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THE LAW OF THE REPUBLIC OF ARMENIA

Adopted by the
National Assembly on May 14, 1997, in force from July 1,
1997

ON VALUE ADDED TAX*

SECTION 1. VALUE ADDED TAX AND PAYERS

Article 1. Value added tax (hereinafter referred to as VAT) is an indirect tax, which in compliance with this Law shall be paid (levied) to the state budget for imported goods, at all stages of their production and turnover, as well as provision of services on the territory of the Republic of Armenia.

Article 2. All the physical and legal persons, enterprises without the status of a legal person (hereinafter - persons)¹ carrying out independent economic (business) activity in accordance with the procedure defined by the Law, and implementing transactions (operations) listed in Article 6 of this Law.

Economic activity, implemented regularly for the purpose of deriving income (profit), shall be considered business activity. The activity, performed against any compensation, shall be considered economic activity.

The citizens of the Republic of Armenia and foreign citizens, as well as stateless persons (hereinafter - individuals), who in accordance with the contracts concluded with employers are considered as employees and at the same time do not implement transactions (operations), defined by **clauses 1, 2 and 4²** of Article 6 of this Law, shall not be considered as VAT taxpayers.

Physical persons that are not individual entrepreneurs³ shall be taxed VAT according to the procedure, defined by this Law and the customs legislation of the Republic of Armenia, in case of importing goods into the territory of the Republic of Armenia, provided the quantity or the value of the imported goods exceeds the rates established by the Law.

Article 3. 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)

* Including all amendments and additions as of 01.01.2002.

¹ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

² With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

³ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

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.⁴

The total result of the economic (business) activity of individuals, implementing the economic (business) activity without taking into account the deductions of the expenditures made (including the expenses on the purchase of goods) - shall be considered as revenue. In the field of trade the revenue shall be considered equal to the turnover.

Article 4. More than one person may act as a single centralized VAT taxpayer. The list of such centralized VAT taxpayers shall be defined by the Government of the Republic of Armenia.

SECTION 2. OBJECT OF TAXATION AND TAXABLE TURNOVER

Article 5. The object of VAT taxation shall be the total value (turnover) of all transactions (operations), defined by Article 6 of this Law, implemented by VAT taxpayers within the territory of the Republic of Armenia, unless provided otherwise by the Law.

Article 6. The following transactions (operations) shall be subject to VAT taxation:

- 1. Delivery (supply) of goods - a transaction that is implemented by transferring the ownership right of goods (including output and real estate) to other person against compensation. Alienation of the personal property of individuals, with the exception of cases defined by this Law, shall not be considered as delivery of goods.**
- 2. Rendering of services - a transaction (operation) other than delivery of goods, implemented against any form of compensation, including the sales (transfer) of intangible assets. The lease of goods and real estate shall be also considered as rendering of services.**
- 3. Free or partially free consumption - free delivery of goods or provision of services performed by VAT payers pursuant to the procedure defined by this Law, to the mentioned or other persons, or delivery of their goods and provision of services at significantly lower prices for such transactions (operations), with the exception of cases provided by the Law or in cases specified by the Law - by other decrees.⁵**
- 4. Importing goods by "Importing for Free Turnover" customs regime, with the exception of cases designed by law.
VAT is calculated and collected for goods imported into the territory of the REPUBLIC OF ARMENIA on the border by customs officials, with the exception of:**

- a) goods included in the list defined by law, the customs duty for import of which is defined as 0 percent and which are not excise taxable.**

⁴ Parts 1, 2, 3 and 4 of Article 3 - with amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" in force from 01.01.2002.

⁵ Article 6 was amended according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

b) Has become invalid.⁶

Article 7. The following shall not be subject to VAT taxation (shall not be object of taxation):

1. **state duty amount⁷**;
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.⁸**
3. **services rendered gratuitously by seller of goods within warranty period defined by public contracts, as well as goods within the confines of these services not meeting quality requirements, gratuitous replacement of goods' spare parts, rendering of services and supply of goods the value of which is included in the cost of goods supplied and serviced rendered according to public contracts;⁹**
4. transactions on the change of the ownership right (including transactions on privatization) in regard to the legal person, enterprise without the status of a legal person, as well as transactions on denationalization;
5. transactions on **reorganization¹⁰** of a legal person, enterprise without the status of a legal person;
6. lease transactions of leasehold enterprises, created on the basis of state enterprises;
7. **Has become invalid¹¹**
8. **Has become invalid¹²**
9. turnover on the sales of values and treasures without owner, inherited to the state or bought by the latter;
10. **sale of property or property rights to the state in form of confiscation or donation;¹³**
11. **delivery of goods and rendering of services by the budgetary institutions of the Republic of Armenia - in the part, the revenue from which is completely credited to the state or municipal budgets;¹⁴**
12. **import of goods for personal consumption specified by the Law, implemented by individuals;¹⁵**
13. **import of the personal property by citizens, entering the Republic of Armenia for permanent residence;¹⁶**
14. **Has become invalid.¹⁷**

⁶ According to RA Law "On Amendments and Additions RA Law "On VAT"" in force from 01.01.2002. Initial text – "goods imported into the territory of the Republic of Armenia, the turnover of which is VAT exempt according to clause 20 of article 15 of this law."

⁷ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

⁸ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" in force from 01.01.2002.

⁹ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

¹⁰ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

¹¹ According to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text – "in case of recognizing a legal person, enterprise without the status of a legal person, or a private entrepreneur as insolvent according to the court decree – transactions on the sales of their property pursuant to the procedure established by the Law;"

¹² According to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text – "transactions on the sales of the property (including collateral) confiscated pursuant to the procedure established by the Law;"

¹³ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

¹⁴ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

¹⁵ With addition according to RA Law "On Amendments and Addition to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

¹⁶ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

¹⁷ According to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text – "import of goods deemed to constitute the property of foreign customers, imported for the purposes of processing on the territory of the Republic of Armenia and export thereof afterwards within the terms of export after processing provided by the contract, but not later than

Article 8. The turnover subject to VAT taxation shall be determined pursuant to the following procedure:

1. The VAT taxable turnover in case of the delivery of goods and services shall be the value thereof in terms of money (including other payments joined to this value pursuant to the Law) exclusive of **cases of export of goods as well as**¹⁸ VAT which must be paid by the purchaser to the supplier as an indemnity.

The value of multiple use returnable containers shall not be included in the turnover subject to VAT, with the exception of cases when the container is sold directly by the producer¹⁹ or the importer²⁰.

