



This document has been provided by the International Center for Not-for-Profit Law (ICNL).

ICNL is the leading source for information on the legal environment for civil society and public participation. Since 1992, ICNL has served as a resource to civil society leaders, government officials, and the donor community in over 90 countries.

Visit ICNL's **Online Library** at
<http://www.icnl.org/knowledge/library/index.htm>
for further resources and research from countries all over the world.

Disclaimers

Content. The information provided herein is for general informational and educational purposes only. It is not intended and should not be construed to constitute legal advice. The information contained herein may not be applicable in all situations and may not, after the date of its presentation, even reflect the most current authority. Nothing contained herein should be relied or acted upon without the benefit of legal advice based upon the particular facts and circumstances presented, and nothing herein should be construed otherwise.

Translations. Translations by ICNL of any materials into other languages are intended solely as a convenience. Translation accuracy is not guaranteed nor implied. If any questions arise related to the accuracy of a translation, please refer to the original language official version of the document. Any discrepancies or differences created in the translation are not binding and have no legal effect for compliance or enforcement purposes.

Warranty and Limitation of Liability. Although ICNL uses reasonable efforts to include accurate and up-to-date information herein, ICNL makes no warranties or representations of any kind as to its accuracy, currency or completeness. You agree that access to and use of this document and the content thereof is at your own risk. ICNL disclaims all warranties of any kind, express or implied. Neither ICNL nor any party involved in creating, producing or delivering this document shall be liable for any damages whatsoever arising out of access to, use of or inability to use this document, or any errors or omissions in the content thereof.

LAW OF THE REPUBLIC OF ARMENIA
ON SIMPLIFIED TAX

June 5, 2000

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 1st 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 170⁷, 170⁸ or 170⁹ 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 1st 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 form 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 25th 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 25th 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.