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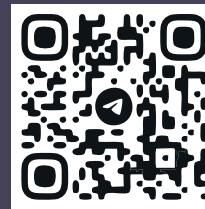
MULTIFUNCTIONAL BUSINESS SUPPORT CENTER

TAXES INFORMATION IN ARMENIA

AM.BUSINESS - Multifunctional Business Support Center under the NATIONAL CENTER Foundation of Armenia performs the functions of professional information and service center for entrepreneurs.

In addition to a free consultation, the Center provides professional support in accounting, legal services, corporate law, IT and HR services, trademark registration and paperwork for obtaining grants for promising business projects.

Also, the Support Center creates mechanisms for interaction between business and government agencies.



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DEVELOPMENT FOUNDATION

3 MAIN TYPES TAXATION IN ARMENIA

- With a turnover of more than **115 million drams** (from 230 thousand dollars) per year, in the absence of benefits, the general tax regime is applied - **20% VAT and 18% income tax**
- With a turnover of **25 to 115 million drams** (230 thousand dollars) per year, a simplified regime is applicable - **from 1.5 to 5%** turnover tax, depending on the field of activity
- With a turnover of **up to 25 million drams** (50 thousand dollars), a special fixed tax rate of **5000 drams / month applies**

FOR IP/LLC WITH EMPLOYEES ADDITIONAL TAXES

- Income tax on employee salaries (personal income tax) - **21%(10%** - for employees of IT companies with a certificate)
- Social tax on wages - **from 4.5%**
- Army tax - **from 1500 to 15000 drams**

TAXES FOR IT COMPANIES

According to the law of Armenia "**On State Support of the IT Sector**", Armenian companies or individual entrepreneurs (**IT start-ups**) can apply to a special attestation commission within 90 days after registration to obtain a certificate that provides tax benefits for the next 5 years.

Tax incentives include:

- **0%** income tax;
- **0%** value added tax;
- **10%** tax on income of employees - individuals (personal income tax).

In order to receive a certificate for IT companies, you must meet certain criteria, such as:

- Work in specific areas such as software development, computer technology consulting, computer systems management, data processing, web development, web hosting, hosting services, electronic systems development (this also includes engineering start-ups), IT education and etc.
- Have no more than **30 employees**.
- Shareholders of an IT start-up must not own (currently and 3 years prior to filing) shares of another Armenian IT start-up or be a sole trader (working in the IT sector).
- An IT startup should not be a subsidiary of another legal entity.
- Certified IT start-ups must comply with certain restrictions (mainly the criteria mentioned above) when operating under the preferential tax regime.

GENERAL INFORMATION ON TAXES IN ARMENIA

MANDATORY TAX PAYERS

- Resident companies;
- Individual entrepreneurs;
- Non-resident companies doing business in Armenia through a permanent establishment.

BUSINESS TAXATION OPTIONS

In Armenia, medium and large businesses pay taxes at regular rates, while small businesses can benefit from special tax regimes that reduce the tax burden and paperwork.

GENERAL TAX REGIME

If the Company or individual entrepreneur does not choose a special tax regime, they will be subject to the general taxation procedure (**profit tax/corporate income tax (CIT) 18% and value added tax (VAT) 20%**).

- The **VAT rate is 0%** if goods or services are **exported**.
Income tax returns are filed annually and VAT returns are filed monthly. Employee income tax reporting is also maintained.

SALES TAX

Turnover tax is a form of taxation for small and medium enterprises, the rates of which are usually in the range **from 1.5% to 5%, replacing CIT and VAT**. Only enterprises with an annual turnover of **less than 115 million drams** (approximately \$240,000) can apply for this tax regime.

Mandatory payments for this form of taxation are also monthly **social security payments in the amount of AMD 5,000 and income tax also AMD 5,000**. The **military tax** (contributions to the military insurance fund) is paid annually and depends on the size of the annual turnover - **from 1500 to 15000 drams**.

- *Value added tax returns are submitted quarterly.*

In the presence of employees, the employer is obliged to withhold personal income tax (personal income tax - personal income tax), social security payments and a contribution to the military insurance fund from the income of employees.

