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# **LAW OF THE REPUBLIC OF ARMENIA**

## **ON PROPERTY TAX**

January 1, 1998

### **Chapter I. General Provisions**

#### **Article 1. The Subject of the Law Regulation**

The present Law regulates the relationship between the definition of the property tax and payment, shall define the framework of the property tax payers (hereinafter taxpayer), the rates, the method of calculation and payment of the property tax, as well as the issue of responsibility in the case of violation of the present Law.

#### **Article 2. The Concept of the Property Tax**

1. The property tax is a direct tax paid for the right on property or full (partial) management of property (hereinafter, right on property) defined by the Article 4 of this Law through procedures and rate established by the present Law.
2. The property tax is not dependent on the outcome of economic activities of the taxpayers.

#### **Article 3. Taxpayers**

1. According to the present Law taxpayers (those who pay property tax) shall be physical and legal persons, enterprises without legal entity status, which possess ownership right on property indicated in the 1 of Article 4 of this Law, with the exception of enterprises financed by the state budget, Central Bank and local self-governmental bodies of the Republic of Armenia.

2. The property taxation procedures defined for the legal persons shall be applicable for the enterprises without legal person's status (with the exception of the agriculture).

The taxation procedure defined by this Law for the physical persons shall be applicable for the agriculture.

3. If taxable object belongs to more than one taxpayer according to joint ownership right, then the taxpayers share bear the same responsibility on property tax and other liabilities derived from it. If the taxable object belongs to more than one taxpayer by the shared ownership right, the taxpayers shall bear responsibility on property tax proportionate to their share and other liabilities derived from it.

## **Chapter II. Taxable Object and Tax Base**

### **Article 4. Taxable Object and Tax Base**

1. According to this Law taxable object refers to

a) dwelling buildings (flats in multiflat dwelling [BGL3] building, garage, garden-house, dwelling house and economic buildings next to it - cattle-shed, bakery, summer kitchen, cellar, etc.), buildings of public and economic importance (hereinafter, buildings);

b) means of automobile transport, with the exception of those means of transport which are exploited on the base of license established by the procedures of the legislation of the Republic of Armenia;

c) water transportation belonging to the taxpayer by the ownership right.

2. According to this Law the followings shall be considered as buildings:

a) buildings and constructions of public importance for social service of the population, as well as buildings and constructions for location of administrative and public organizations,

b) buildings and constructions of industrial importance providing with location to industrial and agricultural production, as well as production in other fields of economy; and necessary conditions for exploitation of technological equipment in them;

c) dwelling buildings consisting of dwelling and secondary parts, and provided with communal facilities,

d) flat - a separate space in the building, consisting of dwelling and secondary parts and provided with communal facilities,

e) multiflat dwelling building - building with more than one separate flats,

f) dwelling house - building with its economic buildings built on a separate land lot, provided with dwelling, secondary and communal facilities,

g) garden-house - house with adjacent buildings used for economic purposes built on an isolated horticultural land lot.

3. According to this Law tax base shall be the value or physical magnitude, or characterizer of the taxable object, according to which the property tax amount is calculated by the rates and procedures defined in the Chapters III and IV of this Law.

### **Article 5. Tax Base of the Buildings**

1. The tax base of the building shall be considered as their value.
2. In order to define the tax base, the assessment of the buildings shall be done by the procedures defined by the appendix of this Law, with exception of the cases defined by the subdivision 3 of this Article. By the way, the taxpayers are obliged to give an opportunity to the state body conducting cadaster to do the assessment of the building at working times convenient for the taxpayer.
3. The procedures on the assessment of buildings of public and economic importance shall be established by the Law.
4. Assessment (reassessment) of buildings shall be conducted once during three years, according to the estimated data as of July 1 acquired by state body that conducts real estate cadaster, and, with the exception of the cases indicated in the subdivision 6 of this Article, it shall serve as a base for determination of the taxable base for the following three years of the estimation (re-estimation) year.
5. The Law may define indexing factor for the building tax base for each year not later than July 1 of the previous year.
6. The tax base for newly built buildings as well as newly privatized buildings shall be determined in accordance with this Article and is taken as a base until the next re-estimation in accordance with item 4 of this Article is conducted.
7. In determining tax base Dram shall be the building's value measurement unit.