2. For goods imported to the Republic of Armenia, the amount of their customs value determined in accordance with the procedure established by the Law, and the **customs duty and excise tax levied**²¹ shall be considered as the turnover subject to VAT **at the moment of import**²².
3. The turnover subject to VAT while importing goods which, pursuant to the procedure defined by the customs legislation, have been earlier exported from the territory of the Republic of Armenia by VAT payers for the purpose of processing or repair, shall be the value of processing and repair [thereof] which must be paid as an indemnity to foreign legal persons, enterprises without the status of a legal person, or to foreign citizens and stateless persons (hereinafter - foreign individuals); and in case of impossibility to define the value in question - the difference between the customs value of the import of goods after processing and repair and the customs value declared while exporting thereof.
4. **When conducting VAT taxable entrepreneurial activities in the Republic of Armenia by foreign entities (including import of goods belonging to the mentioned entities) not registered as entities conducting entrepreneurial activities in the Republic of Armenia, entities of the Republic of Armenia (citizens, individual entrepreneurs, legal entities, local government entities and state entities) that are parties of contract relations (including contractors) shall carry the tax responsibility instead of foreign entities in terms of the mentioned activities conducted by order and within deadlines defined. In terms of these activities VAT taxable turnover shall be determined by order defined by this article.**²³
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.**²⁴
6. **Gratuitous supply of goods, gratuitous rendering of services, as well as in cases when for the given activities (transactions) prices lower than actual value in comparison to usual prices are applied (partial compensation), taxable object shall be considered to be the value (cost of transaction, payment, compensation, prize or the value of other money payment) determined according to this law and considered as taxable turnover under circumstances comparable for similar transactions. In case if such a value is missing, taxable object shall be considered to be**

during one year, in case of a liability for the exports of the goods in question. In case of the actual failure to export these goods within the set term, the imposition of VAT, including fines accrued for the delay of VAT payment, shall be performed according to the procedure established by the legislation." (with amendments of 20.08.98).

¹⁸ With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

¹⁹ With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

²⁰ With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" in force from 01.01.2002.

²¹ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

²² With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

²³ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

²⁴ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" in force from 01.01.2002.

the amount (the actual value of transaction) usually considered as a taxable object for similar transactions in business spheres under comparable circumstances.²⁵

7. The taxable turnover for barter transactions (operations) shall be determined according to the procedure established by this Law for the delivery of goods and provision of services on the basis of their price exclusive of VAT applied usually at the moment of the delivery of these goods and services.
8. In case of delivery of goods subject to the excise tax, the amount of the excise tax shall be also included in the VAT taxable turnover.

SECTION 3. TAX RATES

Article 9. The rate of VAT shall be determined in the amount of 20% of taxable turnover of goods and services.

The amount of VAT within the amount of the total indemnity for the goods and services (including 20% rate) shall be determined at the rate of 16.67%.

Article 10. The zero rate of VAT shall be estimated for the taxable turnover of goods and services defined in Article 16 of this Law.

Article 11. VAT may be replaced by fixed payments (presumptive tax) defined by the Law for certain VAT payers, groups of taxpayers, or certain types of transactions and operations.

SECTION 4. PLACE OF SUPPLY OF GOODS AND PROVISION OF SERVICES

Article 12. The place where goods are located and where they are to be delivered from shall be considered as the place of supply. The goods in the Republic of Armenia shall be considered supplied, if:

- a) they were unloaded and delivered to the purchaser (customer) on the territory of the Republic of Armenia;
- b) they were exported from the Republic of Armenia.

The imported goods shall be considered as delivered in the Republic of Armenia from the moment of the import.

Article 13. The service shall be considered as rendered in the Republic of Armenia, provided that the place of rendering thereof is within the territory of the Republic of Armenia.

The place of rendering of services shall be the place where the service provider implements business activity, and in case of the absence of such place or impossibility of determining it - the place of location (domicile or place of residence, with the exception of the cases defined in Article 14 of this Law) of the mentioned person.

Article 14. The place of rendering of services related to the real estate, including services rendered by the agents and experts on rent, brokerage, preparation and implementation of construction (including projecting, exploration, supervision and other related services) shall be the place where the real property is located or is planned to be constructed.

²⁵ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

The place of provision of transport services shall be the place where the transportation of loads, post, passengers and baggage starts from. The place of provision of services on the transportation of loads, post, passengers and baggage by the routes starting and not interrupting on the territory of the Republic of Armenia, supported by the single international documentation (hereinafter - international transportation), shall be outside the territory of the Republic of Armenia.

The place of provision of services in the field of culture, art, sport, science, education and public health (including services necessary for their organization), supporting transport services (loading and unloading of goods, handling, storage of loads and other services), services on assessment, repair, placement of movable property and other similar services shall be considered the place where these services are actually rendered.

In case when services on the re-concession of patents, licenses, copyrights, trade marks and other similar rights, advertising, consulting, engineering, legal, accounting, expert, translating, and other similar services, as well as services on data processing, provision of **software**²⁶ and information, banking, financial and insurance services (with the exception of the lease of safes), lease of movable property (with the exception of the lease of any means of transport) are rendered by the persons registered in the Republic of Armenia to foreign legal persons, persons without the status of a legal person, or individuals (or vice versa), the place of provision of services shall be the place where the person who receives the service implements business activity, or has a permanent office, to which the mentioned services are rendered, or in case of the absence thereof - the domicile or the place of residence of the person.

The place of provision of services, when leasing the means of transport, shall be the place where the lessor implements business activity, or in case of the absence of such place - the domicile or the place of residence of the lessor.

For the postal and electronic mail services rendered from the territory of the Republic of Armenia to the territory of a foreign country the place of provision of services shall be the territory of the foreign country in question. For the postal and electronic mail services rendered from the territory of a foreign country to the territory of the Republic of Armenia the place of provision of services shall be the territory of the Republic of Armenia.

SECTION 5. PRIVILEGES AND ZERO RATE TAXATION

Article 15. The exemption from VAT shall be the non-accrual of VAT on taxable turnover. **The following transactions and operations mentioned in clauses 1, 2 and 3 of Article 6 of this Law**²⁷ shall be exempt from VAT:

1. **Has become invalid;**²⁸
2. secondary schools, vocational schools **for qualification and re-qualification**²⁹, specialized-secondary and higher educational institutions - in the part of the fee for education;
3. **sales of copy-books and music books, albums for drawing, children's and school literature, school educational publications; sales of scientific and educational editions published by higher educational institutions, specialized scientific organizations and the National Academy of Sciences of the Republic of Armenia;**³⁰
4. scientific and research works;

²⁶ With addition according to RA Law "On Amendments to RA Law "On VAT"" adopted by RA National Assembly on 28.12.1998, in force from 01.01.1999.

