenian sources.⁵

2.2.3 Non-Corporate Business Entities

2.2.3.1 Recognition

In Armenia, non-corporate business entities include the individual entrepreneur,⁶ full partnership (otherwise referred to as the general partnership),⁷ limited partnership,⁸ and joint activity as agreed by contract.⁹ Both individual entrepreneurs and commercial organizations can be participants (i.e., partners) in full and limited partnerships, and in joint activities.¹⁰

2.2.3.2 Tax Status

Individual entrepreneurs are generally taxed under the CIT rules, although the turnover tax may apply instead under certain circumstances (see Section 3.1.3 and Section 9.4). Partnerships and joint activities are taxed in the hands of their individual partners (i.e., as individual entrepreneurs or commercial organizations).¹¹

2.2.4 Permanent Establishments

2.2.4.1 Domestic Law Definition

"Permanent establishment" (PE) is generally defined in the TCA as a place of business in Armenia through which a nonresident organization or nonresident natural person conducts entrepreneurial activity, irrespective of the period of performance of the activity.¹² However, the sale by a nonresident of goods at exhibitions and fairs in Armenia is deemed to create a PE in Armenia if the activity lasts for more than 30 days.¹³

Further, entrepreneurial activities carried out by a dependent agent in Armenia on behalf of a nonresident commercial organization or nonresident natural person will be deemed to be operated through a PE where all of the following applies:

- the agent is contractually authorized to represent the nonresident's interests in Armenia, to act on the nonresident's behalf and at the nonresident's expense, and to act and/or carry out certain legal actions;
- the activities of the agent are not carried out within the framework of the activities of a customs representative, a specialized participant in the securities market and other brokerage activities (with the exception of insurance intermediary activities); and
- the activities of the agent are not limited to those of a preliminary or ancillary nature.¹⁴

2.2.4.2 Treaty Definition

Armenian tax treaties, in general, are in line with the OECD model.

³ TCA, art. 27.

⁴ TCA, art. 104, part 1(1).

⁵ TCA, art. 104, part 1(3).

⁶ Civil Code, art. 26.

⁷ Civil Code, arts. 77-89.

⁸ Civil Code, arts. 90-94.

⁹ Civil Code, arts. 1026-1038.

¹⁰ Civil Code, arts. 72 and 1026.

¹¹ TCA, art. 8.

¹² TCA, art. 27, part 1.

¹³ TCA, art. 27, part 3.

¹⁴ TCA, art. 27, part 5.

2.2.4.3 Creation via Performance of Services

The performance of works or provision of services in Armenia can create a PE where the works are performed or the services are provided by employees and/or other staff in Armenia for at least 183 calendar days in a tax year, starting from the day of commencement of the entrepreneurial activity within the framework of one or more related projects.¹⁵

2.2.4.4 Creation via Customer Downloads or Website Access

The TCA does not provide for the creation of a PE via customer downloads or website access. See, however, Section 2.2.4.3 for the general provisions under which a PE can be created via performance of services.

2.2.4.5 Creation via Cloud Services

The TCA does not provide for the creation of a PE via cloud services. However, in practice, income from cloud services can be considered a royalty or a lease and taxed accordingly. See also Section 2.2.4.3 for the general provisions under which a PE can be created via performance of services.

2.3. Taxable Year

2.3.1 Default Taxable Year

The tax year in Armenia for CIT purposes is the calendar year.¹⁶

2.3.2 Reference Year for Computation of Tax

Income tax is paid on taxable income earned and received in each tax year. Thus, returns filed in 2022, with regard to the taxpayer's liability for the 2021 tax year, will report income earned and received in 2021 and calculate tax accordingly.¹⁷

2.4. Computing Taxable Income

2.4.1 General

Taxable income for CIT purposes is the positive difference of gross income and deductible expenses.¹⁸

2.4.2 Exempt Income

Armenia does not exempt significant items of income from taxable income. Exceptions exist for goods received, works accepted and/or services rendered as an investment made in joint activity.¹⁹

For exemptions related to the agriculture industry, see Section 2.6.4.

2.4.3 Inventory Valuation and Inventory Flow

Armenia's legislation on preparation and submission of financial statements includes general provision for inventory of assets and liabilities. Mandatory inventories (e.g., as required before preparing annual financial statements) must be conducted as prescribed by the Public Supervision Committee.²⁰

2.4.4 Depreciation or Capital Allowances

Tangible and intangible assets are depreciated over their useful lives on a straight-line basis. The TCA provides for minimum amortization periods, ranging from one year to 20 years, depending on the type of asset. Residents and nonresidents carrying on activities in Armenia through a PE (see Section 2.2.4) are permitted to fully deduct the original cost of fixed and intangible assets up to the value of 50,000 drams in the year of acquisition.²¹

¹⁵ TCA, art. 27.

¹⁶ TCA, art. 13, part 4, and art. 129.

¹⁷ TCA, art. 13, parts 2 and 3, and art. 53.

¹⁸ TCA, art. 105.

¹⁹ TCA, art. 108.

²⁰ Law on Accounting, Law No. HO-282-N of December 4, 2019, art. 14.