#### **Article 6. The Tax Base of the Means of Transportation**

1. The tax base of the means of transportation shall be the pulling engine capacity of the means of transportation considered as taxable object that belongs to the taxpayer by the ownership right.

If the means of transportation possesses more than one pulling engine, then the taxable base shall refer to the summed capacity of all the pulling engines.

2. When determining taxable base the measuring unit of the engine capacity shall be horsepower or kilowatt.

### **Chapter III. Rates of Property**

#### **Article 7. Property Tax Rates of the Buildings**

For the buildings the property tax shall be calculated by the following annual rates:

- a) 0.6 percent for the buildings of public and production use,
- b) the property rate of the garden houses and separately constructed garages belonging to physical persons considered as a taxpayer composes 0.2 percent of the taxable base,
- c) for other dwelling buildings the rate of the property tax composes:

tax base tax rate less than 3 million drams 0 percent of the tax rate  
 from 3 million to 10 million drams 100 drams added to the 0,1 percent of the amount of the dram exceeding 3 million drams of the taxable value  
 from 10 million drams to 20 million drams 7,100 drams added to the 0,2 percent of the amount of the dram exceeding the 10 million dram of the taxable value  
 from 20 million drams to 30 million drams 27,100 drams added to the 0.4 percent of the amount of the dram exceeding 20 million drams of the tax base.  
 from 30 million drams to 40 million drams. 67,000 drams added to the 0.6 percent of the dram amount exceeding 30 million drams of the tax base  
 40 million drams and more 127,100 drams added to the 0,8 percent of the amount of the dram exceeding 40 million drams of the tax base.

#### **Article 8. Property Tax Rates of the Means of Transportation**

1. Annual property tax rate for water transportation means is calculated 150 drams per each horse power of the taxable basis or 204 drams per each kilowatt”
2. For the means of automobile transportation the property tax shall be calculated by the following annual rates:
  - a) for the passenger servicing automobile with up to 10 seats, if the tax base is
    - \* below 120 horsepower, then 200 drams for each horsepower,
    - \* from 120 to 250 horsepower, then 300 drams for each horsepower,
    - \* 250 and more, then 500 drams for each horsepower.
  - b) If the tax base for the passenger servicing automobiles with more than 10 seats and for the trucks is
    - \* up to 200 horsepower, then 100 drams for each horsepower,
    - \* 200 horsepower and more, then 200 drams for each horsepower.
3. For the means of automobile transportation exploited for less than three years, the property tax shall be calculated by 100 percent.

For the means of automobile transportation which are exploited for more than 3 years the property tax shall be diminished by the rate of 10 percent of the tax amount, but not more than 50 percent of the tax amount, for each year following the third year.

## **Chapter IV. Privileges of the Property Tax**

### **Article 9. Property Considered as Property Tax Exempt Taxable Object**

The following shall be considered as property tax exempt:

- a) the buildings of line engineering-transportation, if no fine is paid for their use;
- b) dams;
- c) houses of temporary use;
- d) property considered as a taxable good which is defined as of historical-cultural importance by procedures established by the legislature in accordance with the list established by the Republic of Armenia.

### **Article 10. Privileges of Servicemen**

Persons serving in the army of the Republic of Armenia or in the armies of the allied countries according to the international contracts signed and verified in accordance with the established procedures on behalf of the Republic of Armenia, shall be property tax exempt during the whole duration of their service, as follows:

- 1. on the part of the taxable object belonging to them by right of individual ownership,
- 2. on the part of the taxable object belonging to them by right of joint ownership, if the other co-owners are underage or unable to work,
- 3. on the proportional part of their taxable object, in the case where the taxable object belongs to them by right of general shared ownership if the land representing taxable object is not rent out.