²⁷ With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

²⁸ According to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text – "services on transportation of passengers by the passenger electric transport (trolley-bus, tram, metro and cable railway);".

²⁹ With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

³⁰ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

5. **Has become invalid;**³¹
6. **sales of veterinary medicines**³², **sales of poisonous chemicals used in agricultural production, fertilizers, agricultural plants and seeds of perennial plantations and planting material to the producers of agricultural production;**³³
7. sales of agricultural products, produced in the Republic of Armenia, by the producer;
8. services related to the care of children in preschool institutions, care for persons in boarding-schools, children's homes, institutions caring for disabled children and invalids, in nursing homes, as well as sales of goods produced and services rendered by the persons living at the expense of these institutions;
9. **Has become invalid;**³⁴
10. sales of newspapers and magazines;
11. provision of services by undertaker's offices, cemeteries, as well as other services of ritual character and sales of respective accessories related to the death and burial;
12. religious ceremonies, sales of religious items to the religious organizations, **as well as sales of these items by the religious organizations;**³⁵
13. **Has become invalid;**³⁶
14. sales of lottery tickets at the face value;
15. insurance and reinsurance operations, including services related to them, which are rendered by insurance mediators and agents;
16. operations related to the pension insurance, including services related to them, which are rendered by mediators and agents;
17. the following financial operations and transactions:
 - receipt of deposits at call, time deposits, savings and other similar investments, opening, keeping and serving of banking and investment accounts, including provision of settling services;
 - provision of credits (loans), including the covering of liabilities and the financing of commercial transactions, and other factoring operations;
 - provision of guarantees, bank guarantees, opening of letters of credit;
 - issue, placement, purchase, sale of securities, including their purchase for the purpose or on the terms of resale, receipt for safe keeping and accounting;
 - issue, purchase, discount, transfer, concession or service of promissory notes, checks, orders, other payment securities, payment documents, cards and other instruments;
 - purchase, sale and exchange of foreign currency (banknotes or metal money, with the exception of coins and bank tickets having numismatic meaning and used for this purpose), futures, options in Armenian drams and foreign currency, and performance of other similar transactions;
 - cash withdrawal services;
 - provision of services of a financial agent (representative) by bank;
 - trust or other management of other persons' investments;
 - purchase, sale of the standard (of bank) precious metals bullion, opening and keeping of accounts expressed by them, implementation of other operations with them;
 - **Has become invalid;**³⁷

³¹ According to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text – "sales of baby food;"

³² With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997. **Important Note:** this amendment is not reflected in the final Armenian text (non-official publication) of the Law.

³³ With amendment according to RA Law "On Amendment to RA Law "On VAT"" adopted by RA National Assembly on 21.10.1997, in force from 01.01.1998.

³⁴ According to RA Law "On Amendments and Additions to RA Law "On VAT" in force from 01.01.2002. Initial text - "radio broadcasting and TV-broadcasting not compensated by the users, including the receipt of means from the third persons for the purposes of such broadcasting;"

³⁵ With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

³⁶ According to RA Law "On Amendments and Additions to of RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text – "sales of postal services, postal stamps, postcards and envelopes, as well as sales of state duty stamps at the face value;"

³⁷ According to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text – "finance lease;"

- brokerage and other intermediary services;
 - **Has become invalid;**³⁸
 - **sales of collateral previously belonging to physical persons not considered as individual entrepreneurs, that has become the property of the bank according to the procedure specified by Law;**³⁹
 - services on acceptance of money (revenue, obligatory, housing and other payments), as well as on provision of payments on wages, pensions, benefits, insurance payments, etc. according to the contracts concluded.
 - The registration and issue of certificates and references related to the services provided by this clause, production of securities, checks, orders, payment documents, cards, banknotes and metal money, bank gold, facsimile services shall not be exempt from VAT.
18. **Has become invalid;**⁴⁰
19. sales of donor blood, breast milk, prosthetic and orthopedic items, **(deleted words)**⁴¹, medical assistance services (including prophylactic diagnostic measures), goods related to the treatment and prepared within the frames of medical assistance by the patients in prophylactic enterprises and organizations, and services rendered by them;
20. **Has become invalid;**⁴²
21. **delivery of goods and provision of services, according to the procedure established by the Government of the Republic of Armenia,**⁴³ **on the account of preparation facilities of credit and grant programs of international financial organizations;**⁴⁴
22. free **(deleted expression)** consumption **(deleted expression)** provided by public (including benevolent) and religious organizations **(deleted expression);**⁴⁵
23. **Has become invalid;**⁴⁶
24. **sales of bread; (in force until 31.12.97)**⁴⁷
25. **sales of black oil; (in force until 31.12.98)**⁴⁸
26. **sales of precious and semiprecious stones indicated in the list specified by the Government of the Republic of Armenia.**⁴⁹

³⁸ According to RA Law “On Amendments and Additions to RA Law “On VAT”” adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text – “acceptance of securities, precious metals, stones, jewelry items, other values and documents by bank for safe keeping;”.

³⁹ With amendment according to RA Law “On Amendments and Additions to of RA Law “On VAT”” adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

⁴⁰ According to RA Law “On Amendments and Additions to RA Law “On VAT”” adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text – “lease of state, municipal and departmental housing funds, the service fee charged from the owners of privatized apartments, the fee for living in hostels, services established by the legislation and rendered by condominiums, building cooperatives to their members;”.

⁴¹ According to RA Law “On Amendments and Additions to RA Law “On VAT”” adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text – “medicines, medicaments”.

⁴² According to RA Law “On Amendments and Additions to RA Law “On VAT”” in force from 01.01.2002. Initial text – “delivery of goods and provision of services by foreign states, international intergovernmental (interstate) organizations, international, foreign and operating in the Republic of Armenia public (including benevolent), religious and other non-state organizations of the similar character, individual philanthropists within the framework of humanitarian assistance and charity (other similar public and social) programs (activity), as well as delivery of goods and provision of services directly related to the implementation of such programs and being significant for them.

The differentiation of programs (activity) between humanitarian assistance and those of the charity and technical (or other) character in case of the absence of a direct indication thereof in the legislation of the Republic of Armenia (including international agreements of the Republic of Armenia), as well as the circle of goods and services exempt from VAT pursuant to the provisions of this Article, shall be determined **by order defined by the Government of the Republic of Armenia** in the field of coordination of humanitarian assistance;”

⁴³ With addition according to RA Law “On Amendments to RA Law “On VAT”” adopted by RA National Assembly on 28.12.1998, in force from 01.01.1999.

