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**LAW OF THE REPUBLIC OF ARMENIA  
ON AMENDMENTS AND SUPPLEMENTS IN THE LAW "ON VAT"**

**Article 1.** To rewrite the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> parts of **article 3** as follows:

"Legal and individual entrepreneurs are considered to be VAT taxpayers during a given year, if in the previous year their revenue from transactions defined in clauses 1, 2 and 3 of Article 6 of this law (including the amount of the taxable turnover calculated according to this law for transactions specified in clause 3 of article 6) exceeded 30 million drams.

Regardless of the mentioned rate, VAT taxpayers are considered to be persons that:

- exceeded the corresponding thresholds specified by law "On Presumptive Tax"
- are not considered or stop to be considered as simplified taxpayers according to the law "On Simplified Tax"
- carry out activities taxable both by VAT and by presumptive tax (to the extent of activities taxed by VAT)

The provisions of the first part of the article do not apply simplified taxpayers carrying out trading activities through stores and kiosks as specified by the law "On Simplified Tax.

Physical persons that are not individual entrepreneurs are considered to be VAT payers within the current year if their revenue gained from activities specified in clause 1 and 2 of article 6 of this Law exceeds 3 million drams. These persons shall calculate and pay VAT for the portion exceeding 3 million drams.

**Regardless of the revenue amount mentioned above, persons who submit applications to the corresponding tax offices for being considered as VAT payers, will be considered as such starting from the day of submission of the applications but no sooner than that. The given persons shall be considered as VAT payers starting from the day of declaration themselves as such and within one calendar year since that moment."**

**Article 2.** Declare sub clause "b" of clause 4 of article 6 of the Law void.

**Article 3.** Rewrite the second sub-clause of Article 7 as follows:

"2) Based on the RA government decrees,

- gratuitous provision of goods and services by taxpayers
- in case of transactions with partial compensation, the difference between the taxable turnover defined by this law and the received compensation."

Article 4. In the Article 8 of the law

a) in the second part of sub clause 1 after the word “producer” add “or importer”

b) rewrite sub clause 5 as follows:

**"5) In case of goods and services provided on the basis of assignment, commission or agency, the taxable turnover is considered to be the mediator fee (charge, bonus or other type of compensation) without VAT, unless otherwise specified by the law or other legislative acts."**

Article 5. Declare void sub clauses 9, 20 and 23 of Article 15

Article 6. In the article 16

a) rewrite the first paragraph as follows:

"Zero rated taxation by VAT is the application of zero rated VAT on the sales turnover of activities specified in this article (hereinafter, taxable turnover)"

b) declare void sub clause 4

c) remove the words “4<sup>th</sup> and” from sub clause 6 and replace the word “clauses” by “clause”.

Article 7. In article 20, sub clause 2 add “The VAT payer identification number, in case such a procedure is adopted by the RA government”

Article 8. In article 23:

**a) in section 1 after the words “rate” add the following: “except for the VAT amounts on the tax invoices for transactions specified by article 24<sup>1</sup> of this law. The VAT amounts on tax invoices issued for transactions carried out from January 1, 2002 till January 1, 2006 shall be credited within the reporting period during which the goods and services were paid for”.**

b) from the third part of section 2 remove the words “in the reporting period” and replace the words “are added to expenses” by “are not subject to crediting or return.

**Article 9. Add a new article 24<sup>1</sup> as follows:**

"Article 24<sup>1</sup>. Before January 1, 2006 for provision of good and services to the public in respect of water, irrigation, and sewage as well as provision of good and services under the Law on Procurement, VAT responsibility arises at the time of payment against provided goods and services.

In order to apply the present article, during the reporting period the VAT amount calculated against the taxable turnover of taxable operations and the VAT amount received from beneficiaries (customers) shall be paid, of which the following amounts shall be deducted, which during the same reporting period:

1) were paid to the suppliers against domestically purchased goods (including capital goods), non-material assets, and services for production or other commercial activity, to the extent of VAT amounts on tax invoices as specified by sub clause 1 of section 4 of this law.

2) were paid to Customs offices of RA against goods imported to the country, in accordance to the procedures and amounts specified by law.

**Article 10. In the Article 26**

a) in the second part of sub clause 2 after the words “from the immediate producer” add “or from the immediate importer” and add the following:

"As mentioned in this section, VAT amounts directly related to operations during the current reporting period deducted in the previous reporting period are subject to restructuring and must be added to the price of acquisition of goods and services or to the production and sales cost. **The provisions of this paragraph apply for the procurements made after December 31, 2001**"

b) in sub clause 3 after the word “acquired” add “and/or used” and remove the second part of the section

c) add a new sub clause 4 in this article:

"4) the negative difference between the accrued VAT liabilities from VAT taxable operations and VAT credits accrued on tax invoices (customs declarations) of providers of goods and services in respect of the said VAT taxable operations of purchase (import)

**Article 11. Part 3 of the Article 32 rewrite as follows:**

"For those persons whose revenues from operations defined in sections 1, 2, and 3 of article 6 exceeded 60 million drams in the previous calendar year, the VAT reporting period shall be each month."

**Article 12. Declare article 39 void.**

**Article 13. In the Article 43 the words “30 percent” replace by “50 percent”**

**Article 14. Add a new paragraph in article 43<sup>1</sup> with the following content:**

"The VAT amounts completed in tax invoices for goods and services provided by

suppliers not declared in the information provided to tax offices as required by article 20 of this law are not subject to crediting."

**Article 15. Add article 44<sup>1</sup> with the following content:**

"Article 44<sup>1</sup>. In case of issuing tax invoices without transactions of provision of goods and services, the persons are charged VAT amounts completed on the tax invoices as well as penalty equal to 100 % of the VAT amount, but not less than 1 million drams. **This punishment does not apply if the persons carry the responsibility of completing the transaction based on goods or service provision agreements"**

**Article 14.** This law is effective January 1, 2002