### **Article 11. Definition of the Land Tax by the Community Foreman**

- 1. For particular taxpayers community foreman can determine eligibility for property tax privileges.
- 2. The total amount of the property tax privileges defined by the foreman of the community cannot exceed 5 percent of the community budget revenue formed from the property tax of the current year.

3. No additional dotation shall be given from the state budget to the community budget for the amount of the privilege determined by the community foreman.

4. The order of the allotment of the defined privileges of the present article shall be determined by the normative juridical acts of the Government of the Republic of Armenia.

#### **Article 12. Determination of the Property Tax Privileges by the Law**

The Law can define property tax exemptions and other privileges defined by the tax code of the Republic of Armenia.

#### **Article 13. Initiation and Suspension of the Privileges During the Reporting Year**

1. During the reporting year, a taxpayer granted with property tax privileges shall become tax exempt since the month of acquisition of the right of privilege.

2. During the reporting year in the case of suspension of land tax privilege, the tax shall be calculated since the month following the month of the tax privilege suspension.

### **Chapter V. Procedures for Property Tax Calculation and Payment**

#### **Article 14. Initiation and Suspension Time of the Land Tax Calculation and Payment**

1. The taxpayer's liabilities on property tax calculation and payment shall emerge since the month following the one when the ownership right on the taxable object or on the part of it is acquired.

2. Irrespective of terms of clause 1 of this article, in case of alienation of taxable object or its part belonging to physical person, the new owner is responsible for all tax liabilities due for the taxable object at the moment of its alienation.

3. If the right for ownership on the taxable object is acquired based on a court decision, decision or juridical act, then, irrespective of the provisions of subdivision 2 of this article, the taxpayer shall calculate and pay the property tax for an interval, when the property is transferred at his/her disposal.

#### **Article 15. Property Tax Calculations of the Legal Persons**

If the taxpayer is a legal person, then

a) he/she shall calculate the property tax independently and according to this Article and Article 17 of this Law submits to corresponding Tax Inspectorate bodies prior to 25 of the month immediately following each quarter of the reporting year, and for the annual

calculations - prior to February 25 (inclusive) of the year immediately following the reporting year.

b) for the building considered as a taxable object the calculations described in the subdivision "a" of this article shall be submitted to Tax Inspectorate body of the place where the building is located.

c) for the means of transportation considered as a taxable object the calculations described in the subdivision "a" of this article are submitted to the Tax Inspectorate body of the place where the taxpayer is registered.

#### **Article 16. Property Tax Calculations for the Physical Persons**

If the taxpayer is a physical person, then

a) he/she shall calculate the property tax independently, and may submit the annual calculations of the property tax to the corresponding Tax Inspectorate bodies until October 1 (inclusive) of the reporting year in accordance with this Article and Article 17 of this Law;

b) he/she shall submit calculations of the building considered as a taxable object defined by subdivision "a" of this Article to the Tax Inspectorate body of the place where the building is located:

c) for the means of transportation considered as a taxable object the calculations defined by the subdivision "a" of this Article shall be submitted to the Tax Inspectorate body of the place where the taxpayer is registered. In the case registration is not available, the calculations are submitted to the Tax Inspectorate body of the place of the

taxpayer's permanent residence. If the registration is not available, then the calculations shall be submitted to the Tax Inspectorate body of the place of the taxpayer's permanent residence. If the place of the registration or the permanent residence is outside the Republic of Armenia, then the calculations shall be submitted to the place where the means of transportation are registered; and, in case the means of transportation is not subject to registration, the calculations shall be submitted to the Tax Inspectorate body of its permanent station.

d) Based on the information presented by state body conducting real estate cadaster as of July 1 of the tax base reassessment year, the corresponding Tax Inspectorate bodies shall calculate and submit to the physical persons considered as taxpayers notices on property tax subject to be paid for the coming three years, where the taxable object, taxable base and property tax calculation, as well as other information and data defined by the normative juridical act of the Tax Inspectorate of the Republic of Armenia are indicated. In case the physical person considered as a taxpayer does not agree with the calculations presented in the notice, he/she shall submit property tax calculations conducted by him to Tax Inspectorate bodies of the place where the taxable object is located until October 1 of the reporting year.