⁴⁴ With amendment according to RA Law “On Amendments and Additions to RA Law “On VAT”” adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

⁴⁵ According to RA Law “On Amendments and Additions to RA Law “On VAT”” adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text of point 22– “free (or with partial compensation) consumption and one-time or irregular sales of goods and services provided by public (including benevolent) and religious organizations in the course of the year;”.

⁴⁶ According to RA Law “On Amendments and Additions to RA Law “On VAT”” in force from 01.01.2002. Initial text - “operations related to the receipt and issue of patents, copyrights and licenses;”

⁴⁷ With addition according to RA Law “On Additions to RA Law “On VAT”” adopted by RA National Assembly on 30.09.1997, in force from 08.11.1997.

⁴⁸ With addition according to RA Law “On Additions to RA Law “On VAT”” adopted by RA National Assembly on 30.09.1997, in force from 08.11.1997.

Article 16. 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).⁵⁰

The zero rate of VAT shall be applied:

1. to the taxable turnover of goods **exported by "Export for free turnover" Customs regime**⁵¹ outside the customs border of the Republic of Armenia, as well as the fuel for airplanes of international flights, and supply of the goods for consumption during the flight for the staff and passengers of airplanes.
When exporting goods purchased in the Republic of Armenia **by foreign persons**⁵², the amounts of VAT paid for the goods in question on the territory of the Republic of Armenia shall be returned to them **(deleted expression)**⁵³ according to the procedure established by the Government of the Republic of Armenia;
2. to the retail sale of goods for passengers of international routes in airports, in places specially allocated for that purpose beyond customs and passport control territories, provided that the goods have passed customs registration prior to being on sale pursuant to the procedure established by the customs legislation for the export of goods from the territory of the Republic of Armenia;
3. **Has become invalid;**⁵⁴
4. **Has become invalid;**⁵⁵
5. to the taxable turnover of services **(deleted words)**, maintenance (including aeronavigation, take-off and landing services), repair and re-equipment **(deleted words)** of the means of transport for international transportation, as well as services rendered to the passengers, baggage, cargo and post of international flights and services rendered to the passengers during the flight;⁵⁶
6. to the taxable turnover of services (including of agencies and mediatory services), directly related to the provision of services defined in **clause**⁵⁷ 5 of this Article;
7. to the taxable turnover of services on processing and assembly of products from the raw material, semi-manufactured goods, and materials of foreign legal persons, enterprises without the status of a legal person, or individuals according to their orders, services on the repair and modernization of movable property on the territory of the Republic of Armenia and other similar services exported outside the customs border of the Republic of Armenia in conformity and within the terms established by the customs legislation of the Republic of Armenia;
8. to the taxable turnover of services, whose place of provision is outside the domestic territory of the Republic of Armenia in accordance with this Law;
9. **Has become invalid;**⁵⁸
10. **Has become invalid;**⁵⁹

⁴⁹ With addition according to RA Law "On Addition to Article 15 of RA Law "On VAT"" adopted by RA National Assembly on 13.12.2000, in force from 15.01.2001.

⁵⁰ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" in force from 01.01.2002.

⁵¹ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

⁵² With amendment according to RA Law "On Amendments to RA Law "On VAT"" adopted by RA National Assembly on 28.12.1998, in force from 01.01.1999.

⁵³ With deletion according to RA Law "On Amendments to RA Law "On VAT"" adopted by RA National Assembly on 28.12.1998, in force from 01.01.1999. Initial text – "by Customs bodies".

⁵⁴ According to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text – "to the taxable turnover of services (loading, transportation, unloading, storage, etc.) directly related to the supply of goods defined in clauses 1-2 of this Article;".

⁵⁵ According to RA Law "On Amendments and Additions to RA Law "On VAT"" in force from 01.01.2002. Initial text – "to the taxable turnover of services on international transportation of passengers, baggage, loads and post by all the means of transport in the part of transportation implemented outside the territory of the Republic of Armenia".

⁵⁶ According to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text – "on supply"; "and lease".

⁵⁷ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" in force from 01.01.2002.

⁵⁸ According to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text – "to the taxable turnover of goods and other articles transported through the RA Customs border according to the order defined by the special Customs Regime in cases specified by RA Customs Code;".

11. to the goods imported or purchased on the territory of the Republic of Armenia for the official use of diplomatic representations and consular institutions, as well as international intergovernmental (interstate) organizations deemed equal thereto, and services rendered to them;
12. to the transit transportation of foreign loads through the territory of the Republic of Armenia.
When implementing transactions (operations) taxable at zero rate, the amounts of VAT for the purchased goods and rendered services indicated in the tax accounts, submitted by the suppliers, shall be subject to refund (set-off) according to the general procedure established by this Law.

Article 17. Other Laws may establish privileges of the exemption from VAT and other privileges established by the tax legislation of the Republic of Armenia.⁶⁰

SECTION 6. PROCEDURE ON CALCULATION AND PAYMENT OF VAT

SUBSECTION 1. PROCEDURE ON FILLING IN CALCULATION DOCUMENTS

Article 18. In accordance with this Law, VAT payers must make out tax accounts in case of delivery of goods and provision of services subject to VAT. A calculation document of a set pattern attesting the delivery of goods and provision of services and filed up in accordance with Article 20 of this Law shall be considered tax account.⁶¹

Article 19. Tax accounts shall not be made out:

1. by persons not being VAT payers;
2. for goods and services exempt from VAT by the Law;
3. for transactions (operations) not subject to taxation or subject to zero rate taxation pursuant to this Law.

In the above-mentioned cases other calculation (including the documents related to the goods) and payment documents shall be filled in (drawn up) according to the general procedure.

Article 20. The following data must be necessarily indicated in the tax account:

- a) serial number and the date of making out the account;
- b) name and domicile of the person, name, surname and the place of residence of the individual, who unloads goods and renders services, the **taxpayer's identification number (TIN)**⁶², the **VAT payer identification number, in case such a procedure is specified by the RA government**⁶³;
- c) name and domicile of the person, name, surname and the place of residence of the individual who receives goods and services;
- d) denomination and quantity of goods, or the type and volume of services;
- e) the price and the total value of goods, or the tariff and the total amount of payments for services exclusive of VAT;
- f) the calculated amount of VAT (as a separate line);

⁵⁹ According to RA Law "On Amendments to RA Law "On VAT"" adopted by RA National Assembly on 28.12.1998, in force from 01.01.1999. Initial text – "to the construction and related (design, research and other) works that are carried out within the frameworks of humanitarian aid, charity and other social programs financed gratis by Diaspora communities, foreign states, foreign and international intergovernmental (interstate) or non-governmental (public and other of similar character) and religious organizations, individual benefactors;".

