

**LAW OF THE REPUBLIC OF ARMENIA
ON UNIFIED INCOME TAX**

CHAPTER 1. General Provisions

Article 1. Scope of the Law

This Law regulates the relations pertaining to determination and payment of unified income tax (hereinafter referred to as the unified income tax), establishes the scope of unified income tax payers in the Republic of Armenia, the rates, manner of calculation and payment of the income tax.

Article 2. Concept of the Unified income tax

The unified income tax is a direct tax paid to the State budget of the Republic of Armenia by taxpayers (in cases as prescribed by law through the tax agent – an organization or individual entrepreneurs or notary) in the manner, within the timeframe and amounts as envisaged by this Law.

CHAPTER 2. TAXPAYERS AND TAXABLE OBJECT

Article 3. Payers of Unified income tax

1. Individuals, including individual entrepreneurs and notaries who are residents of the Republic of Armenia (hereinafter referred to as residents) and individuals who are not residents of the Republic of Armenia (hereinafter referred to as non-residents) shall pay unified income tax (hereinafter taxpayers).

2. Within the meaning of this Law, an individual who has resided in the Republic of Armenia for a total of 183 days or more in the tax year at any stage of the 12-month period which starts in the fiscal year (from January 1 through December 31) or whose center of vital interests is located in the Republic of Armenia, as well as the individual who works temporarily



outside the territory of the Republic of Armenia and is a public servant in the Republic of Armenia, shall be deemed a resident.

Within the meaning of this Law, the location where the family or economic interests of the individual are concentrated shall be deemed as the center of vital interests. In particular, it shall be considered that the center of vital interests of the individual is located in the Republic of Armenia if the house or apartment where the individual's family reside and his or her (family's) main personal property is maintained, or the place of his or her core economic (professional) activity are located in the Republic of Armenia.

3. Within the meaning of this Law, the individual who is not a resident as established in Clause 2 of this Article shall be deemed a non-resident.

Article 4. Taxable Object

1. Gross income to be received within and outside the territory of the Republic of Armenia shall be deemed as the taxable object for the resident.

2. Gross income to be received from Armenian sources shall be deemed as the taxable object for the non-resident.

3. Taxable income is the positive difference between the taxpayer's gross income and the deductions and the expenses in the reporting period as defined by this Law, unless otherwise established by this law with respect to determining the taxable object.

Article 5. Gross Income

1. Gross income shall constitute the aggregate of all incomes received by the taxpayer during the reporting period.

2. Income shall constitute property received by taxpayer under employment or civil-legal agreements or on any other grounds, as well as incomes subject to receipt in kind (non-cash).

3. Incomes received in kind (non-cash) shall be considered in gross income at free (market) prices in the manner established by the Government of the Republic of Armenia.

4. Incomes received by individuals in foreign currency shall be recalculated in Armenian drams based on the average exchange rate announced by the Central Bank of Armenia and recorded in currency markets as at the day of receiving the incomes.

Article 6. Deductions from Income

For the purposes of this Law, the items listed below shall be deemed as deductions from income:

- 1) Benefits paid in conformity with the legislation of the Republic of Armenia;
- 2) All types of pensions paid in conformity with the legislation of RA (including pensions paid from the voluntary contributions made to the mandatory funded system), with the exception of pensions paid within the voluntary funded pension system, in the defined manner.
- 3) Voluntary funded pension insurance contributions paid by the taxpayer on his/her own and/or by a third person (including employer) on voluntary funded pension insurance terms and conditions as established by the RA legislation, which shall not exceed 5% of taxpayer's gross income;
- 4) Insurance compensations, with the exception of compensations to be received in the established manner at the expense of contributions paid by the taxpayer on his/her own and/or by a third person (including employer) on voluntary funded pension insurance terms and conditions as established by the RA legislation;
- 5) Funded pension contributions made by the State for a taxpayer as per requirements defined by the legislation of the Republic of Armenia on funded pension contributions;
- 6) Incomes related to service of military servants and persons with equal status and rescue service servants;
- 7) Lump sum payments paid to the family members of deceased military servants and to those military servants who have become disabled in conformity with the legislation of RA,
- 8) Awards, cash assistance and support giving within the frameworks of social protection system in conformity with the RA legislation.
- 9) Alimonies (maintenance allowances) paid in conformity with the legislation of the Republic of Armenia;