## **Article 17. Property Tax Calculations of the Joint Ownership**

Property tax of taxable object, that belongs to more than one taxpayer by joint ownership right, shall be calculated from the total value of the (or from the capacity of the engine) taxable object, and, according to articles 15 and 16 of this Law, calculations are presented

a) in the case of general shared ownership - by each co-owner on his/her proportionate share or by at least one of them, indicating data about other co-owners required by departmental-normative acts of the Tax Inspectorate of the Republic of Armenia,

b) in the case of general joint ownership - by one co-owner (taxpayer), indicating data about other co-owners required by departmental-normative acts of the Tax Inspectorate of the Republic of Armenia,

c) if in the case of general joint ownership at least one of the co-owners considered to be a taxpayer is a legal person, then, irrespective of provisions set forth in subdivision b) of this Article, by the legal person (persons) while indicating data about other co-owners required by departmental-normative acts of the Tax Inspectorate of the Republic of Armenia.

## **Article 18. Time for the Property Tax Payment**

1. Legal persons considered as taxpayers shall pay the amount of the calculated property tax quarterly during the five days following the time defined by the article 15 of this Law on submitting quarterly reports, and the annual tax amount - during the five days following the time defined by the article 15 of this Article on the submission of the annual reports.

2. Physical persons considered as taxpayers shall pay the annual amount of calculated property tax until December 1 of the reporting year.

## **Article 19. Provision of Entries of Budgetary Revenues on the Line of Property Tax**

The entries of budgetary revenues on the line of property tax shall be provided by the Tax Inspectorate and local self-governmental bodies through procedures defined by normative juridical acts of the government of the Republic of Armenia.

## **Article 20. Rules of Property Tax Distribution**

1. In accordance with the Article 28 of the Republic of Armenia "On Budgetary System of the Republic of Armenia" the property tax amount shall be transferred.

a) to the community budget where the taxable object is located, for the building considered as a taxable object located in the administrative territory of the community.

b) to the community budget where the taxpayer considered as the owner of the means of transportation is registered (or the place station in case of legal person) through

verification in his/her passport. If the registration is lacking, then the property tax amount is transferred to the budget of the community where the physical person is registered permanently; and if the place of the permanent residence of the physical person is outside the territory of the Republic of Armenia, then the property tax amount is transferred to the community budget where the means of transportation is permanently stationed.

2. The property tax of the building considered as a taxable object located outside the administrative territory of the community shall be transferred to the state budget.

3. The procedures of the distribution and transfer of the property tax amount shall be defined by the normative-juridical acts of the Ministry of Finance and Economics of the Republic of Armenia.

#### **Article 21. Providing of Information.**

1. Necessary information on property tax calculation of the buildings considered as taxable object and belonging to the physical and legal persons by ownership right shall be conveyed to the bodies of Tax Inspectorate of the Republic of Armenia by the state body conducting real estate cadaster.

2. In order to calculate the property tax, the taxpayers can receive information from the state body conducting real estate cadaster.

3. The Government of the Republic of Armenia or state body authorized by it can define the order of providing with information indicated in this article by normative-juridical acts.

### **Chapter VI. Concluding Provisions**

#### **Article 22. Rights and Liabilities. Responsibility.**

1. The rights, liabilities of taxpayers and Tax Inspectorate bodies; accuracy of the tax calculation data submitted to the Tax Inspectorate; as well as responsibility in the case of violation of this Law shall be regulated by this and other Laws.

2. Hiding or intended diminution of the tax base shall evoke responsibility for hiding or intended diminution of the object defined by Law.

#### **Article 23. Applying Responsibility in Case of Late Received Notice.**

Late submission of the notice by the bodies of the Tax Inspectorate to the physical person does not free the taxpayer from the responsibility to fulfil all the obligations completely.

#### **Article 24. Applying Responsibility for Not Submitting the Property Tax Amount by Established Procedures**

In case the requirements of Articles 15 and 17 are not fulfilled, the legal person shall be fined at 5 percent rate (but not more than the total amount of the tax) of the total amount of the unpaid tax for each 15 days following the deadline of submission of the calculations defined for legal persons by this Law.