²¹ TCA, art. 121, part 2(1).

2.4.5 Reserves

Allowable deductions for reserves are limited to the following:²²

- in the case of CIT taxpayers, for reserves for writing off unreliable accounts receivable (i.e., bad debts); and
- for banks, other financial institutions and insurance firms, for reserves for writing off bad debts and for contingent losses.

2.4.6 Special Allowances

For CIT purposes, a deduction of 150 percent is allowed for salary and other equivalent fees paid to disabled employees, or for payments made to a disabled person performing works or providing services under a civil law contract.²³

Also, a deduction is allowed for the cost of the assets provided to, works performed for, and services provided to libraries, museums, general education schools, boarding houses, nursing homes, orphanages, medical institutions, and nonprofit organizations, subject to a maximum deduction of 0.25 percent of gross income for the tax year.²⁴

2.4.7 Special Provisions or Limits Applicable to Foreign Companies

There are generally no special rules for nonresident companies.

2.5. Intercompany Dividends

Dividends paid by resident companies to other resident shareholder taxpayers (including companies) are passive income for CIT purposes; such dividends are included in the tax base of the taxpayer and taxed accordingly (see Section 3.1.1).²⁵

2.6. Special Tax Regimes

2.6.1 Economic Zones

The Law on Free Economic Zones (FEZ), amended in October 2018, provides exemptions from VAT, profit tax, customs duties, and property tax.

The TCA also provides that taxpayers operating in a free economic zone (FEZ) established in Armenia are exempt from CIT on the income derived from activities carried out in the FEZ.²⁶

2.6.2 International Finance or Holding Companies

There are no specific provisions or special tax regimes for international finance or holding companies.

2.6.3 Research and Development Companies and Activities

There are no special CIT incentives for research and development (R&D) companies and activities in Armenia.

2.6.4 Other Special Regimes

Incentives for specific sectors

A preferential tax regime applies to taxpayers that operate in the IT sector. Qualifying IT start-up companies are exempt from CIT until December 31, 2022. They are also eligible for a preferential payroll tax rate for their employees equivalent to 10 percent of their gross wages as compared with the rates set out in Section 6.3.1. On March 24, 2022, the Armenian Government announced an additional employee tax incentive for the IT sector, providing a 50 percent individual income tax deduction for each employee of new and existing IT sector businesses, subject to certain conditions.²⁷

CIT taxpayers engaged in the production of agricultural products are exempt from CIT until December 31, 2024.²⁸

²² TCA, art. 123, parts 1(2) and (3), and art. 124.

²³ TCA, art. 123, part 1(6).

²⁴ TCA, art. 123, part 1(5).

²⁵ TCA, art. 107, parts 1(2) and 3(1).

²⁶ TCA, art. 126, part 7.

²⁷ Order of the Government of the Republic of Armenia, No. 399 of March 24, 2022.

²⁸ TCA, art. 126, part 1.

Licensed resident companies involved in production of electric energy from renewable sources are granted a CIT exemption for revenues from electric energy sales.²⁹

Incentives for government-approved projects

Resident companies involved in business projects (excluding projects in the field of trade and finance) that are approved by governmental decree are granted a deduction equal to 100 percent of the salaries paid for newly established jobs. The exemption cannot, however, exceed 30 percent of the CIT payable for the relevant tax period. The deduction applies in the year of launching the business plan and in the following five years.³⁰

Incentives for large exporters

Until December 31, 2029,³¹ resident companies or groups of companies exclusively engaged in qualifying exports of goods, as approved before January 1, 2019 under a government-devised program, can benefit from reduced corporate income tax rates. The reduced rates are as follows:

- companies with a total annual export turnover of at least 40 billion drams – 5 percent; and
- companies with a total annual export turnover of at least 50 billion drams – 2 percent.

The incentive is not available to companies engaged in the field of extraction and/or processing of minerals and the processing and sale of precious stones, metals, and excisable goods.

2.7. Double Taxation Protection

2.7.1 Mechanics

Armenia grants an ordinary tax credit for the foreign taxes paid by companies on income from foreign sources. The credit cannot exceed the amount of tax assessable in Armenia in respect of the foreign-source income. Any excess may, however, be carried forward and offset against future CIT liabilities.³²

2.7.2 Treaty or Statutory Priority

In Armenia, the double tax treaties (DTTs) prevail over local tax legislation. Domestic legislation allows taxpayers to apply DTT provisions in cases where they permit a more favorable tax treatment for the taxpayer.³³

For treaty information, including the number of agreements signed or in force, original treaty texts, translations, consolidations and any modifications made by the Multilateral Instrument, if applicable, see the International Tax Treaties Collection.

2.7.3 Source of Interpretation

Armenia is not an OECD member, but in practice follows the OECD guidelines.

2.8. Returns and Filing Dates

2.8.1 Filing Deadline

The deadline for submitting the CIT return is April 20 following the reporting year.³⁴

2.8.2 Filing Method

In general, CIT returns must be filed electronically, but may be submitted in paper form in certain circumstances.³⁵

2.8.3 Extensions

It is not possible to obtain an extension for the filing deadline.

²⁹ TCA, art. 108, part 1(16).

