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The Decision
of the Supreme Council of the Republic of Armenia
on the order of implementation of the Law of the Republic of Armenia
"About Taxes and Duties in the Republic of Armenia"

The Supreme Council of the Republic of Armenia **DECIDES:**

1. The Law of the Republic of Armenia "About taxes and duties in the Republic of Armenia" should be implemented from the moment of its publication, except the Article 6 of the Law which should be implemented after the adoption of laws on direction of local referendums.
2. The Government of the Republic of Armenia must:
 - a) adjust the decisions of the government of the Republic of Armenia adopted before May 1, 1992 to the Law of the Republic of Armenia, "About taxes and duties in the Republic of Armenia";
 - b) negotiate with foreign countries to work out an international agreement prohibiting the double taxation of income of physical and legal persons.

Chairman of the Supreme Council
of the Republic of Armenia
B. Ararcktsian
March 23, 1992, Yerevan

The Law of the Republic of Armenia
"About Taxes and Duties in the Republic of Armenia"

Chapter 1.
General regulations

Article 1. This Law is defined by its application to: the concepts of taxes and their types; the objects of taxation and taxpayers; the order of the solution of controversies;

responsibilities for the violation of tax legislation; and the main principles upon which the tax legislation of the Republic of Armenia are based.

Article 2. The tax is an obligatory and non-reimbursable payment defined by this Law and by other acts of legislation of the Republic of Armenia of consistent amounts and of predetermined terms, levied from physical and legal persons and other taxpayers, for State and public needs.

A duty is a payment, defined by this Law and by other acts of legislation of the Republic of Armenia, for certain services and actions performed by State bodies, levied from physical and legal persons and other taxpayers, by duty notes or collected from the account of the payer.

Article 3. Taxes and duties defined by this Law are paid to the State budget of the Republic of Armenia, to local budgets, and in some cases defined by the Law, to out of budget funds.

Article 4. In the Republic of Armenia a single tax system operates to accomplish the common and unique taxation requirements of all taxpayers.

In the Republic of Armenia all physical and legal persons, and all organizations and associations that do not have the status of a legal person, must pay taxes and duties if it is not defined otherwise by the Republic of Armenia.

Article 5. The following tax privileges can be defined in the legislation of the Republic of Armenia:

- tax release
- reduction of the taxable object
- reduction of the tax
- term privileges of tax calculation and payment
- reduction of tax rate
- compensations to the taxpayer.

In the cases where a decision about the termination or alteration of tax privilege is adopted then the order of the implementation of this decision for the taxpayers is necessarily defined.

Article 6. In the Republic of Armenia the right to define taxes and duties, tax objects and taxpayers, tax rates and privileges, belongs to the Supreme Council of the Republic of Armenia.

Local taxes can be applied by proposals of the local councils, and they can be collected from the local population only for certain social-economic needs and only in the case of a positive result from a referendum conducted within the local administrative unit. Local taxes and duties can be levied for a period no longer than 5 years. These taxes and duties can be terminated before that time by the decision of the local deputy councils.

Local taxes and duties can be terminated by the Supreme Council of the Republic of Armenia if they contradict the legislation of the Republic of Armenia.

Article 7. The order of the calculation and payment of taxes and duties is defined by the government of the Republic of Armenia according to the requirements of the Ministry of Finances and of the State Tax Agency.

Article 8. If any rate of the defined tax is changed, and if the financial year includes the date of the rate change (if this date is not the first day of the financial year), then the taxes are calculated according to the former rate until the actual date of the change, and are calculated by the new rate after the actual change date until the end of the year.

If any tax is terminated, then for the year the tax termination is considered as a tax change and the new tax rate is equal to 0.

Article 9. A taxable object can be taxed only once by the same State body that has authority to levy taxes on it.

Article 10. Taxes and duties are paid in bank notes and duty notes that officially circulate in the Republic of Armenia.

Currency sums are recalculated into official money of the Republic of Armenia by the currency course of the payment as defined by the National Bank of the Republic of Armenia.

Article 11. The income (profit) sums of taxpayers of the Republic of Armenia received out of the Republic of Armenia are included in the whole income (profit) sums and are considered in the calculation of taxes.

Taxes levied in the Republic of Armenia are reduced in accordance with the tax sums levied from the taxpayers of the Republic of Armenia in foreign countries according to the legislation of those foreign countries. The sizes of sums by which taxes are reduced cannot exceed the income (profit) received in foreign countries that are to be taxed by the Republic of Armenia.