#### **Article 25. Departmental-Normative Acts on the Law Application**

The departmental-normative acts on the application of this Law shall be adopted by the Tax Inspectorate of the Republic of Armenia with the agreement of the Ministry of Finance and Economics of the Republic of Armenia, and the departmental-normative acts on the appendix of this Law shall be adopted by the state body conducting real estate cadaster with agreement of the Ministry of Finance and Economics of the Republic of Armenia and the Tax Inspectorate of the Republic of Armenia.

### **Chapter VII. Transitional Provisions**

#### ***Article 26. Peculiarities of Property Tax Settlement***

*Peculiarities of property tax settlement for buildings belonging to legal entities and buildings of public and productive use belonging to physical persons for 2000 to 2001 years:*

- 1. Legal entities should calculate and pay property tax for buildings for 2000 to 2001 years based on balance value of buildings registered in records (reports) provided that the value is not less than 20 percent of the initial (procurement) cost.*
- 2. Legal entities should not file property tax quarterly declarations or pay tax for buildings for 2000, but they should file annual declarations and pay annual tax within deadlines defined by articles 15 and 18 of law "On Property Tax"*
- 3. The annual property tax for buildings of public or productive use belonging to physical persons, for 2000 to 2001 years will be settled as follows:*
  - a) for metallic buildings – three thousand drams*
  - b) for other buildings of public or productive use – ten thousand drams.*

#### **Article 27. First Assessment of the Tax Base of the Dwelling Buildings**

The first assessment of tax base of the dwelling buildings shall be conducted by the normative-juridical acts of the Government of the Republic of Armenia as of July 1, 1998.

#### **Article 28. Operation of the Time Privileges**

The temporary privileges granted before this law was adopted should be valid till the end of their terms.

**Article 29. Exempting of the Physical Persons From the Property Tax on the Property Considered as Taxable Object as of 1995 and 1996.**

1. Physical persons shall be exempted from property tax for 1995 and 1996, as well as from penalties established by the tax code in the part of property belonging to them by ownership right, which is considered as a taxable object.

2. The property tax amount calculated and paid according to the item 1 of this article shall be returned at the expense of the property tax payments of the coming years.

**Article 30. Property Tax Payment Time of 1997 for the Physical Persons**

July 1, 1998 shall be defined as a time for property tax payment of 1997 for the physical persons.

**Article 31. The Date the Law Becomes Effective**

1. This Law shall be in effect since January 1, 1998.

3. From the moment this Law becomes effective, the Law of the Republic of Armenia "On Property Tax" as of February 3, 1995, shall become ineffective.

President of the Republic of Armenia L. Ter-Petrossian

Yerevan

January 13, 1998.

# **LAW OF THE REPUBLIC OF ARMENIA**

## **ON SIMPLIFIED TAX**

### **Article 1. Object Regulated by Law**

This Law regulates relations regarding determination and payment of simplified tax and defines the simplified taxpayers, tax rate, calculation and payment procedures.

### **Article 2. Concept of Simplified Tax**

1. Simplified tax is the tax substituting VAT and/or profit tax (income tax) paid to the State Budget for entrepreneurial activities by rates and within deadlines defined by law.
2. For legal persons simplified tax substitutes VAT and/or profit tax
3. For individual entrepreneurs simplified tax substitutes VAT and/or income tax

### **Article 3. Termination of Tax Privileges**

In terms of issues regulated by this Law, tax privileges for VAT and profit tax defined by legislation shall be terminated for simplified taxpayers. During determination of taxable profit or income, deductions from gross income as well as the threshold for becoming a VAT payer shall not be effective either.