³⁰ TCA, art. 127.

³¹ TCA, art. 128, since invalidated by Law No. HO-338-N of June 21, 2018, art. 32. However, the application of the incentive has been extended until December 31, 2029

(from a previous extension until end-2021), by Law No. HO-214-N of May 26, 2021, art. 1.

³² TCA, art. 20.

³³ RA Constitution, art. 5, part 3.

³⁴ TCA, art. 134, part 1.

³⁵ TCA, art. 53, part 5.

2.8.4 Penalties

The penalty for late filing of the CIT return is calculated as 5 percent of the total tax owed for each full 15 days during which the return remains unfiled. Penalties imposed must not exceed the total amount of tax due.³⁶

2.9. Payment Mechanics

2.9.1 Internal Withholding on Resident Companies

Resident companies that make certain payments to nonresident CIT taxpayers are required to act as tax agents, and withhold tax at source on those payments where the nonresident taxpayer:

- carries out activities in Armenia without a PE; or
- carries out activities in Armenia through a PE, but whose income is not attributable to the PE.³⁷

However, for dividend payments made to nonresident taxpayers, the tax must be withheld irrespective of whether or not the dividend is attributable to a PE.

Withholding tax rates on such payments are as follows:³⁸

- (i) income derived from insurance indemnities, reinsurance fees and transportation/freight – 5 percent;
- (ii) passive income (except for points (iii) and (iv) below) – 10 percent;
- (iii) dividends – 5 percent;
- (iv) increases in the value of assets derived from the alienation of securities – 0 percent; and
- (v) other income derived from sources in Armenia – 20 percent.

For information on the withholding tax rates on passive income payments made by resident companies to individual taxpayers, see Section 6.4, Section 6.5, and Section 6.7.

2.9.2 Schedule for Tax Payments or Deposits

Companies that are subject to the CIT must make advance quarterly payments by the 20th day of the third month of each quarter. The advance payments are equal to 20 percent of the CIT reported by a company for the previous tax year. In the event the amount of CIT for the previous tax year has not yet been reported in the annual tax return, the advance payments may not be lower than the last advance payment made in that previous tax year.³⁹

Alternatively, companies may choose to make advance payments equal to 2 percent of the revenue reported by the company for the previous quarter. This option must be declared to the SRC on the prescribed form before March 20 of the current tax year.⁴⁰

The tax balance due must be paid by April 20 of the year following the reporting year (i.e., the same deadline for filing the annual CIT return). If the company appeals an assessment, it may be permitted to postpone payment of outstanding taxes.⁴¹

2.9.3 Electronic Payments

Tax payments may be made electronically.

2.9.4 Interest and Penalties

For a late tax payment, a fine of 0.04 percent is calculated on the overdue tax amount for each calendar day after the time limit for payment, but not more than for 730 days.⁴²

³⁶ TCA, art. 402.

³⁷ TCA, art. 132, part 1.

³⁸ TCA, art. 125, part 4, as amended by Law No. HO-68-N of June 25, 2019, art. 31.

³⁹ TCA, art. 135, parts 1 and 3.

⁴⁰ TCA, art. 135, part 4.

⁴¹ TCA, art. 136.

⁴² TCA, art. 401.

2.10. Statute of Limitations

The statute of limitations is three years following the tax year in which a violation of the TCA was committed. The statute of limitations can be suspended where, for example, fraud is found to have been committed.⁴³

3. Corporate Tax Rates

3.1. National Taxes

3.1.1 Corporate Tax Rates

Current CIT rate: 18 percent.

Resident CIT taxpayers and nonresident CIT taxpayers carrying out activities in Armenia through a PE (see Section 2.2.4) are subject to a CIT rate on taxable income of 18 percent.⁴⁴

3.1.2 Alternative Tax Regime

Qualifying resident businesses can benefit from two optional alternative tax regimes: the turnover tax regime, and the micro-enterprise regime.

Turnover tax regime

The turnover tax regime⁴⁵ is available for resident businesses whose annual sales turnover does not exceed 115 million drams (which is the same as the VAT registration threshold, for which see the VAT Navigator), subject to certain conditions. "Sales turnover" is defined as business income received from the supply of goods, performance of works, or provision of services, in monetary terms, which does not include amounts of VAT, excise tax, or environmental tax.

The turnover tax replaces the CIT and VAT. Turnover tax rates range from 1.5 percent to 25 percent,⁴⁶ depending on the type of business activity, the most notable of which are as follows:

- trading activities – 5 percent;
- production activities – 3.5 percent; and
- income from rents, interest, royalties, and immovable property – 10 percent.

Turnover taxpayers may deduct, from the turnover tax payable, 4 percent of the costs (i.e., VAT, excise tax, and environmental tax) associated with purchasing goods (including imported goods) intended for immediate resale. However, the final turnover tax payable for trading activities after such deduction cannot be less than 1.5 percent of the tax base for the reporting period. Unused deductible costs resulting from the minimum 1.5 percent tax amount can be carried forward and deducted against the tax base for future reporting periods, on condition the minimum 1.5 percent tax amount continues to be complied with.⁴⁷

Turnover taxpayers are required to submit tax calculations on a quarterly basis and make tax payments within 20 days following the end of the reporting period.

