



Armenian Tax & Legal Brief

In this issue

- Amendments and Additions to the Tax legislation
 - ✓ Supplements and amendments to the RA Law "On Taxes"
 - ✓ Supplements and amendments to the RA Law "On Profit Tax"
 - ✓ Supplements and amendments to the RA Law "On VAT"
 - ✓ Supplements and amendments to the RA Law "On Income Tax"
 - ✓ Supplements and amendments to the RA Law "On Compulsory Social Security Payments"
 - ✓ Supplements to the RA Law "On Excise Tax"
 - ✓ New Law "On Income Tax"
- Official Clarifications by the State Revenue Committee
 - ✓ Submission of WHT Calculations
 - ✓ VAT threshold for activities under licensing

Supplements and Amendments to the Tax legislation

- The RA Law "On Taxes"

1. According to the RA Law "On Supplements and Amendments to the RA Law "On Taxes" #107-N dated 8 December 2010, starting 1 January 2011 VAT and Excise tax amounts other than balances of overpaid amounts that are subject to refund or set-off (credit) against other tax liabilities of a taxpayer can be approved by Tax Authorities based on taxpayers' application without any examinations (checks) if according to standards established by the Government of RA the taxpayer is not listed as a risky and refundable and/or creditable VAT and/or Excise tax amounts on a monthly basis does not exceed AMD 5 and 10 million for 2011 and 2012 respectively. In all other cases VAT and/or Excise tax amounts can be refunded or credited only after examination.

If VAT and/or Excise tax amounts credited or refunded based on taxpayers' application exceed the amounts defined by the Law, a penalty equal to 50 percent of the exceeding amount shall be exacted from the taxpayer.

(Published in Official Journal #68 (802), 27 December 2010)

2. According to the RA Law "On Supplements and Amendments to the RA Law "On Taxes" #181-N dated 8 December 2010, the following amendments were made:

- ✓ A new article on personal tax cards was introduced to the Law. Personal tax cards shall be opened for each taxpayer by Tax Authorities, which are intended to

reflect taxpayers' all tax liabilities and payments. The card form and card keeping procedures are defined by Tax Authorities.

- ✓ While calculating penalties for delay of submission of tax returns (5% of the total amount of tax not paid as a result of delay for each 15 days) non-working days shall be considered only for first 15 days.
- ✓ The taxpayers can submit specified tax returns (declarations) to the Tax Authority according to the terms provided by the law even though the laws on certain types of taxes do not contain direct provisions on such opportunity.
- ✓ In case the taxpayer makes tax payments without specifying to what period and obligation those payments refer, then tax liabilities shall be covered in the following order: amounts of taxes, fines, penalties.

Equivalent amendments were made also in the Law "On Compulsory Social Security Payments".

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3. According to the RA Law "On Supplements and Amendments to the RA Law "On Taxes" #207-N dated 22 December 2010, starting 1 January 2011 legal entities and individuals shall be considered as related parties in case they acted in concert based on common economic interests. In this and some other cases legal entities and individuals shall be recognized as related parties by Tax Authority Head's decision based on the information received from third parties (including governmental bodies), and on the information received from

investigative work performed by Tax Authorities. The above mentioned decision may be canceled only by court decree.

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4. According to the RA Law "On Supplements and Amendments to the RA Law "On Taxes" #197-N dated 8 December 2010, starting 1 April 2011 registered legal entities and individual entrepreneurs from the moment of state registration (including registration by Central Bank) shall be considered registered in the Tax Authority as well.

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- **The RA Law "On Profit Tax"**

1. According to the RA Law "On Supplements and Amendments to the RA Law "On Profit Tax" #189-N dated 8 December 2010, the following changes were made:

Starting January 1, 2011:

- ✓ The profit tax payers shall submit only Profit Tax Calculation to the Tax Authority no later than April 15 of the year following the reporting one. Submission of the Balance Sheet and Income Statement is not required any more.
- ✓ Profit tax advance payments must be made quarterly, no later than the 15th of the last month of each quarter, in the amount equal to one-sixth of the actual amount of the preceding year's profit tax. It should be noted that minimum profit tax amounts should also be

calculated and paid on a quarterly basis.

