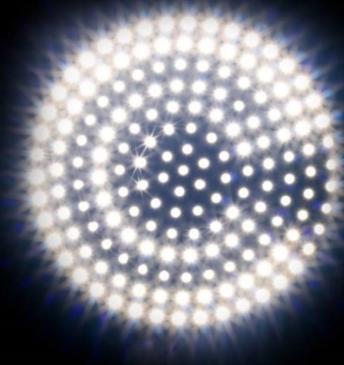


International Tax Armenia Highlights 2017



Investment basics:

Currency – Armenian dram (AMD)

Foreign exchange control – Armenia does not restrict the flow of Armenian or foreign currency into or out of the country, although some reporting obligations apply.

Accounting principles/financial statements – International Financial Reporting Standards (IFRS) apply for Armenian entities in preparing and presenting financial statements.

Principal business entities – These are the joint stock company (open and closed), limited liability company, supplementary liability company, business partnership, sole proprietorship, cooperative and branch of a foreign company.

Corporate taxation:

Residence – A company is resident in Armenia if it is established in Armenia (i.e. entered into the Armenian company register and registered with the tax authorities).

Basis – Resident companies are taxed on their worldwide income; nonresidents are taxed only on Armenia-source income.

Taxable income – Taxable income is the positive difference between the taxpayer's gross income and allowable deductions. Examples of gross income include trading income, capital gains and income from financial activities.

Taxation of dividends – Dividends received from a resident company are exempt from taxation.

Capital gains – Capital gains are taxed as ordinary income, at the corporate tax rate of 20%.

Losses – Losses may be carried forward for five years. The carryback of losses is not permitted.

Rate – 20%, which applies to resident companies and to Armenian permanent establishments of foreign companies

Surtax – No

Alternative minimum tax – No

Foreign tax credit – A credit is granted for foreign tax paid by companies on income from sources abroad, up to the amount of Armenian tax payable on the foreign income. Although the credit cannot exceed the amount of tax assessable in Armenia in respect of the foreign-source income, any excess may be carried forward and set off against the company's future corporate income tax liability.

Participation exemption – No

Holding company regime – No

Incentives – Certain information technology (IT) companies are exempt from corporate tax on IT income. Resident companies engaged exclusively in exports are taxed at a rate of 5% if the total amount of goods exported exceeds AMD 40 billion in the reporting period, or at a rate of 2% if the total amount of goods exported exceeds AMD 50 billion in the reporting period.

Other – Presumptive tax and patent fee regimes are mandatory for certain types of activities.

Withholding tax:

Dividends – Dividends paid to a nonresident are subject to a 10% withholding tax, unless the rate is reduced under a tax treaty.

Interest – Interest paid to a nonresident is subject to a 10% withholding tax, unless the rate is reduced under a tax treaty.

Royalties – Royalties paid to a nonresident are subject

to a 10% withholding tax, unless the rate is reduced under a tax treaty.

Technical service fees – No

Branch remittance tax – No

Other – Insurance compensation and reinsurance payments made to a nonresident are subject to a 5% withholding tax.

Income from the lease of property is subject to a 10% withholding tax.

Payments made to a nonresident for services are subject to a 20% withholding tax.

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – Property tax is calculated at a rate of 0.3% of the tax base, with the tax base being the assessed cadastral value. The tax is due annually.

Social security – No

Stamp duty – Stamp duty is levied on the grant of a license, and for carrying out certain types of activities.

Transfer tax – No

Anti-avoidance rules:

Transfer pricing – No

Thin capitalization – There are no specific thin capitalization rules, but limits on the deduction of interest expense exist. Interest expense on loans from entities other than banks and credit organizations may be deducted in an amount not exceeding nine times the value of the tax net assets of a taxpayer in the financial sector, and twice the net assets for other taxpayers.

Controlled foreign companies – No

Disclosure requirements – No

Compliance for corporations:

Tax year – Calendar year

Consolidated returns – Consolidated returns are not permitted. Each company must file a separate return.

Filing requirements – The annual tax return and annual accounting reports must be submitted by 15 April of the year following the reporting year.