⁶⁰ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

⁶¹ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

⁶² With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

⁶³ With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" in force from 01.01.2002.

g) other information provided by the Government of the Republic of Armenia.

Checks (coupons) given for the delivery of goods (provision of services) by persons implementing activity in the sphere of trade and services may also serve as a tax account, provided that they contain information **indicated in clauses “a” and “b” of this Article, as well as the total value of goods and services and the amount of VAT included in it**⁶⁴. In case of the absence of certain data, the latter must be indicated in the tax account filled in pursuant to the established procedure and enclosed to the check.

A retail tax account (check) shall be made out to foreign individuals, who are not VAT payers, in connection with the refund of the amounts of VAT paid for the goods purchased in the Republic of Armenia at the moment of export.

When purchasing goods in the field of retail trade and receiving services, the VAT payers must make out tax accounts containing the information defined in this Article, at the request of the purchasers (customers).

According to this law, entities considered as VAT payers, after the reporting period by the 25th of the month following the reporting period, should submit to the corresponding regional tax inspectorates information on tax invoices issued by suppliers within reporting period for goods procured and services provided and tax invoices issued (for customers) by themselves for goods supplied and services rendered. Note, that VAT payers should include data only on those received or issued tax invoices, the taxable turnover completed in which does not exceed the amount defined by the Government of the Republic of Armenia this information.⁶⁵

Article 21. The calculation and imposition of VAT by customs bodies for the import of goods into the Republic of Armenia shall be carried out on the basis of customs declarations and payment documents (payment order, receipt, or other documents attesting the payment) filled in during the registration at customs office.

Article 22. Pursuant to this Law, VAT payers must keep the accounting in chronological order and keep all the copies of tax accounts given by them, accounts attesting the payments of VAT for the receipt of goods and services, declarations attesting the payment of VAT to the customs bodies when importing goods, as well as other documents related to the calculation and payment of VAT for at least three years from the date of making out the listed documents.

SUBSECTION 2. PROCEDURE ON VAT CALCULATION

Article 23. According to this Law, the VAT payers shall pay to the budget within the reporting period the amount of VAT calculated on the taxable turnover of taxable transactions (operations) implemented in this period with the deduction (set-off) of:

1. the amounts of VAT indicated in the tax accounts submitted, according to the procedure established in Subsection 1 of Section 6 of this Law, by the suppliers of goods (including fixed assets), intangible assets acquired for industrial and commercial purposes within the reporting period in the domestic territory of the Republic of Armenia, and services rendered, **except for the VAT amounts on the tax invoices for transactions specified by article 24¹ 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**⁶⁶.

Deleted part.⁶⁷

⁶⁴ With amendment according to RA Law “On Amendments and Additions to RA Law “On VAT”” adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

⁶⁵ With addition according to RA Law “On Amendments and Additions to RA Law “On VAT”” adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

⁶⁶ With addition according to RA Law “On Amendments and Additions to RA Law “On VAT”” in force from 01.01.2002.

⁶⁷ According to RA Law “On Amendments and Additions to RA Law “On VAT”” adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text – “In case of the acquisition of fixed assets the amounts of VAT indicated in tax accounts of suppliers shall be set off (deducted) from the moment of acquisition:

2. the amounts of VAT withheld (or subject to withholding) by customs bodies of the Republic of Armenia - for goods imported into the territory of the Republic of Armenia - pursuant to the procedure and rates established by the Law, in case when the withholding of VAT at the moment of the import of goods is provided by this Law.

According to article 3 of the law entities that have become VAT payers and have registered at tax inspectorates correspondingly, shall credit VAT amounts (collected by Customs entities) specified in tax invoices of suppliers in terms of goods procured (imported) and services provided after the moment they have become VAT payers according to article 3 of this law.

In case of loss of goods (including natural loss) procured for production or other commercial purposes by VAT payers with volume not exceeding that of defined by the Government of the Republic of Armenia, the VAT amounts paid (specified in tax invoices and Customs documents) to suppliers (in cases defined by law – on customs border) (*deleted words*)⁶⁸ are *not subject to crediting or return*⁶⁹, provided that the losses are not considered as reduction from gross revenues for profit taxation purpose.⁷⁰

Article 24. Has become invalid⁷¹

⁷²**Article 24¹. 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.

a) one time, provided that their purchase price (exclusive of VAT) does not exceed 10 million Drams;

b) in equal parts within the period of six months, provided that their purchase price (exclusive of VAT) exceeds 10 million Drams;”.

⁶⁸ With deletion according to RA Law “On Amendments and Additions to RA Law “On VAT”” in force from 01.01.2002. Initial text – “within the reported period”

⁶⁹ With amendment according to RA Law “On Amendments and Additions to RA Law “On VAT”” in force from 01.01.2002.

⁷⁰ With addition according to RA Law “On Amendments and Additions to RA Law “On VAT”” adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

⁷¹ According to RA Law “On Amendments and Additions to RA Law “On VAT”” adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text – “The moment of the rise of the VAT liability (including the payment of VAT into the budget) for transactions and operations on the production, transportation and sales of natural gas, electric and thermal energy, drinking and irrigation water, drainage and cleaning of sewage, garbage disposal and sanitary cleaning services, wire broadcasting services, railway transportation, as well as for the delivery of goods and provision of services in accordance with Laws and other legal acts regulating state purchases and state order, shall be determined by the moment of payment for the goods (work, services), irrespective of the methods of determination of the revenue from the sales.

For the purposes of the application of this Article, the amount of VAT calculated on the taxable turnover of transactions (operations) implemented in the reported period and received from the purchasers (customers) shall be subject to pay to the state budget within the reporting period with the deduction (set-off) of the amounts of VAT paid within the same reporting period:

- 1) to the suppliers of goods (including fixed assets), intangible assets purchased on the domestic territory of the Republic of Armenia for industrial and other commercial purposes, and services rendered - in the amounts of VAT indicated in tax accounts submitted pursuant to the procedure established in Subsection 1 of Section 6 of this Law;
- 2) for the goods imported into the territory of the Republic of Armenia – in the amounts of VAT imposed by Customs bodies of the Republic of Armenia pursuant to the procedure and rates established by the Law, in case when the imposition of VAT at the moment of importing goods is provided by this Law.”.

⁷² Article 24¹ - with addition according to RA Law “On Amendments and Additions to RA Law “On VAT”” in force from 01.01.2002.