Starting tax year 2011:

- ✓ Instead of Declaration a non-resident shall submit Calculation on the annual income in a form approved by Higher Tax Authority no later than April 15 of the year following the reporting one. Submission of the report on non-resident's activity in a form chosen by the latter (arbitrary) is not required any more.
- ✓ A non-resident having a subdivision or place of business in Armenia shall make profit tax calculation independently (on its own account) in accordance with the norms established by the profit tax law. In case of detecting errors by non-resident in previously submitted Calculations, specified Calculations can be submitted.
- ✓ No payment notification is provided to non-resident by Tax Authority any more. After the final calculation the profit tax payments shall be made or the prepayments shall be compensated no later than April 25 of the year following the reporting one.

(Published in Official Journal #68 (802), 27 December 2010)

2. According to the RA Law "On Supplements and Amendments to the RA Law "On Profit Tax" #210-N dated 22 December 2010, starting tax year 2011 the amount of non-resident's profit tax shall be paid by tax agent to the state budget no later than the 20th of the month following the payment of income to non-resident. Along with this, the tax agent must submit yearly (instead of quarterly) Summary Calculation (Report)

to the Tax Authority no later than February 20 of the following year.
(Published in Official Journal #69 (803), 29 December 2010)

3. According to the RA Law "On Supplements and Amendments to the RA Law "On Profit Tax" #265-N dated 22 December 2010, the following changes were made:

- ✓ A new category on investment funds was introduced to the Law. Taxable profit for those funds shall be considered net assets and the amount of the profit tax shall be calculated at the rate of 0.01%.
- ✓ The list of items not treated as income for tax purposes was supplemented by income received from securities certifying taxpayer's participation in investment funds (including income from alienation, exchange of securities and from other similar transactions).
- ✓ All expenses related to acquisition and alienation of securities certifying taxpayer's participation in investment funds as well as all losses and other deductions related to taxpayers' participation in such funds are not subject to deduction from taxable income.
- ✓ Starting January 2011 the payments made by employer for employees within the participation in voluntary accumulative pension insurance system shall be considered as deductible expense in the amount not exceeding 5% of employees' gross income.
- ✓ Taxpayer's taxable income shall be reduced in the amount of 50% of payments made for each employee within the participation in

voluntary accumulative pension insurance system, but no more than 2,5% of given employee's gross salary.

(Published in Official Journal #69 (803)1, 30 December 2010)

- **The RA Law "On VAT"**

1. According to the RA Law "On Supplements and Amendments to the RA Law "On VAT" #179-N dated 7 December 2010, the following transaction was added to the list of VAT exempt transactions: "Supply of irrigation water by companies of water users".
(Published in Official Journal #68 (802), 27 December 2010)

2. According to the RA Law "On Supplements and Amendments to the RA Law "On VAT" #192-N dated 8 December 2010, the following changes took place:

- ✓ The written statement subject to submission by taxpayer to the Tax Authority for becoming VAT payer starting 2011 tax year shall be submitted in a form approved by Higher Tax Authority.
- ✓ The provision of the Law, under which tax invoices shall not be issued for supply of goods and services to State Administrative Institutions, became invalid.
- ✓ Article 20 of the Law was rewritten and introduces the features of tax invoices issued in hardcopy and electronic form.
- ✓ The provision of the Law, under which the VAT amounts, for the supplied goods and services indicated in late received tax invoices and subject to set-off,

shall be credited in the reporting period when the tax invoices were received, became invalid.

(Published in Official Journal #68 (802), 27 December 2010)

3. According to the RA Law "On Supplements and Amendments to the RA Law "On VAT" #208-N dated 22 December 2010, starting January 1, 2011 the VAT threshold (AMD 58.35 million yearly) is not applicable to those persons:

- ✓ Whose taxable turnover arisen from realization of goods imported under Custom's regime "Import for free circulation" for commercial activity and included in the statutory list of goods in regard to which VAT is not calculated and levied by Customs Authorities exceeds AMD 1mln at any given period of the reporting year.
- ✓ Who are considered to be related parties for tax purposes according to the Law "On Taxes".