Certain entities are excluded from the regime, including banks, insurance companies, investment companies, and other specified services.⁴⁸

Micro-enterprise regime

Resident commercial organizations whose sales turnover does not exceed 24 million drams can opt to be taxed under the micro-enterprise regime, subject to certain conditions.⁴⁹ Under this regime, business entities are exempt from regular business income taxation, including CIT, turnover tax, and VAT.⁵⁰ Instead, micro-enterprises are required to pay, by the 20th day of the month following the month to which the payment relates, a fixed monthly amount equivalent to 5,000 drams for each hired employee.⁵¹ However, micro-enterprises under this regime continue to be liable for paying certain other taxes, such as import and excise taxes, monthly employee

⁴³ TCA, art. 44.

⁴⁴ TCA, art. 125.

⁴⁵ TCA, arts. 253-265.

⁴⁶ TCA, art. 258, part 1.

⁴⁷ TCA, art. 258, part 2.

⁴⁸ TCA, art. 254, part 3.

⁴⁹ TCA, arts. 266-272.

⁵⁰ TCA, arts. 8 and 269.

⁵¹ TCA, arts. 269 and 271.

payroll taxes, and the environmental tax.⁵²

Certain entities are excluded from the regime, including banks, insurance companies, investment companies, traders operating in the city of Yerevan, and businesses providing advisory, legal, accounting, and other specified services.⁵³

Individual entrepreneurs can also benefit from this regime.

3.1.3 Special Reduced Rates or Regimes

For various tax incentives and exemptions, see Section 2.6. For alternative turnover tax and micro-enterprise tax regimes, see Section 3.1.2.

3.1.4 Special Additional Taxes or Levies

There are no additional taxes or levies.

3.2. State, Cantonal, Provincial or Other Local Taxes

3.2.1 Main Rates

There are no local taxes on corporate taxable income.

3.2.2 Reduced Rates

There are no local taxes on corporate taxable income.

3.2.3 Income Tax Base

There are no local taxes on corporate taxable income.

3.2.4 Income Tax Deductions

There are no local taxes on corporate taxable income.

3.2.5 Incentives

There are no local CIT incentives.

3.2.6 Non-Income Taxes in States

Local taxes comprise immovable property tax and vehicle property tax (see Section 9.3).

3.3. Taxes Imposed as a Penalty

There are no taxes imposed as a penalty.

4. Corporate Tax Capital Gains, Losses, Group Treatment

4.1. Taxation of Corporate Capital Gains

There is no separate capital gains tax. Gains from the disposal of assets are included in taxable income.

4.2. Definition of Corporate Capital Gains

"Capital gain" is defined in the TCA as the positive difference between the sales price and the book value of an asset of a nonresident organization record-registered but having no PE in Armenia, or a nonresident natural person record-registered but having no PE in Armenia.⁵⁴

4.3. Computation

The gain from the realization of an asset or liability is the excess of the consideration received over the cost of the asset or liability at the time of realization. The cost of the asset is the original acquisition cost adjusted by capital amounts with respect to the asset, such as revaluations and depreciation or amortization.⁵⁵

⁵² TCA, art. 269, part 2.

⁵³ TCA, art. 267, part 5.

⁵⁴ TCA, art. 4, part 1(36).

⁵⁵ TCA, art. 4, part 1(36), and art. 107, part 3(5).

4.4. Corporate Combinations and Divisions

4.4.1 Mergers

The tax liabilities of a reorganized organization must be satisfied by the legal successor of the organization. In the case of a merger of organizations, the legal successor responsible for discharging tax liabilities is the organization resulting from the merger.⁵⁶

In the case of an absorption of organizations, the legal successor responsible for discharging tax liabilities is the organization that has absorbed the other organization.⁵⁷

In the case of a restructuring of an organization, the legal successor responsible for satisfying tax liabilities is the organization established as a result of the restructuring.⁵⁸

4.4.2 Transfers of Corporate Property

The TCA does not have specific provisions for transfers of corporate property as part of a corporate reorganization.

4.4.3 Share Transfers

The TCA does not have specific provisions for share transfers as part of a corporate reorganization.

4.4.4 Divisions or Separations

In the case of a division of an organization, the legal successors responsible for the discharge of tax liabilities are the organizations established as a result of the division in accordance with the balance sheet.⁵⁹

In the case of a separation of one or more organizations from a legal entity, the tax liabilities of the reorganized legal entity passes on to each of the separate organizations in accordance with the balance sheet.⁶⁰

4.5. Position of Losses from Business Operations

4.5.1 Definition

The TCA defines a tax loss as the negative difference between gross income and allowable deductions.⁶¹

4.5.2 Treatment

For CIT purposes, tax losses are deductible from ordinary business income. They can be carried forward for five years following the year in which the loss was incurred; no carryback is permitted.⁶² Where losses occur over each of several tax years, in carrying forward such losses, priority must be given to the earliest loss.⁶³

4.5.3 Losses After Change in Ownership

In the case of a reorganization, losses incurred as a result of activities carried out during the preceding five tax years cannot be deducted from the gross income of the newly established organization.⁶⁴

4.6. Group Treatment

4.6.1 General Rule

The TCA does not have provisions for consolidated CIT for group entities.

