

Guide to do business in

# ARMENIA

Chandrawat  
& Partners







Armenia is a landlocked country located in the South Caucasus region of Eurasia. It is bordered by Turkey to the west, Georgia to the north, Azerbaijan to the east, and Iran to the south. Yerevan is the capital and largest city of Armenia.

Armenia has a long and rich history, with its culture and traditions dating back thousands of years. It was the first country in the world to adopt Christianity as its official religion in 301 A.D. Armenia has faced many challenges throughout its history, including being ruled by various empires and experiencing genocide in the early 20th century.

Today, Armenia is a democratic republic with a population of around 3 million people. Its economy is primarily based on agriculture and mining, with tourism also playing an increasingly important role. The country has a diverse and unique cultural heritage, including its music, literature, art, and cuisine.

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These are the following advantages for Doing business in Armenia:

#### **Strategic location**

Armenia is situated at the crossroads of Europe and Asia, making it a gateway to both regions. This strategic location offers businesses access to major markets and opportunities.

#### **Skilled workforce**

Armenia has a highly educated and skilled workforce, particularly in the areas of science, engineering, and technology. This makes it an attractive destination for companies looking for talent in these fields.

#### **Favorable business environment**

The Armenian government has implemented several measures to create a favourable business environment, including streamlined regulations, simplified tax procedures, and a low corporate tax rate.

#### **Cost-effective operations**

The cost of doing business in Armenia is relatively low compared to other countries in the region. This makes it an attractive location for businesses looking to reduce their operational costs.

#### **Growing economy**

Armenia has a growing economy that offers numerous opportunities for businesses, particularly in the areas of technology, tourism, and agriculture.

#### **Access to funding**

Armenia has a well-developed banking system and access to international funding sources. This makes it easier for businesses to secure financing for their operations.

Overall, the combination of a strategic location, skilled workforce, favorable business environment, cost-effective operations, a growing economy, and access to funding makes Armenia an attractive destination for businesses looking to expand their operations.

## ABOUT ARMENIA

## ADVANTAGES

The tax regime in Armenia consists of several types of taxes that are levied on individuals and businesses. Here are the main types of taxes in Armenia:

## Value Added Tax (VAT)

VAT is a tax that is levied on the supply of goods and services in Armenia. The standard VAT rate in Armenia is 20%, but there are reduced rates of 0% and 10% for certain goods and services.

## Profit tax

Profit tax is a tax that is levied on the profits of companies and is calculated as a percentage of their taxable income. The current profit tax rate in Armenia is 18%.

## Social security contributions

Social security contributions are taxes that are levied on both employers and employees. The current social security contribution rate in Armenia is 25.9% of gross salary.

## Property tax

Property tax is a tax that is levied on the value of real estate property in Armenia. The current property tax rate in Armenia is 0.5% of the property's assessed value.

## Excise tax

Excise tax is a tax that is levied on specific goods, such as tobacco, alcohol, and gasoline. The excise tax rate varies depending on the type of product.

## Customs duties

Customs duties are taxes that are levied on imported goods. The rate of customs duties varies depending on the type of product and the country of origin.

It's worth noting that there are certain tax exemptions and incentives available to businesses operating in Armenia, particularly those operating in certain industries or regions. The Armenian government also provides a simplified tax regime for small businesses with annual turnover below a certain threshold.

## Income tax rates:

### Individuals are classified into two categories for personal income tax (PIT) purposes

Residents are liable for tax on their worldwide income.

Non-residents are liable for tax only on their Armenian-source income.

### Unified income tax rates

Income from royalties and interest (if not exempt) is subject to 10% tax. If paid by a tax agent (i.e., a legal entity, individual entrepreneur), tax should be withheld at source.

Income from the lease of property is subject to 10% tax. Starting from 1 January 2020, if the income from leasing exceeds AMD 60 million during the tax year, the individual should pay 10% income tax in addition to the tax withheld by the tax agent.

Income from the sale of property is taxed at 10% or 20% (depending on the type of property and whether it is sold to a tax agent or an individual). The sale of non-entrepreneurial property to individuals is exempt from tax. Starting from 1 January 2020, dividends received by foreigners are subject to 5% income tax (from dividends on the income generated after 1 January 2020), and dividends received by Armenian citizens are subject to 5% income tax (from dividends on the income generated after 1 January 2018).

The tax withheld from the dividends is subject to refund if the dividend received from a resident entity is invested in the capital of the same resident entity during the same tax year.

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. Other income will be withheld at a flat rate of 20%.

## Corporate tax rates:

### General tax regime

Unless a company opts for a special tax regime, it will be subject to 18% corporate income tax (CIT) and 20% value-added tax (VAT). The VAT rate is 0% if the goods or services are exported. CIT returns are filed annually, while VAT returns are filed monthly.