(Published in Official Journal #69 (803), 29 December 2010)

4. According to the RA Law "On Supplements and Amendments to the RA Law "On VAT" #269-N dated 22 December 2010, the transactions related to keeping and managing investment funds were added to the list of VAT exempt transactions.

(Published in Official Journal #69 (803)1, 30 December 2010)

- **The RA Law "On Income Tax"**

1. According to the RA Law "On Supplements and Amendments to the RA Law "On Income Tax" #191-N dated 8

December 2010, starting 2011 tax year individuals, whose gross income does not exceed AMD 300,000 within tax year from which no tax has been withheld by tax agent shall submit annual tax returns as well.

(Published in Official Journal #68 (802), 27 December 2010)

2. According to the RA Law "On Supplements and Amendments to the RA Law "On Income Tax" #275-N dated 22 December 2010, the following were added to the list of deductible incomes:

- ✓ Payments for voluntary accumulative pension insurance made by a taxpayer and/or a third party (including the employer) for that taxpayer in the amount not exceeding 5% of taxpayer's gross income.
- ✓ Income generated from above mentioned amounts.

It was also stated that the pensions paid within the participation in voluntary accumulative pension insurance system shall be considered as taxable income.

In addition the list of items not considered to be income was supplemented by income received from securities certifying taxpayer's participation in investment funds (including income from alienation, exchange of securities and from other similar transactions).

(Published in Official Journal #69 (803)1, 30 December 2010)

- **New Law "On Income Tax"**

A new Law "On Income Tax" was adopted on 22 December 2010 which will come into force 1 January 2013. The Law will replace the currently effective laws "On

Income Tax" and "On Compulsory Social Security Payments".

(Published in Official Journal #69 (803), 30 December 2010)

- **The RA Law "On Compulsory Social Security Payments "**

According to the RA Law "On Supplements and Amendments to the RA Law "On Compulsory Social Security Payments" #182-N dated 8 December 2010, starting tax year 2011 employers shall submit social security payment returns to Authorized Bodies on a quarterly basis irrespective of the number of employees.

(Published in Official Journal #68 (802), 27 December 2010)

- **The RA Law "On Excise Tax"**

According to the RA Law "On Supplements and Amendments to the RA Law "On Excise Tax" #211-N dated 22 December 2010, the following changes were made:

- ✓ Excise tax payments shall be made no later than the 20th of the month following the reporting period (month).
- ✓ Excise tax returns shall be submitted to the Tax Authority on a quarterly basis no later than the 20th of the month following the quarter.

The law becomes effective 1 January 2011.

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Official clarifications by the State Revenue Committee

- **Submission of WHT Calculations**

The RA State Revenue Committee together with the RA Ministry of Finance introduced the official clarification # 19 dated 5 November 2010, in order to avoid uncertainties regarding the declaration of incomes paid to non-residents and taxes withheld and paid to the state budget. According to the clarification:

- ✓ Incomes paid to non-residents from Armenian sources, from which no tax was withheld based on respective certificate-application for reduction of tax or exemption from taxation, shall not be included in a Summary Calculation (Report) submitted by tax agent.
- ✓ No Calculation (Report) shall be submitted by tax agent to the Tax Authority in case if during the reporting period only the above mentioned type of income was paid to non-residents.

(Published in Official Journal #28 (380), 01 December 2010)

- **VAT threshold for activities under licensing**

The RA State Revenue Committee together with the RA Ministry of Finance introduced the official clarification # 22 dated 17 November 2010 concerning application of VAT threshold (AMD 58, 35 million) towards the taxpayers implementing activities under licensing.

According to clarification the VAT threshold does not apply to taxpayers for whom the annual state duty amount for license or the proportion of the state duty amount for license for one year comprises AMD 100,000 or more.

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