4.6.2 Definition of Group

In Armenia, there is no definition of "group" for CIT purposes under the TCA.

4.6.3 Special Aspects

There are no special aspects related to group treatment in the TCA.

⁵⁶ TCA, art. 49, parts 1 and 2.

⁵⁷ TCA, art. 49, part 3.

⁵⁸ TCA, art. 49, part 6.

⁵⁹ TCA, art. 49, part 4.

⁶⁰ TCA, art. 49, part 5.

⁶¹ TCA, art. 123, part 1(4).

⁶² TCA, art. 123, part 1(4).

⁶³ TCA, art. 123, part 1(4)(a).

⁶⁴ TCA, art. 123, part 1(4)(h)-(j).

5. Corporate Withholding Taxes on Nonresident Corporations

5.1. Dividends

Dividends are subject to a final 5 percent withholding tax when they are paid to nonresident CIT taxpayers which:

- carry out activities in Armenia without a PE in Armenia; or
- carry out activities in Armenia through a PE, but whose income is not attributable to the PE.

5.2. Interest

Interest is subject to a final 10 percent withholding tax when it is paid to nonresident CIT taxpayers which:

- carry out activities in Armenia without a PE in Armenia; or
- carry out activities in Armenia through a PE, but whose income is not attributable to the PE.⁶⁵

Interest derived from government bonds and paid to nonresident CIT taxpayers is exempt from withholding tax.⁶⁶

5.3. Royalties

Royalties are subject to a final 10 percent withholding tax when they are paid to nonresident CIT taxpayers which:

- carry out activities in Armenia without a PE in Armenia; or
- carry out activities in Armenia through a PE, but whose income is not attributable to the PE.⁶⁷

5.4. Services

Payments for services rendered are subject to a final withholding tax when they are paid to nonresident CIT taxpayers which:

- carry out activities in Armenia without a PE in Armenia; or
- carry out activities in Armenia through a PE, but whose income is not attributable to the PE.

The withholding tax rates are as follows:

- 5 percent on income derived from insurance indemnities, reinsurance fees, and transportation/freight; and
- 20 percent on income derived from other services where such income is from a source in Armenia.⁶⁸

5.5. Other Withholding Taxes

Rental income and capital gains realized from disposal of assets are subject to a final 10 percent withholding tax when they are paid to nonresident CIT taxpayers which:

- carry out activities in Armenia without a PE in Armenia; or
- carry out activities in Armenia through a PE, but whose income is not attributable to the PE.⁶⁹

All other income paid to such nonresident CIT taxpayers is subject to a final 20 percent withholding tax.⁷⁰

However, income from an increase in the value of assets derived from the alienation of securities is exempt.⁷¹

5.6. Special Tax Havens Rates

In Armenia, there are no special tax havens rates.

⁶⁵ TCA, art. 125, part 4(2).

⁶⁶ TCA, art. 126, part 5.

⁶⁷ TCA, art. 125, part 4(2).

⁶⁸ TCA, art. 125, part 4(1) and part 4(5).

⁶⁹ TCA, art. 125, part 4(2).

⁷⁰ TCA, art. 125, part 4(5).

⁷¹ TCA, art. 125, part 4(4).

6. Personal Taxes

6.1. Domicile and Residency Requirements

An individual is deemed to be a resident in Armenia for a year of assessment if:⁷²

- he or she is physically present in Armenia during the tax year for an aggregate period of 183 days or more; and/or
- his or her center of vital interest is in Armenia (i.e., his or her family or economic interests are concentrated there, for example, his or her main residence, family home, principal place of business or other activity is located in Armenia).

6.2. Income Tax Base

6.2.1 Tax Base for Residents

Armenian residents are taxed on their worldwide income.⁷³

6.2.2 Tax Base for Nonresidents

Generally, nonresidents are taxed on their gross income derived from sources in Armenia. Note, however, that foreign income attributable to the PE located in Armenia of a nonresident natural person carrying out economic activities in Armenia is subject to Armenian taxation.⁷⁴

6.2.3 Personal Income Subject to Income Tax

Taxable income includes employment income and employee benefits, business income, and passive income.⁷⁵

6.2.4 Deductions and Allowances

Various deductions are permitted for the purpose of determining the tax base. These include, for example:⁷⁶

- state benefits and pensions received in accordance with relevant legislation;
- voluntary pension contributions, subject to a limit of no more than 5 percent of the individual's tax base;
- certain insurance compensation;
- alimony and maintenance payments;
- assets, works and services received from noncommercial organizations without compensation; and
- state scholarships received by the students of higher education institutions, Ph.D. students, and students of specialized secondary and vocational educational institutions.

Income tax refunds can be claimed for certain payments made, subject to conditions, including:⁷⁷

- interest paid on mortgage loans used to purchase the individual's private home; and
- for hired employees, full-time tuition fees incurred at an accredited higher education institution to achieve masters and post-graduate degrees in government-approved specialized fields.⁷⁸

The individual income deduction on mortgage interest will be gradually abolished as follows in:

- the 1st zone of Yerevan (Yerevan city centre), from July 1, 2022;
- the 2nd zone, from January 1, 2023;
- the 3rd zone, from July 1, 2023; and
- property located in remaining areas of the city, from January 1, 2025.

