

Tax & Legal Alert

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Little activity on the tax front

There have been no significant tax legislative developments in the past few months.

This Tax & Legal Alert focuses on the new per diem rates, return filing for non-trading businesses and two recent PricewaterhouseCoopers publications readers may find of interest.

For more information, please contact one of the individuals identified below.



Per diems on 1 January 2009

Contacts:

Paul Cooper

Senior Manager, Tax & Legal Services

E-mail: paul.cooper@am.pwc.com

Altat Tapia

Managing Partner and Assurance

Leader for Caucasus

E-mail: altat.tapia@am.pwc.com

When employees travel on overseas business trips, their employer should pay per diems to cover meals, incidental expenses and accommodation. The rates are prescribed by Government Decree. For tax purposes, per diems are non-taxable for the employee and deductible for the employer. If an employer pays more than the amount prescribed, the excess is non-deductible for the employer, and may be taxable to the employee depending on circumstances.

New per diem rates for overseas business trips take effect from 1 January 2009. Many of the rates have increased significantly. Some of the more commonly applied rates are:

Country	City	From 1 January 2009		Old rates	
		Per diem	Hotel	Per diem	Hotel
Canada	Ottawa	157	176	89	127
	Other	104	139	67	115
Georgia	Tbilisi	78	122	60	80
	Javakheti	40	53		
	Other	54	69	40	53
Kazakhstan	Astana	88	127	45	91
	Other	29	64	28	39
Russia	Moscow	196	334	85	144
	St. Petersburg	69	160	67	106
	Sochi	51	120		
	Rostov on Don	92	172		
	Other	43	88	32	50
Ukraine	Kyiv	79	124	55	106
	Other	40	82	36	50
USA	Washington	103	218	89	188
	New York	101	246	89	188
	Los Angeles	79	168		
	Other	76	125	76	125

PricewaterhouseCoopers
Business Centre NORD, 5th floor
#1 Northern Ave., Yerevan
Tel: + 374 10 592150
www.pwc.com/cac

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department.

For a full list of new rates, please send an e-mail to office.yerevan@am.pwc.com.

(Official Journal No. 67(657), dated 12 November 2008)

No returns for non-trading entity

A taxpayer who is not carrying on taxable activity and does not possess taxable assets may file a declaration to that effect with the tax authorities. Under Article 27 of the Law on Taxes, that declaration may be treated as equivalent to a tax declaration.

The State Revenue Committee issued a clarification on how this rule applies for taxpayers that have suspended commercial activities. When a taxpayer makes a declaration to the local tax authority that its business activities are suspended for a specific or indefinite

period, the taxpayer should not submit reports (including zero income reports) for any taxes during that period, except property or land tax (if appropriate).

The clarification states that if business is suspended, there should be no payments for salaries or services. Having the taxpayer's director registered with state authorities is not a problem, as long as there is no fulfilment of employment or civil contract for the performance of work.

(DNAB No. 35(309), dated 15 October 2008)

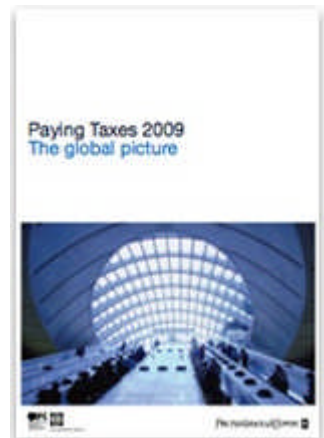
Tax compliance could be easier

Armenia ranked 150th for ease of paying taxes in the recently published *Paying Taxes 2009: the Global Picture* study. Paying Taxes is a unique study that investigates and compares tax regimes in 181 countries worldwide and ranks them according to the relative ease of paying taxes.

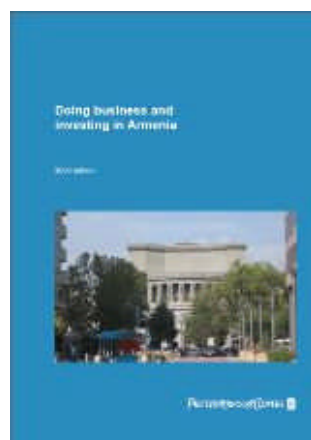
Although Armenia rated well on the total tax rate ranking (68th), the performance was not so good for the number of tax payments required each year (149th) or the time required to comply (176th).

For further information, see:

http://www.pwc.com/Extweb/home.nsf/docid/AC1461DB5FD10619852574F700143523?WT.ac=PayingTaxes09_GHP



Armenia Doing Business Guide



PricewaterhouseCoopers Armenia's Doing Business Guide was published in electronic form in October. The guide provides a concise overview of the business and tax environment in Armenia, and is designed to help investors obtain a general appreciation of the issues they will encounter when investing into Armenia.

A copy of the guide, as well as the guides for other Central Asia and Caucasus territories, may be found at:

<http://www.pwc.com/Extweb/insights.nsf/docid/DDBE3281D92249898025714C001C1FF6>

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