### **Article 4. Simplified Taxpayers**

1. Simplified taxpayers are legal persons and individual entrepreneurs (except for the ones defined in clause 3 of this Article) qualifying for conditions specified in clause 2 of this Article who have filed declarations to tax entities of their registration area within deadlines and by order defined by this Law.
2. Legal persons and individual entrepreneurs shall be considered to be simplified taxpayers if during previous reporting year total amount of turnover of sale of goods supplied and services rendered by taxpayers (exclusive VAT) have not exceeded 30 million drams. Restriction mentioned in the present point shall not apply to the sphere of trade and public catering activities carried out in shops and counters.
3. The following taxpayers shall not be considered as simplified taxpayers:
  - a) Presumptive taxpayers in terms of the given type of activities according to law "On Presumptive Payments";
  - b) Producers of goods subject to excise tax;
  - c) *Taxpayers, the residue of goods imported by "for free turnover" customs regime, non VAT taxable at the moment of import and not sold within the previous year of which exceeds 1 million drams*

- d) Taxpayers owing outstanding liabilities (including fines and penalties envisaged by Tax legislation) exceeding 100 thousand drams as of moment of submitting application;
  - e) Loan and insurance companies, investment funds, specialized parties of stock market, organizers of casinos, cash winning games or lotteries, persons carrying out audits or consulting services.
  - f) Persons, who during 6 months prior to declarations submission ceased being considered as such.
4. *Irrespective of the deadlines defined by clauses 2 and 3 of article 5, simplified taxpayers may be considered to be also the newly founded legal entities (that have state registration) and individual entrepreneurs (except for those mentioned in clause 3 of this article) starting from the corresponding declaration filing quarter.*

#### **Article 5. Declaration Filing for Becoming Simplified Taxpayers**

1. For becoming simplified taxpayers, legal persons and individual entrepreneurs qualifying for conditions defined in Article 4 of this Law shall file declarations defined by State Revenue Ministry of the RA to tax entities of their registration area.
2. For becoming a simplified taxpayer during the given year the declaration should be filed to tax entities starting from January 1 to 25 (inclusive) of the given year.
3. Regardless of points of clause 2 of this Article, for being considered as simplified taxpayer during any quarter in the sphere of trade activities carried out in shops or counters, as well as in the sphere of public catering activities, declaration shall be filed to Tax Body starting from 1 to 25 (inclusive) of the 1<sup>st</sup> month of the quarter.

#### **Article 6. Ceasing of the Effect of Simplified Tax**

1. The taxpayer ceases to be considered as simplified taxpayer in the following cases:
  - a) If the taxpayer has submitted a written application to the tax entity of his/her registration area on passing to regular taxation, registration and declaration filing system;
  - b) *If during the period of being simplified taxpayer he/she has had two or more cases of violation of Articles 170<sup>7</sup>, 170<sup>8</sup> or 170<sup>9</sup> of the RA code on "Administrative Violations" regarding procedures of labeling excisable goods;*
  - c) If the threshold of outstanding tax liabilities defined in point "d" of clause 3 of Article 4 of this Law has been exceeded;
  - d) If he/she carries out activities defined in points "b" or "e" of clause 3 of Article 4 of this Law;
  - e) *If during the quarter he/she imports goods by "for free turnover" customs regime and not VAT taxable at the moment of import, with volume exceeding 250 thousand drams.*
2. In cases mentioned in points "a", "b" and "c" of clause 1 of this Article the taxpayer ceases to be considered as simplified taxpayer starting from the 1<sup>st</sup> day of the month following the quarter when the fact defined in the above points is recorded. In cases mentioned in points "d" and "e" – the termination starts from the moment when the fact defined in the above point is recorded.

## **Article 7. Taxable Object**

1. Simplified taxable object is considered to be the sale turnover of goods supplied and services rendered by taxpayers during reporting quarter.
2. In determining the simplified taxable object, the sale turnover may not include capital goods belonging to taxpayer as property obtained and registered for organization of business activities. In terms of this, taxpayers shall pay VAT and Profit tax according to defined order, and shall conduct separate registration in due course of law.