⁷² TCA, art. 25, part 1 and part 3(1).

⁷³ TCA, art. 141, part 1(1).

⁷⁴ TCA, art. 141, part 1(2).

⁷⁵ TCA, art. 144, part 1(1).

⁷⁶ TCA, art. 147.

⁷⁷ TCA, art. 159.

⁷⁸ For a list of the government-approved specialized fields, see Government Decision No. 1035-N of June 18, 2020.

6.3. Main Rates and Bands

6.3.1 Individual Tax Rates

Generally, resident and nonresident individuals are subject to income tax at a rate of 21 percent on their annual taxable income.⁷⁹

This rate is scheduled to be reduced to 20 percent from January 1, 2023.

Individual entrepreneurs meeting certain conditions can opt to be taxed under the micro-enterprise regime (see Section 3.1.2).

6.3.2 Individual Returns, Filing Dates, and Payment

Tax agents (e.g., employers) responsible for collecting income tax owed by individual taxpayers are required to submit, electronically, the calculation report of income tax and payment of the tax to the SRC by the 20th day of the month following that in which income was paid.⁸⁰ In the event tax agents are exempt from collecting and paying income tax, individuals must submit an annual tax return by April 20 of the year following the reporting year.⁸¹

For individual entrepreneurs and notaries subject to CIT, the filing and payment requirements outlined in Section 2.8 and Section 2.9 apply.

See also Section 2.8.4 and Section 2.9.4 for the penalties applicable in the event of failure to meet the filing and payment requirements.

6.4. Dividends

6.4.1 Domestic Corporations

Dividends distributed by domestic corporations are subject to a withholding tax rate of 5 percent.⁸²

Where an individual receives dividends from a resident corporation and reinvests them in the share capital of the same corporation in the same tax year, he or she is eligible for a refund of the tax paid on those dividends.⁸³

6.4.2 Foreign Corporations

Dividends paid by foreign corporations to resident individuals are subject to a final withholding tax rate of 5 percent.⁸⁴

6.5. Interest

6.5.1 Domestic Borrowers

Interest income paid by domestic borrowers to resident and nonresident individuals is subject to a final withholding tax rate of 10 percent.⁸⁵

6.5.2 Foreign Borrowers

Interest income paid by nonresident borrowers to resident individuals is subject to a final withholding tax rate of 10 percent.⁸⁶

6.6. Social Security/National Insurance Payments

6.6.1 Employer Tax or Contribution

Employers have no social security or funded pension obligations other than to withhold contributions from employee wages.

6.6.2 Employee Tax or Contribution

Employees in the private sector born after January 1, 1974 must pay social security payments, under the Law on Funded Pensions (LFP).

⁷⁹ TCA, art. 150, part 1.

⁸⁰ TCA, arts. 53, 151, 152, and 156, part 4(2).

⁸¹ TCA, arts. 153 and 156, part 4.

⁸² TCA, art. 150, part 8.

⁸³ TCA, art. 159.

⁸⁴ TCA, art. 150, part 8.

⁸⁵ TCA, art. 150, part 5.

⁸⁶ TCA, art. 150, part 5.

The rates and maximum monthly contribution are as follows:

- from January 1, 2021 – 3.5 percent of monthly salary not exceeding 500,000 drams, or 10 percent of monthly salary exceeding 500,000 drams (up the maximum monthly threshold), capped at a maximum monthly contribution of 32,500 drams;⁸⁷
- from January 1, 2022 – 4.5 percent of monthly salary not exceeding 500,000 drams, or 10 percent of monthly salary exceeding 500,000 drams (up the maximum monthly threshold), capped at a maximum monthly contribution of 27,500 drams;⁸⁸ and
- from January 1, 2023 – 5 percent of monthly salary not exceeding 500,000 drams, or 10 percent of monthly salary exceeding 500,000 drams (up the maximum monthly threshold), with a maximum monthly contribution of 25,000 drams.⁸⁹

The maximum monthly threshold is set at 1,020,000 drams.⁹⁰

6.6.3 Employee Tax Collection Mechanism

Employees' social security contributions are withheld by employers from employee wages.⁹¹

6.7. Royalties and Rents

6.7.1 Domestic Licensors

Royalties paid to resident individuals by either residents or nonresidents are subject to a final withholding tax rate of 10 percent.⁹²

Rents paid to resident individuals by either residents or nonresidents are subject to a final withholding tax rate of 10 percent. In cases where the sum total of the rentals received during the tax year exceeds 60 million drams, an additional income tax rate of 10 percent is applied to the excess amount.⁹³

6.7.2 Foreign Licensors

Royalties and rents paid to nonresident individuals by resident companies are taxed according to the same rules and rates as royalties and rents received by residents. See Section 6.7.1.

