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Armenian Tax & Law Brief

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Additions to the RA Tax Code

1. According to RA Law on Additions to the RA Tax Code dated 24 January 2020, starting 1 March 2020 the following will be exempted from taxation under VAT:

- rendering investment services as prescribed by Article 25 of the RA Law on the Securities market, except for rendering consulting services to customers in respect of investments in securities and derivatives;
- non-fundamental services as prescribed by Article 26 of the RA Law on the Securities market with a few exceptions;
- the organization of trading with securities and derivative instruments by a regulated market operator (only as part of a commission fee charged) as well as rendering clearing services;
- rendering several services by a central depository such as securities custody, keeping the register of securities' owners (nominees), services involving clearing and settlement, etc.;
- rendering double quotation services as a market maker.

Non-resident entities shall be exempted from paying corporate income tax on:

- dividends received from shares listed on the Armenian Stock Exchange, as well as income from the alienation of such shares, exchange for other securities or other such transactions;
- interest income or income in the form of discounts received from the redemption of bonds listed on the Armenian Stock Exchange, as well as income from the alienation of such bonds, exchange for other securities or other such transactions;
- income from the proceeds from loans provided to a resident legal person, provided that the loan is fully financed by the placement of bonds issued on equivalent terms, it secures such bonds, and such bonds are admitted to trading in the regulated market of Armenia.

Further, non-resident taxpayers shall be exempt from paying tax on income received from interest or on a discount from the redemption of

government local currency bonds of the Republic of Armenia, as well as from the alienation of such bonds, exchange for other securities or other such transactions. Note that before this amendment this provision was applicable only to foreign currency bonds.

Further, individuals shall now be exempt from taxation of income received from stocks, bonds, or other investment securities listed on the Armenian Stock Exchange, except for bonds issued by banks for which the difference between the issue and repayment date is less than 2 years.

2. According to another RA Law on Additions to the RA Tax Code dated 10 September 2019, starting 1 January 2020 the items listed below shall not be considered as tax secrets:

- information on the number of employees declared by the taxpayer during the reporting month based on labor and civil law contracts;
- information on liabilities settled via the unified tax account;
- information on outstanding taxes or fees that cannot be settled via the unified tax account;
- information on the taxpayer's taxation regime.

Introduction of the RA Law on setting the procedure for the cadastral estimate approximated to the market value of property with the aim of taxing under property tax

According to this Law dated 19 November 2019, starting 1 January 2021 property tax will be calculated based on the cadastral estimate approximated to the market value of property.

The Law correspondingly sets the procedure (formulae) for the cadastral estimate approximated to market value for land, improvements thereto, as well as for residential apartment blocks, nonresidential space in residential apartment blocks, garages located in residential apartment blocks, and public and industrial constructions located in residential apartment blocks.

Introduction of the New RA Law on Accounting

The RA parliament adopted the new RA Law on Accounting on 4 December 2019, which came into force on 1 January 2020.

Below we highlight some of the provisions introduced in the Law:

The Law has added a provision that defines a set of terms with respect to financial reporting standards and introduced the concept of an expert accountant.

Based on the revenue and number of employees, the Law also defines and differentiates companies into micro, small, medium, and large, as well as segregating them into small, medium and large groups.

The Law directly lists the legal acts that regulate accounting and clarifies that the information appearing in financial statements is not considered a commercial secret.

The Law amends the section on the preparation and presentation of financial statements. In particular, it indicates the requirements for the preparation of financial statements by companies of different sizes and types. Furthermore, references to specific standards and guidelines for the preparation of financial statements are listed.

The Law clearly specifies the list of companies and groups which are subject to mandatory audit. As such, i) large organizations and organizations of public interest, ii) medium-size companies, iii) large groups and groups whose parent companies are of public interest, as well as iv) medium groups are subject to mandatory audit. However, a different law can also stipulate the types of companies and groups which are subject to mandatory audit.

Companies and groups subject to mandatory audit must publish annual financial statements only after completing the mandatory audit.

The publication of financial statements is mandatory for all companies and groups, except small companies and small groups as well as micro companies, and is due by June 30 of the year following the reporting year. The scanned copies of financial statements are subject to publication on the company's internet web-page, or on

<http://www.azdarar.am> or on the web-page of mass media registered in Armenia.

The publication of annual financial statements by banks, lending organizations, pawnshops, payment and settlement organizations, investment companies, reporting issuers in the securities market, the operator of a regulated market, central depository, insurance companies, reinsurance companies, insurance brokerage companies and investment fund managers differs and is regulated by the procedure and within the timelines stipulated in the corresponding laws.

Introduction of the RA Law on Regulation of accounting, auditing, and public control

The RA Parliament adopted the RA Law on Regulation of accounting, auditing, and public control on 4 December 2019. The new Law came into force on 1 January 2020.

Below we give a brief summary of what the Law entails:

The Law regulates the relations pertaining to statutory accounting and auditing, as well as those related to public control.

In particular, the Law designates the Ministry of Finance as the authority responsible for implementing accounting and auditing policies in the Republic of Armenia.

Likewise, the Law designates the Council of Public Control of accounting and auditing (Council) as the authority responsible for performing public control functions over companies whose accounting and auditing is correspondingly regulated under the RA Laws on Accounting and on Auditing.

The Council is an authority adjunct to the Ministry of Finance and is responsible for ensuring the publication of amendments to IFRS, drafting model financial statements, drafting normative legal acts pertaining to the RA Law on Accounting, giving consent to applicable disciplinary measures, approving the procedures for qualification exams for expert auditors, approving the list of companies conducting an external audit, and administering its register.

A different chapter of the Law introduces the notion of a professional institute, which is a public

company acting on the basis of membership of certified auditors, expert accountants as well as auditing companies.

The Law further describes the role of the professional institute, lists the functions performed by the institute, as well as the rules for its membership and termination thereof.

Addition to the RA Labor Code

According to the RA Law on the Addition to the RA Labor Code dated 24 December 2019, starting 1 January 2020 an employer who has 10 or more employees and is based in Yerevan must make salary payments on a non-cash basis.

Amendment to the RA Law on Minimum monthly salary

According to the RA Law on the Amendment to the RA Law on Minimum monthly salary dated 19 November 2019, starting 1 January 2020 the minimum monthly salary in Armenia will be AMD 68,000 (net of taxes and other mandatory payments).

Additionally, the minimum hourly tariff for performance-based and time-based payment has been set as follows:

Duration	Total hours in the working week	Minimum hourly tariff
Normal	40-hour	AMD 406
Short	36-hour	AMD 454
Short	24-hour	AMD 680

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