## **Article 8. Rates of simplified tax and Tax Settlement**

1. *For taxable object determined for each reporting period of current year for the part of trading activity realized by shops and counters the simplified tax is calculated by the rate of 4 percent and for activities in public catering sphere – by the rate of 7 percent.*
2. For the part of trading activity not mentioned in the clause 1 of this Article the simplified tax payers calculate the tax for taxable object determined for current year by the following of turnover sale:
  - a) 7 percent for amount under 30 mln. dram
  - b) 12 percent for amount over 30 mln. dram.
3. Reporting period for simplified tax shall be considered to be a quarter.
4. Taxpayers calculate simplified tax amounts themselves for quarterly results by rates defined in the clauses 1 and 2 of this Article, taking into consideration provisions stipulated by Article 9 of this Law.
5. VAT amount makes 60 percent within the total amount of simplified tax.

## **Article 9. Reduction of Simplified Tax Amount**

1. During reporting period the calculated tax amount is reduced by a) 2 percent for trading activity realized through shops and counters; b) 4 percent for the activity not mentioned in the clause (a) of this Article, of expenses (including indirect taxes) substantiated by documents for goods and services not considered as fixed assets for organization of business activity and procured during the given time period.
2. In case if according to this Article after reduction the amount of simplified tax from the trading activity of shops and counters for the given time period is less than 2 percent, and less than 3.5 percent from other type of activity, then simplified tax shall be paid by the rates of 2 percent and 3.5 percent correspondingly. And the not-reduced part of the tax shall be deducted from tax amount calculated for the following reporting period.

## **Article 10. Calculation Method of Gross Income and Expenses**

During determination of taxable objects registration of incomes and expenses shall be done by accruals method (the taxpayer carries out registration of incomes and expenses based on the moment of getting the right of receiving those incomes or recognizing those expenses, irrespective of the time when incomes were actually received or payments were made).

## **Article 11. Declaration Filing Procedures and Deadlines**

Simplified taxpayers shall file declarations on simplified tax to tax entity of their registration area by the 25<sup>th</sup> of the month following reporting period in compliance with order defined by the RA State Revenues Ministry.

## **Article 12. Simplified Tax Payment Procedures and Deadlines**

1. Simplified Taxpayers shall pay simplified tax amounts to State budget by the 25<sup>th</sup> of the month following reporting period.
2. Taxpayers shall not make profit tax (income tax) advance payments for activities taxable by simplified tax.

## **Article 13. Payment of Other Taxes by Simplified Taxpayers**

1. The procedures of property and land tax payment, calculation, collection and payment of taxes for job as well as equal incomes (including as a tax agent), calculation and payment of VAT, excise tax charged on customs border, as well as other obligatory payments for cases defined by legislation shall be effective for simplified taxpayers.
2. Simplified taxpayers shall add VAT amounts paid to suppliers of goods and services (as well as to customs entities during import of goods) to procurements cost (expenses) of these goods and services.
3. In terms of issues regulated by this Law simplified taxpayers shall be exempt from liabilities defined for tax agents by point "a" of clause 1 of Article 21 of the RA law "On Income Tax".
4. In case of filing income tax declarations individual entrepreneur - simplified taxpayers shall not include incomes gained from entrepreneurial activities, as well as expenses made to gain them during the period when being simplified taxpayers, except for the case defined in clause 4 of Article 15.
5. Taxpayers, as employers, in terms of compulsory social insurance payments subject to payment shall pay for hired workers each (individual entrepreneur), as employees, fixed monthly payment in the amount equal to 6.000 dram; the latter shall substitute payments made in the order and in the amount envisaged in law on compulsory social insurance payments.



#### **Article 14. Issuing Payment Documents by Simplified Taxpayers**

1. Simplified taxpayers shall issue payment documents to their customers for goods shipped, provided, sold and services rendered by order defined by legislation.
2. Simplified taxpayer shall not make any notes on VAT rate or amount in payment documents issued (shall not issue tax invoices) including the period for submitting application defined in clauses 2 and 3 of Article 5 of this Law.