7. Transfer Pricing Policies

7.1. Application

Under the transfer pricing regime, the SRC is authorized, in the event of both domestic and cross-border controlled transactions totaling 200 million drams in a given tax year between related taxpayers, to verify the calculation and payment of the following taxes:⁹⁴

- VAT;
- CIT; and/or
- royalties to compensate the use of metallic minerals, or paid as a profit for mining metals.

Two or more taxpayers are considered related where, directly or indirectly, one taxpayer:⁹⁵

- owns 20 percent or more of the statutory or equity capital of the other taxpayer;
- controls 20 percent or more of the voting rights of the other taxpayer;
- oversees the formation/selection of the other taxpayer's executive board or board of directors;
- has guaranteed loans to the other taxpayer that exceed 51 percent of the latter's total assets;

⁸⁷ LFP, art. 81, part 8.1, as amended by Law No. HO-72-N of June 25, 2019, art. 2.

⁸⁸ LFP, art. 81, part 8.2, as amended by Law No. HO-72-N of June 25, 2019, art. 2.

⁸⁹ LFP, art. 6, part 2.

⁹⁰ LFP, art. 6, part 6.

⁹¹ LFP, art. 7.

⁹² TCA, art. 150, part 6.

⁹³ TCA, art. 150, part 7.

⁹⁴ TCA, art. 360, part 2, and arts. 362 and 363.

⁹⁵ TCA, art. 362.

- derives 80 percent of business income from transactions with the other taxpayer;
- incurs 80 percent of expenses from purchasing goods or services from the other taxpayer;
- has invested more than 50 percent of its assets in a joint venture with the other taxpayer; and/or
- has entered into a free use of property agreement whereby the value of the property exceeds 51 percent of the borrower's total asset value.

7.2. Permissible Pricing Methods

The acceptable transfer pricing methods are:⁹⁶

- the comparable uncontrolled price (CUP) method;
- the resale price method;
- the cost-plus method;
- the transactional net margin method; and
- the profit split method.

The most appropriate method should be selected to determine the arm's-length price of a controlled transaction; if the CUP method can be applied with equal confidence as for other methods, then the CUP method should be used to determine the arm's-length price.

7.3. Penalties for Improper Pricing

The TCA does not provide for separate penalty provisions for improper pricing. See, however, Section 2.9.4 for penalties applicable to nonpayment and late payment generally.

7.4. Advance Rulings or Pricing Agreements

There are no provisions for advance rulings or pricing agreements in Armenia.

7.5. Documentation

If the total amount of controlled transactions exceeds the 200 million drams threshold in a current tax year, the taxpayer is required to notify the SRC of such transactions on the prescribed form no later than April 20 of the year following the tax year in which those transactions were concluded.⁹⁷

Taxpayers are required to prepare and maintain documentation to demonstrate their compliance with the arm's-length principle. The documentation should include the following information:⁹⁸

- a detailed description of the taxpayer's business functions, including analysis of the impact of economic factors on the pricing processes for goods, intangible assets, works and/or services;
- a detailed description of the taxpayer's organizational structure;
- a description of the controlled transactions, including analysis of comparability factors, and the functions performed by the parties to each transaction, the assets used, and the risks involved;
- a description of the transfer pricing method(s) used and a justification for why that method was chosen;
- a list of parties to the controlled transactions, including information on their residence of taxation;
- a description of the sources of information used in the comparability analysis;
- calculation of the arm's-length range, where applicable;
- financial and other necessary information on the party to be analyzed;
- detailed information on any adjustments made by the taxpayer; and

⁹⁶ TCA, art. 368.

⁹⁷ TCA, art. 375.

⁹⁸ TCA, art. 376, part 1.C

- any other information that the taxpayer considers important to demonstrating compliance with the arm's-length principle.

Transfer pricing documentation must be submitted, in paper form or electronically, within 30 days from the date of the SRC's written request to do so.⁹⁹

There are no separate penalty provisions for noncompliance with these requirements. See Section 2.8.4 for general penalty provisions.

8. Anti-Avoidance Provisions

8.1. General Anti-Avoidance Provisions

There is no general anti-avoidance provision in the TCA.

8.2. Thin Capitalization/Other Interest Deductibility Rules

For resident taxpayers and nonresident taxpayers operating in Armenia through a PE (see Section 2.4.4), a portion of interest payable cannot be deducted from gross income under the following circumstances:¹⁰⁰

- the portion of interest accrued on loans and/or borrowings (including under financial leasing contracts) exceeds double the Central Bank of Armenia base rate as at December 31 of the tax year; or
- for loans from lenders that are not banks or credit organizations, the portion of interest accrued exceeds:
 - double the positive amount of equity available to the taxpayer as of the last day of the tax year; or
 - nine times the positive value of the equity available to the taxpayer as of the last day of the tax year.

In the event of a negative equity amount as of the last day of the tax year, interest expenses accrued on borrowings from lenders not considered a bank or credit organization during the tax year cannot be deducted from gross income.

8.3. Controlled Foreign Company (CFC) Rules

There are no CFC rules in Armenia.

