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Adopted by the National Assembly of RA on 14 December 2001

**LAW OF THE REPUBLIC OF ARMENIA
“ON AMENDMENTS AND SUPPLEMENTS IN THE LAW ON "PROFIT TAX””**

Article 1. Exclude the first words "of the authorized entity" from sub-clauses 15 and 16 of clause 2 of article 7 of the Law "On Profit Tax"

Article 2. In the clause 1 of the article 16 of the Law:

a) in sub-clause “b” after the word “advertisement” add the words “, marketing (study of the goods and service markets, progressing in the goods and service markets)”

b) add new sub-clause 12 with the following content:

"12) expenses related to gaining of those incomes that are deductible from gross income"

Article 3. In article 18 of the Law

a) replace the words "or its authorized entity" in clause 1 with "and in cases of banks, the entity authorized by the Government and the Central Bank of the RA"

b) exclude the words "of the authorized entity" from clause 2

Article 4. Clause 1 of the article 39 of the Law amend with new paragraphs with the following content:

“ In view of implementing this article

a) investment is considered to be the inflow of assets and (or) reduction of liabilities directed to the establishment and replenishment of statutory capital, as well as the privatization of state property

b) investments in the form of property are subject to state registration and (or) notary authorization and (or) independent expertise in accordance with procedures specified by the legislation

The privilege specified in this article does not apply for investments of non-material assets”

Article 5. Add following article 40¹ after the article 40 of the Law:

“Article 40¹ . The profit tax payment period for services (transactions) for drinking and irrigation water supply and sewage as well as goods and services supplied within the framework of state procurement in accordance with the Law “On state procurement” by

January 1, 2006 is prolonged till the payment period against the sale of these services and goods”.

Article 6. Add clause 3 in article 57 of the Law with the following content:

“3. In case of impossibility of withholding the tax at the source of income payment (i.e. in case of unavailability of tax agent) the liability of profit tax payment to the state budget of the Republic of Armenia bears the non-resident gaining incomes from Armenian sources in accordance with the procedures specified in article 60 to 63 of this Law”.

Article 7. In article 66 of the Law:

a) replace words “within 3 banking days” with “not later than the 5th day of the month following the payment of income to non-resident,

b) add the following paragraph into the article:

“In case of finding errors in the aggregate calculations submitted for previous reporting periods itself, the tax agent may present to tax authorities an adjusted declaration based on which tax liabilities for those periods are recalculated.”

Article 8. Add the following paragraph into article 69 of the Law:

“In case of over reporting the losses in the profit tax declaration filed to the tax authority the taxpayer is subject to a penalty equal to 20 percent of the over reported loss. **This penalty does not apply for taxpayers that have identified the over calculation of losses themselves before audit conducted by tax entities and have adjusted the corresponding records in accounting registration informing the regional tax inspectorate about it in written form”.**

Article 9. This Law comes into force starting from January 1, 2002 except for articles 1 and 3 of the Law which come into effect starting from July 1, 2002.

The penalty specified in article 8 of this Law applies to over reported loss in the profit tax declarations submitted to tax authorities after January 1, 2002.