Article 25. VAT amounts subject to credit in terms of zero rated VAT taxable transactions, shall be credited to other tax liabilities of VAT payer or shall be reimbursed to payers according to results of the reporting period – within 30 days based on corresponding certificate substantiating the amount issued by tax entities (except for the amounts rising in terms of black and color scrap metals). Note, that the mentioned amounts shall be reimbursed from the state budget based on priorities – on the account of available VAT revenues in state budget during the days following issuance of the corresponding certificate.

Within reporting period, the difference rising from VAT amounts (the exceeding amount) subject to credit from VAT amounts calculated against taxable turnover according to order defined by article 23 of this law, shall be credited by payers on the account of VAT amounts subject to payment for goods to be supplied and services to be rendered in the Republic of Armenia during the future reporting periods. In cases designed by article 40 of this law, the difference subject to credit from VAT amounts calculated against taxable turnover (the exceeding amount) shall be subject to reimbursement by order defined by the first section of this article.

In case of carrying out other transactions along with transactions taxable with zero rated VAT, VAT payers shall conduct separate accounting. In case if conducting of such accounting is impossible, VAT amounts subject to reimbursement or crediting on the account of other tax liabilities in terms of transactions taxable by zero rated VAT, shall be determined by order defined by the Government of the Republic of Armenia based on ratio to total of zero rated taxable transactions within total taxable turnover.

Taxpayer right of crediting tax amounts calculated against turnover or getting reimbursement from state budget may not be sold to other persons, except for cases of re-form of organization or death of a physical person, when this right transfers to the corresponding legal successor.⁷³

Article 26. In cases described in *Article 23*⁷⁴ of this Law the amounts of VAT indicated in tax accounts of suppliers (in case of import - in customs declarations) shall not be set off (deducted):

1. by entities who are not VAT payers;
2. for transactions (operations) *as well as transactions which are not controlled by this law*,⁷⁵ not subject to taxation pursuant to Article 7 and exempt from VAT in accordance with Article 15 of this Law. The amounts of VAT indicated in tax accounts (in case of import - in customs declarations) of suppliers in cases defined in this clause shall be added to the purchase price of the goods or to the cost of production and *turnover except for the cases specified in clause 3 of article 7 of this law*⁷⁶.

*Except for the case of export of goods, the regulations defined by this clause shall apply*⁷⁷ also to the purchasers of multiple use returnable containers purchased directly from the producer *or directly from the importer*⁷⁸ - in the part of the containers in question, as well as to the entities making fixed payments substituting for VAT pursuant to the procedure established by the Law.

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

⁷³ With amendment according to RA Law “On Amendments and Additions to RA Law “On VAT”” adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

⁷⁴ With amendment according to RA Law “On Amendments and Additions to RA Law “On VAT”” adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text – “Articles 23 and 24”.

⁷⁵ With addition according to RA Law “On Amendments and Additions to RA Law “On VAT”” adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

⁷⁶ With addition according to RA Law “On Amendments and Additions to RA Law “On VAT”” adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

⁷⁷ With amendment according to RA Law “On Amendments and Additions to RA Law “On VAT”” adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

⁷⁸ With amendment according to RA Law “On Amendments and Additions to RA Law “On VAT”” in force from 01.01.2002.

*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.*⁷⁹

3. for the goods and services purchased *and/or used*⁸⁰ for non-production (non-commercial) purposes, with the exception of the cases of free (or with partial compensation) provision of goods and services.⁸¹

*Deleted part*⁸²

*Deleted parts.*⁸³

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).⁸⁴

Article 27. In case when persons, who are VAT payers pursuant to this Law, implement transactions (operations) that are taxable and exempt from VAT (as well as not subject to taxation) at the same time, they may set off (deduct from the amount of VAT subject to pay to the state budget) only the amounts of VAT related to the goods and services purchased for the implementation of taxable transactions (operations), (including the amounts charged by customs bodies). For this purpose the VAT payers must keep separate accounts for operations taxable and exempt from VAT (as well as not subject to taxation), as well as for the services and goods purchased for performing them. In case when it is impossible to keep separate accounts, the amount of VAT subject to set-off (reduction) within each reporting period shall be calculated on the basis of the share of turnover (VAT exclusive) of taxable transactions (operations, including those taxed at zero rate) in the total turnover (VAT exclusive) of all transactions (operations) implemented in the same reporting period. **(Deleted sentences)**⁸⁵.

In terms of transactions mentioned in clause 3 of article 7 of this law, no taxable turnover shall rise and no recalculation of VAT amounts specified in tax invoices of suppliers of goods and subject to crediting shall be done.⁸⁶

⁷⁹ With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" in force from 01.01.2002.

⁸⁰ With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" in force from 01.01.2002.

⁸¹ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

⁸² According to RA Law "On Amendments and Additions to RA Law "On VAT"" in force from 01.01.2002. Initial text - "In cases defined in this clause the amounts of VAT indicated in tax accounts (in case of import - in customs declarations) of suppliers shall be accounted to the financial results."

⁸³ According to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text - "In cases of sales (provision) of goods produced or purchased on the territory of the Republic of Armenia, as well as services at a price lower than the cost price or the purchase price (including the amount of the excise tax), the negative balance between the amounts of VAT calculated (received) for the taxable turnover and indicated in tax accounts of suppliers shall be accounted to the profit (income) of VAT payers and shall not be set off or refunded.

In case of sales (provision) of goods imported into the territory of the Republic of Armenia at a price lower than the purchase price (including the amount of the excise tax levied by Customs bodies) the negative balance between the amounts calculated (received) for the taxable turnover and the amounts of VAT charged (subject to charge) by Customs bodies of the Republic of Armenia shall be set off in the part of the difference between the amounts of the tax determined for the purchase price of goods by the method of calculation and the amounts of the tax charged (subject to charge) by Customs bodies. The negative balance between the amounts of the tax calculated in respect of the taxable turnover of the sales of goods and the amounts of the tax determined for the purchase price of goods by the method of calculation shall be accounted to the profit (income) of the VAT payer and shall not be subject to set-off or refund.

In case of the sales (provision) of goods at a price lower than the purchase price of goods, which are not subject to VAT at the moment of import pursuant to the procedure established by the Law, the amount of VAT determined for the purchase price of goods by the method of calculation shall be taken as a basis for the calculation of VAT. The negative balance between the amounts of VAT calculated on the taxable turnover and determined by the method of calculation shall be accounted to the profit (income) of the VAT payer (to the funds) of the purpose financing of non-profit public organizations) (with amendments of 30.12.97)."

⁸⁴ With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" in force from 01.01.2002.