### Turnover tax

Turnover tax is a form of sales tax, with tax rates normally in the range of 1.5% to 5%, replacing CIT and VAT. Only small businesses with annual sales of less than AMD 115 million (approximately, \$240,000) can qualify for this tax regime. Turnover tax returns are filed on a quarterly basis.

### Micro-businesses

Micro-businesses, defined as businesses with annual sales of less than AMD 24 million (approximately \$50,000) are exempt from CIT and VAT. However, there is a list of excluded businesses that cannot take advantage of this tax system, such as traders based in the capital city of Yerevan and many service businesses.

Companies can opt for turnover tax or micro-business regimes within 20 calendar days following the company's registration.

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There are several types of companies that can be formed in Armenia. Here are the most common types:

### Limited Liability Company (LLC)

This is the most popular type of company in Armenia. An LLC offers limited liability protection to its owners and is relatively easy to set up. It requires at least one founder and has no minimum share capital requirement.

### Joint Stock Company (JSC)

A JSC is a type of company that can issue shares to the public. It requires a minimum of two founders and a minimum share capital of AMD 6 million (approximately USD 12,000).

### Sole proprietorship

A sole proprietorship is a business owned by a single person. This type of company is easy to set up, and the owner is personally liable for the company's debts and obligations.

### Partnership

A partnership is a type of company owned by two or more people. The partners are jointly and severally liable for the company's debts and obligations.

### Branch

A branch is a foreign company that establishes a presence in Armenia. The branch has no separate legal personality from the parent company and is subject to Armenian law.

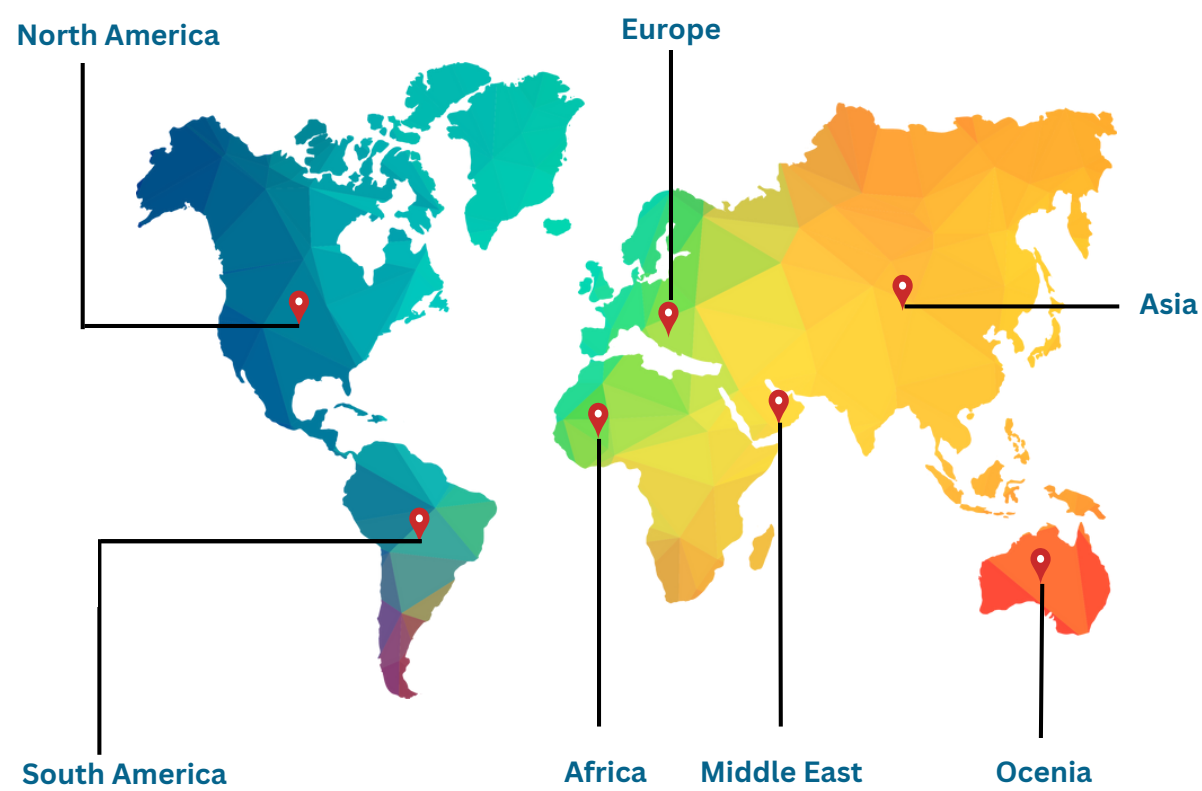
### Representative office

A representative office is a type of business that represents a foreign company in Armenia. It is not allowed to engage in commercial activities and is subject to certain restrictions.

It is important to note that each type of company has its own advantages and disadvantages in terms of liability, tax obligations, and regulatory requirements. It's recommended to seek professional advice before choosing the type of company to establish in Armenia.



## SERVING CLIENTS WORLDWIDE



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