#### **Article 15. Procedures of Passing from Regular Taxation System to Simplified taxation System**

1. Persons that have become simplified taxpayers shall add residues of VAT amounts exceeding the VAT amounts calculated for sale turnover for the period preceding the moment of passing to simplified taxation and separated in tax invoices of suppliers to expenses.
2. VAT amounts separated in tax invoices of suppliers during the period of simplified taxation may not be credited from VAT amounts calculated for sale turnover starting from the moment of passing to regular VAT taxation system.
3. Passing from simplified taxation system to regular one, taxpayers should calculate profit tax advance payments based on tax amount determined by proportions of profit tax (income tax) and/or profit tax (income tax) included in simplified amount as defined in Article 8 of this law.
4. According to clause 2 of Article 6 of this law, starting from the moment of ceasing simplified tax payments and for the rest of the reporting year taxpayers should calculate and pay profit tax (income tax) including advance payments and VAT according to defined order.
5. In cases when the person has been considered to be a simplified taxpayer for some period of the reporting year, when passing to regular taxation system, the profit tax (income tax) rate is determined by profit (income) scale defined by laws of the RA "On Profit Tax" or "On Income Tax" in accordance to tax amount determined by proportion of profit tax (income tax) within the tax amount calculated during the period when being simplified taxpayer as designed by Article 8 of this law.
6. Starting from the moment of passing from simplified to regular taxation system taxpayer may deduct the loss of previous reporting years from gross income gained from business activities, while loss of simplified taxation period is not subject to deduction.
7. Those expenditures (against which tax amount deduction has already been implemented following to the Article 9 of this Law) of simplified tax payers for acquisition of goods and services within the period of being simplified taxpayer as well as for salaries affirmation by necessary documents, shall not be deducted from incomes gained upon passing from simplified to regular taxation system.

8. Simplified taxpayers should carry out registration of incomes and expenses as well as keep the record of issues regarding tax legislation by order defined by the Government of the RA.
9. *Besides the accounting defined by this law, the simplified taxpayers may conduct no other accounting for taxation purposes.*

#### **Article 16. Taxpayers' Responsibility for Violation of This Law**

1. Violation of this law is punished by order defined by legislation unless something else is stipulated by this law.
2. In case of making notes on VAT rate and amount in payment documents issued, the taxpayers should pay VAT amount specified in payment documents within the deadlines of simplified payment for the given quarter - without deducting VAT amounts paid to suppliers of those goods and services.
3. In case if taxpayers complete declaration designed by clause 1 of Article 5 of this law:
  - a) with wrong information on threshold designed by clause 2 of Article 4 - are subject to penalty by amount of 20 percent of the portion exceeding the threshold;
  - b) with wrong information on non-conducting activities defined in points "b" and "e" of clause 3 of Article 4 – are subject to penalty by the amount of 100 thousand drams;
  - c) wrong information on import volume of goods taxable with zero rated customs duty defined in point "c" of clause 3 of Article 4 – are subject to penalty by the amount of 50 percent of the part exceeding the import volume defined.
4. For false declaration of the number of employees are subject to penalty of 50 thousand Dram per undeclared employee.

#### **Article 17. Normative Acts on Law**

Normative acts on application of this law are adopted by State Revenue Ministry of the RA by agreeing them with the Ministry of Finance and Economy of the RA and with the RA social insurance State foundation for the compulsory social insurance payments.

#### **Article 18. Temporary Provisions**

To be considered as simplified taxpayer in the second half of the year 2000:

- a) persons having filed declarations are considered to be simplified taxpayers from July 1 up till December 31, 2000 if they have filed their declarations to tax entities during the period between July 1 and 25 inclusive.

- b) the condition specified in clause 2 of Article 4 of this law is considered as satisfying if sale turnover during the first half of the year 2000 does not exceed 15 million Drams.
- c) conditions specified in point "c" of clause 3 of Article 4 of this law are considered as satisfying if import volume of goods taxable with zero rated customs duty during the first half of the year 2000 does not exceed 500 thousand drams.
- d) The conditions defined by subclause "d" of clause 3 of Article 4 of this Law is not in force

2. For each following semester starting from January 1, 2001 (the first semester of 2001 included) the rates defined by clause 1 and 2 of the Article 8 and by clause 1 of the Article 9 of this Law shall additionally be increased by 0.5%.

#### **Article 19. Validness of This Law**

This law is in effect starting from July 1, 2000.