*credit
for
taxes paid
abroad*

Chapter 2 Types of Taxes and Duties, and Taxable Objects

Article 12. The following taxes and duties are defined in the Republic of Armenia:

- • profit tax -- from the profit of legal persons;
- income tax -- from the income of physical persons;
- excise-duty -- from the sale of certain goods;
- • additional value tax -- from the circulation of goods and services;
- • social tax -- from salaries and the income adjusted to salaries;
- land tax -- for the land plot of the landlord;
- professional tax -- for certain professional activities;
- inventory tax -- for certain types of inventory;
- nature protection tax -- for the use of certain natural resources and for the pollution of the environment;
- transportation tax -- for the sale of petrol and diesel fuel and for transportation means according to their power,
- state duties -- for legal and other services;
- custom duties -- for the export and the import of goods;
- inheritance and gift taxes -- from the value of inheritance and gifts;
- local taxes -- according to part 2 of Article 6 of this Law;
- other taxes and duties.

Article 13. Taxes and duties are levied in the following order:

1. inventory taxes (land tax, inventory tax, transportation tax) and duties;
2. other taxes, after subtracting the sum mentioned in point 1 of this article from the taxable object.

Chapter 3
The Rights and Duties of Taxpayers,
and the Control over Payment of Taxes and Duties

Article 14. The taxpayer has the right:

- to get acquainted with the acts of examination of his or her activity;
- to introduce needed explanations to the State auditing bodies about tax and duty calculations, and about payments, according to the results of revisions;
- to appeal the actions of representatives of the State auditing bodies according to the Constitution of the Republic of Armenia.

Article 15. The taxpayer must:

- make an accounting balance according to the established form, file reports on the financial-economic activity, calculate the sums of the required taxes during the period mentioned in the report, produce documents and information required by the law about calculation and payment of taxes and duties to the State auditing bodies of the Republic of Armenia;
- pay taxes and duties required by the law promptly and fully;
- produce documents confirming the right of tax privileges;
- correct account balance records in case where revisions show taxable objects completely or partially concealed from the State auditing bodies;
- produce written explanations of the reasons for not signing acts of the revisions in the case of a disagreement with descriptions in the examination by the State auditing bodies.

Article 16. The tax obligation of a physical person ends in the case of fulfillment of his obligation, in the case of a tax elimination or in the case of death if the fulfillment of the tax obligation is not possible without the participation of the taxpayer.

The tax obligation of a legal person ends in the case of the fulfillment of this obligation or of a tax elimination. In the case of an impossibility of the fulfillment of a tax obligation, the State auditing body has the right to bring up a bankruptcy suit against the taxpayer. In the case of the liquidation of a legal person, and of an organization that does not have the status of legal person, the tax debt is transferred to his (the owner's) property.

The levying of unpaid sums of taxes and duties is made according to the Legislation of the Republic of Armenia, without any arguments from legal persons and by suit from physical persons and other taxpayers.

Article 17. The control over the calculation and payment of taxes and duties is exercised by the State auditing bodies of the Republic of Armenia.

Article 18. While exercising control over tax calculation and levying information and testimony received illegally cannot be used against the taxpayer for tax calculation and levying.

Article 19. Testimony or information cannot be used for the calculation and levying of tax from a taxpayer until the taxpayer has received it and has provided explanations.

Article 20. Banks, loan institutions, exchanges and other organizations and institutions must give information to the State auditing bodies about financial-economic transactions of their client-taxpayers during the past financial year. Such information must be in the form established by the government of the Republic of Armenia, if the legislation does not require otherwise.

In case where the necessary information is not produced, the top management of these institutions and organizations will be held responsible, according to the Legislation of the Republic of Armenia.

Chapter 4

Responsibility in the case of breach of tax legislation

Article 21. Taxpayers will be held responsible for any breach of tax legislation as provided in the legislation of the Republic of Armenia.

Article 22. The responsibility to calculate the taxes correctly, to pay them promptly and to fulfill other requirements of tax legislation is laid upon taxpayers and official representatives of taxpayers (organizations, institutions and associations), as provided in the legislation of the Republic of Armenia.

Article 23. If the payment of taxes or duties is late then the taxpayer pays a fine of 0.5 percent of the sum of the tax or duty for every day of delay, if the legislation of the Republic of Armenia does not provide otherwise.

Article 24. Those taxpayers who do not have accounting reports and balances, and the necessary calculations for the current tax period pay 110 percent of the tax from the income of the previous period. In the case of an absence of data from this period, the tax is calculated on the basis of data from the current financial year.

After producing the above-mentioned documents, a tax recalculation is made.

