

Tax & Legal Alert

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New tax developments

This Alert discusses the following:

- The government has issued an order relating to the appointment of tax representatives and the selection of taxpayers.
- Taxability of health insurance premiums.
- Submission of annual declarations.
- IFRS is available in Armenian.

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



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Period for tax representatives established

From 1 January 2010, tax authorities may appoint a representative to be stationed in a taxpayer's premises if certain conditions are met (*see Tax & Legal Alert No. 05/2009 dated 23 December 2009*).

The government has issued an order clarifying various issues relating to tax representatives. Among other matters, the clarification establishes the maximum period a tax representative may be stationed in a taxpayer's premises. The total period for supervision may not exceed 183 calendar days for one calendar year or 250 working days for two calendar years.

(Order No. 187-N, dated 18 February 2010, published in Official Journal No.12 (746))

Insurance premiums no longer taxable to employees

Following an amendment in the Law on Income Tax, health insurance premiums paid by employers for the benefit of their employees are deductible from gross income, provided that they do not exceed AMD 10,000 per month for each employee. Previously, they were included in the taxable income of employees. This means that the employers no longer need to gross-up personal income tax when insurance is paid within this threshold.

(Law No. HO-25-N, adopted 23 February 2010, published in Official Journal No.12 (746))

IFRS is available in Armenian

The government has published a translation of International Financial Reporting Standards (IFRS) and International Standards Guides in Armenian language.

(Order No. 235-N, dated 11 March 2010, published in Official Journal No.12 (746))

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Reminder: Annual Declaration

An individual who is tax resident is required to file a declaration of income and net worth for a tax year if any of the following conditions are met:

- (S)he was required to file a personal tax return.
- (S)he had income (including exempt income) exceeding AMD 8 million.
- (S)he was involved in real estate transactions with total value exceeding AMD 50 million.
- (S)he was involved in movable property transactions with total value exceeding AMD 8 million.

The declaration of income and net worth is required to be filed either electronically or by post by 15 April 2010.

An administrative penalty equal to AMD 30,000 will be imposed if a declaration is not filed on time, but only if the tax authorities issue a warning and the individual fails to then file a declaration within 30 days.

Making an incorrect declaration is subject to an administrative penalty of between AMD 15,000 and AMD 25,000.

If a declaration is not filed or an incorrect declaration is filed, the main penalty is a 10% charge on the amount of untaxed income that is not reported if the taxpayer cannot prove the source and the size of that income.

An individual does not need to submit a declaration if:

- (S)he has not made any acquisitions or dispositions during 2009 (in case of such transactions the total cost of those transactions should not exceed the amount specified above), and
- His or her monetary and in-kind income does not exceed AMD 8 million during 2009.

(Law on Declaration of income and net worth of individuals, adopted in 7 July 2006)

Residence Test

A foreign national who is tax resident in Armenia is required to file an annual tax return for 2009 by 15 April 2010. An individual is tax resident in Armenia, if any of the following conditions are met:

- The individual has, during any twelve month period starting or ending in 2009, been residing in Armenia for 183 days or more.
- The individual has his or her centre of vital interests in Armenia. A person's centre of vital interests is the place where a person's family or economic interests are. He or she is deemed to be in Armenia if the house or apartment where the person's family resides is in Armenia, or if both the principal or family property and the individual's main place of implementing economic or professional activity is in Armenia.
- The individual is in the Armenian civil service and is temporarily working outside Armenia.

The individual is required to pay personal income tax by 1 May 2010. Essentially, the individual will be liable to pay taxes on any income that has not been subject to withholding in Armenia.