- *Income tax reporting for employees (PIT) is submitted monthly.*

MICROBUSINESS

Micro-enterprises, defined as enterprises with an annual revenue 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 merchants based in the capital Yerevan and many service businesses. Companies can choose the VAT or micro business regime **within 20 calendar days** after the registration of the company.

IT STARTUP TAXATION

Starting from May 18, 2019, a newly registered business (Company and Individual Entrepreneur) operating in the IT field has the opportunity to apply for an IT Start-Up certificate, a document that exempts a business from income tax until December 31, 2023. The certificate also reduces payroll tax (income tax withheld by the employer) to **10% from the normally applied 21%**. The application for a certificate **must be submitted within 90 days** of the business being registered. These tax incentives are not available to larger companies with 30 or more employees, or subsidiaries or affiliates of foreign companies. IT Start-Up certificates are issued by the Ministry of High Technologies (www.hti.am).

	Estonia	Switzerland	Spain	Germany	Poland	Lithuania	Latvia	Bulgaria	Czech Republic	Armenia
Corporate income tax	20%	from 8,5% to 24,2% (depending on Canton and municipality)	25%. Other tax rates may apply, depending on the type of company that is taxed and its type of business	15,825%	9% or 19% (depending on the level of income of the taxpayer)	5%, 15%, 20% (depending on the applicable conditions)	20% or 15% for microenterprises	10,00%	19%	0% (for 5 years for certified IT companies)
VAT*	20% (standard rate), (0% for export)	8% (standard rate), (0% for export)	21% (standard rate), (0% for export)	19% (standard rate), (0% for export)	23% (standard rate), (0% for export)	21% (standard rate), (0% for export)	21% (standard rate), (0% for export)	20% (standard rate), (0% for export)	21% (standard rate), (0% for export)	20% (standard rate), (0% for export, 0% for IT certified companies)
Salary taxes	20% (personal income) + 33% (social tax)	Progressive system of taxation depending in level of income, civil status, children, religion, Canton of residence, wealth, etc.	19%-47% (depending on the level of income) + 6,35% (employer pays the social tax) + 29% (employee pays the social tax)	14%-42% (depending on the level of income) + 9,3% (employer pays the social tax) + 9,3% (employee pays the social tax)	20-35% (progressive depending on the level of income) + 8,3% (social tax in 2022)	15% (personal income) + 19,5% (social tax)	From 20% to 31% (depending on the level of income) + social tax paid by employer and + social tax paid by employee (rates are depending on specific conditions)	10% + 15% (social tax by an employer) + 11% (social tax by an employee)	15% + 24% (social tax paid by employer) + 6,5% (social tax paid by employee)	10% (for employees of IT certified companies) + 4,5% (social tax) + military tax (from 3 to 28 EUR)
Tax on dividends	25%	35% (as a withholding tax, not applied to EU)	19%	25%	19%	15%	20%	5% (as a withholding tax)	15% (as a withholding tax)	5%
Tax on self-employed	20% (annual income lower than 25000 EUR) 40% (annual income higher than 25000 EUR)	from 8,5% to 24,2%** (depending on Canton and municipality)	25%	25%	9% or 19% (depending on the level of income of the taxpayer)	15%	From 20% to 31% (depending on the level of income)	15%	15%-23% (depending on income rate)	1,5-5%

	<i>the best conditions</i>
	<i>neutral conditions</i>
	<i>less attractive conditions</i>

*** only standard VAT rate and export VAT rate are indicated**

I. This comparative analysis is prepared in order to emphasis and set out the basic tax information about the described jurisdictions. In case of taking steps of economic deployment in one of indicated jurisdictions, it's highly recommended to the investor to contact local lawyers and tax advisors/accountants.

II. The indicated jurisdictions are members of the European Union (except Armenia). They are different by their tax conditions, but regulatory approach is developed according to the EU regulations. Relocation of the business-operation centre demands a strict coherence between the business plan (model) and a legal structuring. As for the IT business, Estonia is deemed as the solid jurisdiction for deployment, but taking into account the commercial activity and its possible turnovers, Poland and Bulgaria may be attractive due to their tax conditions. I would like to draw your attention to Armenia, as a suitable jurisdiction for IT commercial activity due to Armenian tax conditions for IT spheres.

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