

Provisions of the Armenian Tax Code effective from 2017



In brief

The **Tax Code of Armenia** is effective from 1 January 2018. However, some provisions enter into effect earlier or later than this date. In this alert we cover some provisions of **Corporate Income Tax (CIT)**, **Personal Income Tax (PIT)**, **Value Added Tax (VAT)** and **Excise Tax** under the Tax Code of Armenia **effective from 2017**.

In detail

- Import of goods from Eurasian Economic Union (EEU) non-member states by a taxpayer with the status of authorised economic operator, or by a group of resident CIT payers implementing a project approved by the Armenian Government, is exempt from VAT under certain condition. Namely, if such goods or the goods resulting from the processing of those goods are exported (including to EEU member states) within 180 days from importation. This is effective from 1 January 2017 and applies to imports after this date.
- Disposal, transfer, exchange or other disposition of derivative financial instruments signed by banks, credit organisations and other taxpayers and all payments under these transactions should be exempt from VAT. The

exception is payments made for disposal of property subject to VAT. This is effective from 1 January 2017 and applies to derivative contracts signed after this date.

- Payments received as a result of offsetting and/or netting of liabilities by derivative financial instruments (registered in the single register book of the derivative financial instruments in accordance with the procedure and terms defined by the Law on Securities Market) constitute income for determining the CIT taxable base. Payments made as a result of offsetting and/or netting of liabilities by derivative financial instruments is deductible from gross income. These provisions are effective from 1 January 2017 and apply to derivative contracts signed after this date.

- Total net assets of securitisation funds (established under the Law on Asset Securitisation and Asset Backed Securities) constitute the taxable object for CIT purposes. The CIT rate for securitisation funds is 0.01%. This provision is effective from 1 January 2017.
- For CIT purposes the right to receive dividends is considered obtained (dividend income paid) on the earlier of the date the decision on dividend distribution is made or 30 June of the tax year following the reporting year. This is effective from 1 January 2017 for the dividends received by non-resident companies attributable to the period after 1 January 2017.
- Resident CIT payers and non-resident CIT payers carrying out activities in Armenia through a permanent establishment have an alternative option to make CIT advance payments of 2% of income from supply of goods, provision of services and/or performing works during the previous quarter. This requires they submit an application to the tax authorities by 20 March 2017. During 2017, the calculation and payments of CIT advance payments under this option should be made by the 15th day of the last month of the relevant quarter.
- The PIT rate for dividends received by foreign citizens or persons without citizenship is 10%. This is effective from 1 January 2017 and applies to dividends declared after 1 January 2017. Previously, dividends received by individuals were exempt from PIT.
- If dividend income is reinvested in the same resident company during the same tax year, the lesser of the reinvested amount or PIT paid from dividends should be refunded to the taxpayer. This is effective from 1 January 2017.
- During 2017, refundable VAT up to AMD 20 million regarding transactions taxable at zero-rate VAT should be returned to taxpayers under a simplified procedure and terms defined by the Government based on an application. Certain criteria must be met.
 - From 1 January 2017 taxpayers should obtain excise labels and/or stamps by electronic request. From 1 July 2017 excise labels and stamps will be provided to taxpayers within three (seven currently) business days from the day of the request.
 - Taxpayers should return unused excise labels and/or stamps received after 1 January 2017 within six months following the month of the receipt. The six-month period may be extended to 90 days based on application.
 - From 1 January 2017 the state duty for organising lottery games and internet games with winnings is AMD 500 million.
 - From 1 January 2017 excise tax rates for the following goods are:
 - alcoholic drinks** (2208) – 63%, but not less than AMD 630 for 1 litre (except vodka made from fruits and/or berries (2208 90 330 0, 2208 90 380 0, 2208 90 480 0), cognac, brandy (2208 20), whiskey (2208 30), rum (2208 40)),
 - whisky and rum** (made from sugarcane as a result of distilling yeast) – 57%, but not less than AMD 3,450 for 1 litre,
 - vodka made from fruits and/or berries** – 55%, but not less than AMD 550 for 1 litre,
 - cigars, cigarillos, filtered cigarettes and unfiltered cigarettes (containing tobacco, clove and other)** (2402 20 90011, 2402 20 10011, 2402 90 00013, 2402 20 90012, 2402 20 10012, 2402 90 00014) – 15%, but not less than AMD 6,325 for 1000 units.

Let's talk

For more details on how these changes may affect your business, please contact:

Tax and Legal Services, PwC Armenia

Hasmik Harutyunyan
+(374) 60 652 186

hasmik.harutyunyan@am.pwc.com

Michael Ahern
+7 (727) 330 32 00

michael.ahern@kz.pwc.com