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New Turnover Tax introduced from January 2013

The new Turnover tax applies to commercial organizations and individuals (individual entrepreneurs). The Turnover tax generally replaces Value Added Tax (VAT) and (or) Corporate Income Tax (CIT) obligations for Small and Middle Enterprises. The implementation of Turnover Tax aims to reduce the amount of data to be filed by the taxpayers with the tax authority. The tax rate is differentiated based on the type of income.

A taxpayer is not subject to Turnover Tax, if the turnover from the previous calendar year exceeded AMD 58.35 million. There are a number of criteria to be met to be able to enjoy the simplified compliance as a turnover tax payer. Contact us if you would like more detail.

The Turnover tax is imposed on the reporting period income (revenue) as follows:

Type of Income	Tax rate
Trading activity	3.5%
Production activity	3.5%
Rental income, interest, royalties, assets' disposal	10%
Income from notary activity	12%
Income on other type of activities	5%

Turnover Tax payers are required to submit tax calculations on a quarterly basis and make tax payments within 20 days following the end of the reporting quarter.

The new Unified Income Tax

Starting from January 2013, The Unified Income Tax will replace individual income tax and mandatory social security payments. Other income paid by a tax agent is subject to final withholding on a monthly basis. The taxable base is the gross income minus deductible income.

The tax is withheld in accordance with the following rates:

Taxable base (AMD per month)	Unified Income Tax Rate
Up to 120,000	24,4%
120,000 – 2,000,000	AMD 29,280 + 26% of the amount in excess of AMD 120,000
2,000,000 upwards	AMD 518,080 + 36% of the amount in excess of AMD 2,000,000

Mandatory implementation of accounting software

Some Companies will be obliged to keep accounting records using accounting software that can register book-keeping in accordance with the requirements defined by the Government of Armenia. The Companies to which the requirements will be applicable are:

- Companies with gross income in the previous year that exceeded AMD 1 billion (software must be installed and used from 1 July 2013).
- Companies with gross income in the previous year that exceeded AMD 500 million (software must be installed and used from 1 July 2014).

Withholding Profit Tax for none-resident companies

Changes are made in the tax rate of the Withholding Profit Tax for none-residents. Starting from January 2013, income from entrepreneurial activity (excluding passive income and income from freight and insurance) is taxed at a rate of 20%.

Income generated from providing legal, consulting, accounting, management, expertise, marketing, advertisement, translation, engineering and similar services outside of the borders of Armenia is also taxed at a rate of 20%.