⁸⁵ According to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text - "By the end of each **reporting period** (with amendment of 28.12.98) of the fiscal year the recalculation of the amount of VAT subject to set-off (reduction) and calculated according to the above-mentioned procedure shall be performed. By the end of the fiscal year the final calculation shall be performed, based on the ratios of taxable transactions (operations) determined by the annual results according to the procedure established by this Article, and all other transactions, provided it is possible to distinguish them directly or in other, more precise way. The respective reference on the annual final calculation, pursuant to the procedure established in Subsection 3 of Section 6 of this Law, shall be submitted to the Tax inspectorate body together with the annual calculation report. Tax Inspectorate bodies shall have the right to scrutinize the final calculation for the verification thereof, pursuant to the established procedure, as well as in the case provided by the Article 25 of this Law - for the accuracy (reliability) of the amounts of VAT subject to refund on the taxpayer's application."

⁸⁶ With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

Article 28. In case when individuals, payers of VAT pursuant to this Law, implement business activity at the place of their residence parallel to the personal consumption, and have paid (registered) VAT for the acquired goods and services, only the amounts of VAT paid (registered) for the goods and services acquired directly for the purposes of the implementation of business activity shall be subject to offset (reduction).

Article 29.⁸⁷ In case of violation of the requirements of article 19 and issuing tax invoices, the entities shall be obliged to pay VAT amounts specified in tax invoices to budget according to the general order defined.

SUBSECTION 3. PROCEDURE AND TERMS OF PAYING VAT AND SUBMITTING CALCULATIONS

Article 30. For the goods imported into the Republic of Armenia, VAT shall be paid within 10 days after the importation, in accordance with the procedure established by the Government of the Republic of Armenia. In case when the previously declared customs regime (according to which VAT is not levied on the goods passing the customs border) is replaced by the regime of issue (import) for free circulation, the taxpayers (or other persons responsible for the payments established by the customs legislation) shall be obliged to pay the amounts of VAT not imposed in the customs regime of import within 10 days after the re-declaration of goods or from the day when it became known.

Article 31. When VAT payers implement taxable transactions (operations), the moment of the rise of delivery of goods and services, free (or with partial compensation) consumption, as well as related tax liability (calculation of VAT), shall be the moment when one of the following cases occurs:

1. the goods are unloaded or delivered to the purchasers, or the services are rendered to the customers;
2. for the payers of VAT **in accordance with the procedure indicated**⁸⁸ in Article 24 of this Law - the payment (taking into account the amount of the payment) is received from the purchasers (customers) for the delivery of goods and provision of services;
3. the day of implementation of taxable transactions (operations) on free (or with partial compensation) consumption (including for the VAT payers, in accordance with Article 24 of this Law).

Article 32. Payments of the amounts of VAT calculated in accordance with Articles 23 and 24 of this Law shall be made into the state budget for each reporting period.

For the purposes of this Law, each quarter (with the exception of the case defined by the third part of this Article) shall be considered as VAT reporting period.

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.⁸⁹

The calculated VAT amounts shall be paid into the state budget up to the 20th ⁹⁰ day (inclusive) of the month following the reporting period.⁹¹

*Deleted part.*⁹²

⁸⁷ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

⁸⁸ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

⁸⁹ Part 3 of Article 32 - with amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" in force from 01.01.2002.

⁹⁰ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

⁹¹ With amendment according to RA Law "On Amendments to RA Law "On VAT"" adopted by RA National Assembly on 28.12.1998, in force from 01.01.1999.

Article 33. VAT payers shall submit to the local tax inspectorate body the respective calculations of the payments of VAT into the state budget in accordance with the form developed by the Tax Inspectorate of the Republic of Armenia and within the terms set by Article 32 of this law.

In case of identifying errors in terms of VAT by VAT payers themselves, adjustment forms may be filed with corrected data by order defined except for the case defined in article 29 of the law.⁹³

SECTION 7. PECULIARITIES OF CALCULATION OF VAT

Article 34. Taxable turnover for the persons providing services in the field of tourism (hereinafter - agencies), which sell travel tickets (or render services) to citizens on behalf of other persons, shall be the difference between the whole amount paid by the tourists to the agency and the value of services rendered by other persons (particularly - the amount paid for the registration of documents and for the purposes of other similar expenses).

In cases when the delivery of goods and the provision of services related to the tourism is implemented completely outside the territory of the Republic of Armenia, the zero tax rate shall be applied to the services provided by the agencies in accordance with Article 16 of this Law, and in case when the services are rendered both within the territory of the Republic of Armenia and outside it, only the part of services related to the transactions (operations) implemented outside the Republic of Armenia shall be subject to taxation.

Article 35. In case of a commission sale of the personal property of citizens and stateless persons in accordance with the established procedure, the taxable turnover for persons implementing commercial activity shall be the amount of a commission payment (commission fee), provided that the accounting of the mentioned property is carried out separately from the accounting of new (non-commission) goods, with observance of the rules of commission trade.

Article 36. In case of the auction sale of goods, the taxable turnover for the organizer of the auction shall be the amount of intermediary payment (bonus, interest, etc.) paid by the owner (or other person) of the goods on sale, unless provided otherwise by this Law.

Article 37. Taxable turnover for the provision of communication services within the territory of the Republic of Armenia shall be the price thereof, based on the established tariffs.

The amounts paid to the persons rendering communication services in the Republic of Armenia by the member countries of the International Electronic Net (IEN) according to the results of mutual settlements in the line of international communication services between the Republic of Armenia and other member countries of IEN, **as well as the amounts paid to the persons rendering postal services in the Republic of Armenia by the World Postal Union (WPU) according to the results of mutual settlements in the line of postal services between the Republic of Armenia and other WPU member countries,**⁹⁴ shall be considered as a compensation for the services exported, and the zero rate of VAT shall be applied to them.

Article 38. With the exception of cases indicated in clause 8 of Article 7 of this Law, the following shall be considered as taxable turnover for collateral operations:

⁹² According to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001. Initial text – "For the reporting year VAT shall be paid before February 25 (inclusive) of the year following the reporting year" (with amendments of 30.12.98).

⁹³ With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

⁹⁴ With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997.

1. in case of the sales of a collateral composed on the goods currently in circulation (including the pledge of real estate (mortgage) - the taxable turnover determined in accordance with the procedure established by clause 1 of Article 8 of this Law;
2. in case of the sales of a collateral composed of the goods (in use) withdrawn from the circulation - the difference between the prices of the sales (sale) and the claims at full volume received at the moment of their actual satisfaction, including interest, compensation for the damage caused in consequence of a delay in fulfilling the contractual liability, penalty, fine, expenses on safe keeping of the pledged property and fulfilling the claim provided with the pledge.