9. Other Taxes

9.1. Payroll Taxes

In addition to the payroll taxes described at Section 6.3.2 and Section 6.6, a stamp fee is withheld from each employee's monthly salary and transferred to the Insurance Foundation for Servicemen to support veterans injured during military service. For employed individuals, the stamp fee amounts are as follows:

- for salary income up to 100,000 drams – 1,500 drams;
- for salary income between 100,001 drams and 200,000 drams – 3,000 drams;
- for salary income between 200,001 drams and 500,000 drams – 5,500 drams;
- for salary income between 500,001 drams and 1 million drams – 8,500 drams; and
- for salary income above 1 million drams – 15,000 drams.¹⁰¹

For individual entrepreneurs, the stamp fee ranges from 18,000 drams, on sales turnover up to 1.2 million drams, to 180,000 drams, on sales turnover exceeding 12 million drams.¹⁰²

9.2. Capital Taxes (Capital Duties)

There are no capital taxes or duties in Armenia.

⁹⁹ TCA, art. 376, parts 2 and 3.

¹⁰⁰ TCA, art. 114.

¹⁰¹ Law on Compensation for Damages to the Life or Health of Servicemen, art. 12(1).

¹⁰² Law on Compensation for Damages to the Life or Health of Servicemen, art. 12(2).

9.3. Property Taxes

9.3.1 Transfer Taxes, Including Real Property Transactions

There is no transfer tax in Armenia.

9.3.2 Real Property Taxes

Real estate tax is assessed and collected at municipal level. It is paid by organizations and individuals who own property located in Armenia, as well as permanent users of state-owned land. The tax is levied on land, houses, apartments and other buildings.¹⁰³ Various exemptions apply, including newly planted vineyards and orchards, and property of historical or cultural value.¹⁰⁴

The tax base is the cadastral value of land and buildings; for agricultural land, it is net income calculated on the basis of the cadastral value.¹⁰⁵

The real estate tax rate is 15 percent for immovable property deemed to be agricultural land. For nonagricultural land, the rates range from 0.05 percent to 1 percent. For industrial real estate, the tax rate is 0.25 percent.¹⁰⁶

The tax is paid annually, by December 1 of the tax year.¹⁰⁷

9.3.3 Taxes on Movable Property

Vehicle property tax is assessed and collected at municipal level on motor/engine driven vehicles (including water vehicles).¹⁰⁸ The tax base is the engine power; rates range from 40 drams to 1,000 drams per horsepower, depending on the type of vehicle, for the first two years for new vehicles, then reduced by 10 percent (capped at 50 percent of the tax amount) for the third and subsequent years.¹⁰⁹

Individuals and organizations must pay the tax annually, by December 1 of the tax year.¹¹⁰

9.3.4 Fixed Asset Taxes

Other than real estate taxes (see Section 9.3.2), there are no fixed asset taxes in Armenia.

9.4. Miscellaneous Taxes

The following miscellaneous taxes are imposed in Armenia:

- excise tax (e.g., on tobacco and alcohol products, and fuel);¹¹¹
- environmental tax;¹¹²
- road tax;¹¹³ and
- customs tariffs under Eurasian Economic Union legislation.¹¹⁴

There are no gift and inheritance taxes in Armenia.

All individuals working in Armenia are subject to a stamp fee for compensation to servicemen outlined at Section 9.1.

For VAT and similar taxes, see the VAT Navigator.

10. Special Industries

10.1. Oil, Gas and Mineral Extraction

There are generally no special taxes or tax rates applicable to the oil, gas and mineral extraction industries, but certain licenses and license payments are required.

¹⁰³ TCA, arts. 224 and 225.

¹⁰⁴ TCA, art. 230.

¹⁰⁵ TCA, art. 228.

¹⁰⁶ TCA, art. 229.

¹⁰⁷ TCA, art. 236, part 1.

¹⁰⁸ TCA, art. 242.

¹⁰⁹ TCA, art. 244.

¹¹⁰ TCA, art. 251, part 1.

¹¹¹ TCA, Section 5.

¹¹² TCA, Section 8.

¹¹³ TCA, Section 9.

¹¹⁴ Eurasian Economic Union Customs Code of April 11, 2017.

Royalty duties (natural resources utilization payment) are applicable in the mining and water extraction sectors.¹¹⁵

10.2. Banking and Finance

Investment funds (except for pension funds and guarantee funds) and securitization funds are taxed on their taxable income at the rate of 0.01 percent.¹¹⁶

¹¹⁵ TCA, Section 10.

¹¹⁶ TCA, art. 125, part 2.

About the Author



Artur Hovhannisyan

Partner
Concern-Dialog Law Firm

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).



About Bloomberg Tax

Bloomberg Tax provides comprehensive global research, news, and technology services enabling tax professionals to get the timely, accurate, and in-depth information they need to plan and comply with confidence. Our flagship Bloomberg Tax platform combines the proven expertise and perspectives of leading tax practitioners in our renowned Tax Management Portfolios with integrated news from the industry-leading Daily Tax Report®, authoritative analysis and insights, primary sources, and timesaving practice tools. Bloomberg Tax Technology solutions on our proprietary Advantage platform help practitioners simplify complex processes to better control risk and maximize profitability.

For more information, visit pro.bloombergtax.com



Bloomberg Tax