Advance payments of corporate income tax must be made quarterly by the 15th day of the third month of each quarter. The advance payment is equal to 18.75% of the income tax reported by a company for the previous tax year. An alternative method of advance payments, equal to 2% of the income of the previous quarter, may

be applied if the application of the alternative method is requested before 20 March of the current year.

The balance of tax due should be paid by 25 April of the year following the reporting year.

Penalties – Penalties apply for filing a late return or failure to file, and/or late payment.

Rulings – No

Personal taxation:

Basis – A resident individual is taxed on worldwide income; a nonresident is taxed only on Armenia-source income.

Residence – An individual is resident in Armenia if he/she is present in the country for a period exceeding in the aggregate 183 days in the tax year, starting or ending in any 12-month period, or if his/her center of vital interests is in Armenia.

Filing status – Each person must file a separate tax return; joint returns are not permitted.

Taxable income – Taxable income includes employment income (wages and salaries), business income received by individual entrepreneurs, capital gains, interest and royalties, income from insurance, income from leasing, dividends paid to nonresident individuals, donations and assistance.

Capital gains – Capital gains are taxed as ordinary income, at the standard income tax rates specified for individual entrepreneurs' activities.

Deductions and allowances – Individual entrepreneurs' income may be reduced by applying the same deductions or allowances as for corporate tax purposes. Such income is taxed at a rate of 24.4% on annual income up to AMD 1,440,000, and at a rate of 26% on any excess.

Rates – Income up to AMD 120,000 is taxed at a rate of 24.4%; income exceeding that amount and up to AMD 2 million is subject to a tax of AMD 29,280, plus 26% tax on the amount exceeding AMD 120,000; and income exceeding AMD 2 million is subject to a tax of AMD 518,080, plus 36% tax on the amount exceeding AMD 2 million. See under "Deductions and allowances" for the rates for individual entrepreneurs' activities.

Dividends paid to a nonresident individual are subject to a 10% personal income tax rate. Income tax for dividends is reclaimable if dividends are invested into the same resident company in the same year when the dividends were paid.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duty is levied on the grant of a license, and for carrying out certain types of activities.

Capital acquisitions tax – No

Real property tax – Property tax is calculated at a rate of 0.3% of the tax base, with the tax base being the assessed cadastral value. The tax is due annually.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – Employees whose date of birth is after 1 January 1974 generally must make social payments. (Before 1 July 2018, the social tax is optional for such employees who requested an exemption from social tax payments before 1 July 2014. However, after 1 July 2018, the social tax will be mandatory for these employees.) The rate is 5% on the employee's salary, but may not exceed AMD 25,000.

Compliance for individuals:

Tax year – Calendar year

Filing and payment – The tax return is due before 15 April of the year following the tax year in cases where tax is not withheld at source. The balance of tax due must be paid by 1 May of the year following the reporting year.

Penalties – Penalties apply for filing a late return or failure to file, and/or late payment.

Value added tax:

Taxable transactions – VAT is levied on the supply of goods and services, and on imports. Armenia also levies a

turnover tax on individual entrepreneurs and commercial entities with prior-year revenue from the sale of goods and the provision of services not exceeding AMD 115 million (subject to certain exceptions).

Rates – The standard VAT rate is 20%, with a zero rate or an exemption applying to certain supplies. The turnover tax rates are as follows: 3.5% for income from manufacturing; 5% for income from a trade; and 10% for income from the sale of property and passive income.

Registration – An entity generally must register for VAT purposes if its annual taxable turnover exceeds AMD 115 million.

Filing and payment – The VAT reporting period is the quarter or month. If the taxable turnover of the previous year exceeded AMD 100 million, the reporting period is the month. Tax returns must be submitted and the VAT amount paid before the 20th day of the month following the reporting period.

Source of tax law: Income tax law, various bulletins issued by the government

Tax treaties: Armenia has treaties with more than 40 countries

Tax authorities: Tax and customs authorities with the State Revenue Committee of Armenia

Contact:

Arman Kubanyan (akubanyan@deloitte.am)

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