In cases specified in this Article the responsibility for calculation and payment of VAT shall bear the pledger.⁹⁵

Article 39. Has become invalid⁹⁶

Article 40.⁹⁷ **During liquidation of commercial organizations, the sale of objects of property and other property rights, including distribution (sale) among shareholders, founders and companions after covering liabilities towards the state and third parties, shall be subject to VAT taxation by general order.**

In case of termination of activities by individual entrepreneurs, in terms of the balance of objects of entrepreneurial activities (including goods, products, objects of mental property), additional tax liability shall rise equal to VAT amounts credited before termination of activities and paid for procurements in terms of other property rights.

SECTION 8. RESPONSIBILITY FOR THE VIOLATION OF THIS LAW

Article 41. VAT payers and their officials shall bear responsibility for the violation of this Law in accordance with the procedure established by the Law.

Article 42. For the violation of the procedure on filling in tax accounts defined by Article 20 of this Law, a penalty amounting to 10% of VAT calculated in the documents in question shall be imposed on the taxpayers.

Article 43. In case when the turnover subject to VAT is concealed or reduced, as well as when the amounts of VAT subject to pay into the budget are concealed, or reduced because of making reductions (set-off) of VAT amounts, paid for the goods and services with violation of the procedure provided by this Law, the concealed or reduced amount of VAT shall be exacted from the taxpayers, together with a penalty equal to **50%**⁹⁸ of that amount. This penalty shall be applied also **for failure to cover liabilities of tax defined in clause 4 of article 8**⁹⁹ and in case when the inspection carried out by the Tax Inspectorate bodies reveals that the amount of VAT subject to pay to the budget is not

⁹⁵ With amendment according to RA Law "On Amendments to RA Law "On VAT"" adopted by RA National Assembly on 28.12.1998, in force from 01.01.1999.

⁹⁶ According to RA Law "On Amendments and Additions to RA Law "On VAT"" in force from 01.01.2002. Initial text - "For the purposes of application of the privilege indicated in clause 20 of Article 15 of this Law, persons implementing humanitarian assistance and benevolent programs shall make relevant notes in the contracts concluded with suppliers located in the Republic of Armenia. In case when the revenue from the sales of goods supplied and goods and services received (VAT exclusive) are not used for charter (program) purposes, the qualification of the mentioned program (activity) as humanitarian assistance and benevolence may be changed or suspended by the authorized body of the Government of the Republic of Armenia on coordination of humanitarian assistance, which leads to the cessation or suspension of the mentioned privileges."

⁹⁷ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

⁹⁸ With amendment according to RA Law "On Amendments and Additions to RA Law "On VAT"" in force from 01.01.2002.

⁹⁹ With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

formed as a result of the fact that the amounts of VAT subject to set-off (reduction) exceed the calculated amounts of VAT.

Article 43¹. In case if VAT amounts for supply or procured goods, rendered or provided services are not included in the information submitted to tax entities by order defined by article 20 of this law, the person that has submitted information shall be charged penalty by amount of 5,000 drams per piece of false information (tax account).¹⁰⁰

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.¹⁰¹

Article 44. Has become invalid¹⁰²

Article 44¹. 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.¹⁰³

Article 45. In case when persons implementing independent business activity were obliged but failed to pay VAT while implementing taxable transactions (operations), pursuant to the provisions of Article 3 of this Law, they shall bear the responsibility established by the Law.

Article 45¹. Interrelated entities shall be considered VAT payers regardless the fact of exceeding the threshold specified in Article 3 of this Law.¹⁰⁴

SECTION 9. TRANSITIONAL AND FINAL PROVISIONS

Article 46. Instructions relating to the provisions of this Law, as well as the explanations to them shall be approved by the Tax Inspectorate of the Republic of Armenia in coordination with the Ministry of Finance of the Republic of Armenia, as well as:

- the explanations to the provisions of clauses 3 and 4 of Article 15 of this Law - with the Ministry of Education and Science of the Republic of Armenia;
- the explanations to the provisions of clauses 5-7 of Article 15 of this Law - with the Ministry of Agriculture of the Republic of Armenia, and with the Department of Standardization, Metrology and Certification of the Republic of Armenia;
- the explanations to the provisions of clause 8 of Article 15 of this Law - with the Ministry of Social Security of the Republic of Armenia;
- the explanations to the provisions of clause 13 of Article 15 of this Law - with the Ministry of Communication of the Republic of Armenia;
- the explanations to the provisions of clause 18 of Article 15, and clause 10 of Article 16 (on construction and related works) of this Law - with the Ministry of Urban Development of the Republic of Armenia, and with the Department of Statistics, State Register and Analysis of the Republic of Armenia;

¹⁰⁰ With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

¹⁰¹ With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" in force from 01.01.2002.

¹⁰² According to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.1997, in force from 31.12.1997. Initial text - "Penalty is charged in the amount of 20% of the amount of VAT allocated in the tax account for making out tax account in cases indicated in Article 19 of this Law."

¹⁰³ Article 44¹ - with addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" in force from 01.01.2002.

¹⁰⁴ With addition according to RA Law "On Amendments and Additions to RA Law "On VAT"" adopted by RA National Assembly on 26.12.2000, in force from 01.01.2001.

- the explanations to the provisions of clause 19 of Article 15 of this Law - with the Ministry of Health of the Republic of Armenia.

The respective instruction on VAT, imposed by the customs bodies of the Republic of Armenia while importing goods into the territory of the Republic of Armenia, in the part of the provisions concerning the calculation and payment of the tax, as well as the explanations to them shall be approved by the Customs Department of the Republic of Armenia in coordination with the Ministry of Finance of the Republic of Armenia, and the Tax Inspectorate of the Republic of Armenia.

Article 47. In case when the norms, different from those provided by this Law, are established by the agreements concluded on behalf of the Republic of Armenia, or by the ratified international agreements, the norms of international agreements shall be applied.

Article 48. This Law shall enter into force from July 1,1997.

The Law of the Republic of Armenia “On VAT”, dated June 30, 1993 shall be declared void from the moment of the entry of this Law into force.

The clause 24 of Article 15 of this Law shall be valid up to December 31,1997 inclusive.¹⁰⁵

The clause 25 of Article 15 of this Law shall be valid up to December 31,1998 inclusive.¹⁰⁶

¹⁰⁵ With addition according to RA Law “On Additions to RA Law “On VAT”” adopted by RA National Assembly on 30.09.1997, in force from 08.11.1997.

¹⁰⁶ With addition according to RA Law “On Additions to RA Law “On VAT”” adopted by RA National Assembly on 30.09.1997, in force from 08.11.1997.