



Tax Alert, December 2021

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Facts

On 25 November 2021, the President of the Republic of Armenia signed the law ("the Law") ratified by the National Assembly introducing the concept of electronic services and related regulations in the Republic of Armenia Tax Code.

According to the Law, the provision of electronic services shall be considered the provision of services via an information and telecommunication network (electrical connection), including via the internet, the provision of which is impossible without the use of information technology. The list of electronic services shall be defined by the Government of the Republic of Armenia and be published on the official webpage of the tax authority.

The Law prescribes that the place of provision of electronic services* is considered:

1. the Republic of Armenia, if the electronic service is received by an organization, sole entrepreneur or notary registered in the Republic of Armenia
2. the Republic of Armenia, if the electronic service is received by the permanent establishment (branch, representative office) of a non-resident organization in the Republic of Armenia, including when the electronic services are directly received by the non-resident organization, but they are used (consumed) by their permanent establishment (branch, representative office) in Armenia
3. the Republic of Armenia, if the electronic service is received by a non-resident organization, the permanent place (management place) of whose executive body is located in the Republic of Armenia and such organization actually carries out entrepreneurial activity in the Republic of Armenia, as well as receives services
4. a specific country (can also be Armenia), in case the electronic service is received by an individual not considered a sole entrepreneur or a notary ("Individual") and any of the following conditions is met:
 - ▶ the place of residence of the Individual receiving the electronic service is in the specific country
 - ▶ the location of the bank where the Individual receiving the electronic service has opened a bank account to make payments for those services; or the location of the operator of the electronic money computation system through which the Individual receiving electronic services makes payments for electronic services, is in the territory of the specific country
 - ▶ the network address used by the Individual for receiving electronic services is registered in the specific country

- ▶ the international country code of the telephone number, which is used by the Individual for receiving the services or is indicated when making payments is issued by the specific country.

A non-resident organization that does not have a permanent establishment in Armenia and provides electronic services to Individuals must be registered with the tax authority in accordance with the procedure defined by the Government.

The moment of provision of electronic services to the Individuals shall be the last date of the quarter in which the payment for the electronic service is made in proportion to the amount paid.

The reporting period for the non-resident organization for filing a VAT return with the tax authority and making a VAT payment arising from the electronic services shall be the reporting quarter and be due on the 20th of the month following the reporting quarter.

The Law will enter into force on 1 January 2022.

Who's affected?

The list of electronic services that fall under the above regulations shall be defined by the Government, and published on the official website of the tax authority by the end of the year. Based on the information currently at hand, the following service providers will be affected by the Law:

- ▶ Advertising service providers through information networks
- ▶ Platform providers through information networks
- ▶ Providers of rights to use electronic books
- ▶ Radio or television broadcasting services
- ▶ Providers of movie streaming services.

How can we help?

To assist clients in understanding and meeting the VAT requirements arising after the adoption of the Law. We offer:

- ▶ Initial assessment of whether these requirements apply to a foreign service provider
- ▶ Support with obtaining clarifications from the tax authority where the position is not clear
- ▶ Support with the VAT registration procedure
- ▶ Support with VAT compliance and routine communication with the tax authorities.

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ED None.

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