If accounting reports, balances, calculations and declarations are late more than 2 months, the taxpayer pays a fine equal to 5 percents of the tax sum for every day of delay.

Article 25. The taxpayer pays a fine equal to 10 percent of the tax sum for any incorrect or incomplete accounting records, balances, calculations, declarations and other documents required by the State auditing body.

Article 26. Taxpayers will be held administratively or legally responsible for the following: the omission of a record of income, or its incorrect recording; the failure to produce a declaration promptly, or the placement of a false data into the declaration; the failure to disclose income or the possession of a taxable object; tax evasion.

Article 27. In the case of concealment of a taxable object or of the presentation of its reduced value, the taxpayer is to be levied the sum of the whole concealed or value-reduced object, plus a fine equal to this sum. In the case of a repeated breach within one year, the fine will be doubled.

Taxable objects that are not recorded in accounting reports, balances, calculations and declarations are considered to be concealed or reduced in value.

For concealed or value-reduced taxable objects, tax or duty sums are paid to the budget from the account of taxpayers.

Article 28. In the case of the concealment or the reduction of income received in foreign currency, the sum is recalculated according to the currency exchange rate in the National Bank of the Republic of Armenia.

Article 29. Taxpayers must pay the tax sum for concealed or value-reduced taxable objects and fines provided by the Articles 23, 24, 25, 27 of this Law to the budget within 10 days after receipt of a notice. If the taxpayer does not pay the tax sums or if the taxable objects remain concealed or value-reduced then the State auditing bodies will confiscate the appropriate fines for the whole period without argument.

Article 30. In cases where a taxpayer eliminates (liquidates) a profitable object or conceals his or her income and thus prevents the levy of taxes and duties during a tax period, determined by the legislation, the State auditing body can take steps to levy the taxes and duties before the tax reporting period. In this case, the State auditing body can require accounting reports, balances, calculations, declarations and other documents, that are required by the Law before the date set by the Law.

Article 31. In cases, where tax or duty payments are late, or the payments are incorrect the State auditing body must present a notice of its requirements within 10 days. The 10 days term begins as soon as the State auditing body learns about the late or incorrect payment.

Article 32. If accounting reports, balances, declarations and other documents required by the Law are presented late or incorrectly; if tax sums are levied and submitted to the budget incomplete or late, and if the officials who are responsible for presenting information to organizations, institutions, associations and citizens about taxes they have paid, do not present this information according to the established order and promptly, they bear the responsibility held to them by the legislation of the Republic of Armenia.

Chapter 5

The Order of the Reimbursement of Taxes and Duties

Paid to the Budget by Mistake

Article 33. If superfluous sums of taxes and duties have been levied due to mistakes in calculations or due to improper levying procedure, then taxpayers are to be reimbursed

payment or have payment transferred to other taxable sums required, within a month after the day the incorrect payments become known, for the next three years after the day of the incorrect payment.

A declaration about the reimbursement of superfluous levied sums, presented to the State auditing bodies terminates the mentioned term.

Article 34. If employers do not levy tax sums from employees promptly then these sums are to be levied from earnings periods of no more than the last three months of employment. The superfluous sums paid by mistake are to be reimbursed within a month after the day it becomes known, for the next three years after the day of the incorrect payment.

A declaration of the taxpayer about reimbursement of superfluous sums terminates the mentioned term.

Article 35. The State auditing bodies compensate the damage (including lost profits) caused to taxpayers that have taken place because of their inability to complete their duties, according to the legislation of the Republic of Armenia.

Chapter 6

Complaints about the Actions of Officials of the State auditing Bodies

Article 36. When levying taxes the actions of officials of the State auditing bodies can be complained of in the body to which these bodies subordinate. The complaints are considered and decisions about them are to be made no later than 30 days after the complaint has been received. These decisions can be appealed in a superior tax the State auditing body or in a court, within a month after the copy of the decision has been received by the appealing person.

Article 37. Complaints against the actions of officials of the State auditing bodies associated with the assignment of administrative fines will be processed according to the legislation on administrative delinquency of the Republic of Armenia.

Article 38. Complaints against the actions of officials of the State auditing bodies does not terminate the levying of taxes. The body considering the complaint has the right to terminate the tax levying until the final consideration of the complaint.

Chapter 7
Application of International Contracts

Article 39. If international contracts of the Republic of Armenia are confronted with rules other than those included in this Law, the rules of the international contracts are applied.

The mentioned rules go into effect after the Supreme Council of the Republic of Armenia adopts the above-mentioned contracts.

President of the Republic of Armenia
L. Ter-Petrosian
April 19, 1992, Yerevan