- 10) Incomes to be received by individuals against donor blood and breast milk and other n-types;
- 11) Compensations paid within the limits established by the legislation of the Republic of Armenia during execution of works (provision of services) under employment and civil-legal agreements, other than payments of compensation against unused leave upon resigning;
- 12) Property and funds to be received from individuals as heritage and donation in accordance with the RA legislation;
- 13) Cash and in-kind assistance to individuals provided within statutory activities by non-commercial organizations incorporated in the manner as established by legislation of the Republic of Armenia and registered with the tax authorities;
- 14) Gratis property and funds provided to individuals on the basis of decisions of RA state and local self-government bodies, as well as by foreign states and international inter-state (inter-governmental) organizations;
- 15) Value of food allowances, as well as amounts paid as a replacement for these allowances;
- 16) Proceeds to be received by individuals other than tax agents, from sale of their own property, with the exception of proceeds to be received from sale of property as part of business operations;
- 17) State scholarships provided by the State to students, post-graduates of higher educational institutions, students of secondary vocational and technical educational institutions, attendees of seminaries, as well as scholarships provided to them by the above educational institutions or organizations specified in sub-clauses 12 and 13 of this clause;
- 18) Amounts which are received in the manner as established by legislation as compensation for losses incurred, save for compensation for lost income;

- 19) Amount of receivable loans and credits, with the exception of write-off by the lender of loan or credit amounts or any other agreement with the lender on non-repayment of these amounts (including, the expiration of the statute of limitation, as stipulated by law);
- 20) Lump-sum amounts of financial assistance in case of the death of the employee or his or her family member;
- 21) Prizes of sportsmen and coaches won at international contests and competitions as members of national team of the Republic of Armenia;
- 22) Cash and in-kind winnings of participants of lotteries conducted in the manner and conditions as established by RA legislation;
- 23) Value of cash prizes won at contexts and competitions in the amount not exceeding 10000 AMD for each prize;
- 24) Amounts of compensation in the amount of 10 percent of annual tuition fee for students of higher educational institutions studying on a paid basis within the limits set out by the Government of the Republic of Armenia;
- 25) Government awards (prizes);
- 26) Amounts to be paid back by the Fund for Guaranteeing Repayment of Deposits in the manner prescribed by the Law “On Guaranteeing Repayment of Individuals’ Bank Deposits”, other than payable accrued interests against the deposit amounts;
- 27) Amounts compensated against cash deposits placed with the ArSSR Republican Bank of the USSR Savings Bank before June 10, 1993;
- 28) Amounts paid to individuals against the real estate taken from them for the State or community needs, as well as persons registered with such real estate.
- 29) Prizes and bonuses provided as a result of lottery conducted in order to support tax administration in the manner as established by RA Government;

- 30) Expenses incurred by individuals on education and healthcare in compliance with the list defined by the Government of the Republic of Armenia on the basis of annual income calculations submitted to the tax authority in the manner and timelines prescribed by Article 23 of this Law.

Article 7. Counting of Return on Securities in Taxable Object

1. Unless otherwise provided for in this Article, the taxpayer's taxable object in gross income shall be reduced by the following:

1) in the amount of receivable dividends. In the meaning of this Law income received from participation (share, equity securities, interest) in the statutory (paid-in) capital (fund) of a legal entity shall be deemed as a dividend;

2) In the amount of income received as interest or discount premium upon redemption on treasury bonds and other state securities, bonds produced by Pan-Armenian Bank.

3) In the amount of income receivable as interest from alienation of treasury bonds and other state securities, bonds produced by Pan-Armenian Bank, their exchange with other securities or other similar deals;

4) In the amount of income receivable from alienation of securities or other securities invested in statutory (paid-in) capital of a legal entity, exchange with other securities or other similar deals.

2. Incomes specified in Clause 1 of this Article shall be incorporated in gross income if these incomes:

1) Are received from alienation of a promissory note, check or other payment security issued as a means of payment, or

2) Are actually received as a means of payment against goods, works or services or a substitute thereof, regardless of the fact of real investment or borrowing against the security.

3. The taxpayer who acts as an independent investment broker or dealer may not include in his or her gross income the incomes specified in Sub-clauses 3) and 4), Clause 1 of this Article if:

1) In the taxpayer's register (or other book for recording transactions) the security is recorded as a held-for-investment paper by the close of business of its acquisition, and

2) The security is not alienated within twenty-four months after the day of its acquisition. In the meaning of this Sub-clause, pledging of the security, handover of the security to trust management by the right to transfer, handover of the security to another person based on a power of attorney with the purposes of alienation or any other deal certifying the actual concealed transfer of the security to another person at the moment of its execution shall be deemed as an alienation.

4. Where the taxpayer is entitled not to include the income specified in this Article in the gross income, and in conformity with this Law, the taxpayer does not include the buying price of the security in the gross income, he or she may not include in the gross income only the difference between the buying price of the security and income (return) on sales as per Sub-clauses 3) and 4), Clause 1 of this Article.

Article 8. Counting of Income Received from Agricultural Production in an Object Subject to Taxation

1. For taxpayers engaged in agricultural production, when determining gross income, the income to be received from sale of agricultural products, as well as incomes from other activities shall be deducted from gross income, provided their percentage in the incomes from agricultural and other activities does not exceed 10 percent. In case the percentage of incomes to be received from other activities exceeds 10 percent of the incomes to be received from agricultural and other activities no deductions as established by this Clause shall be made from the gross income in the whole amount of other incomes.

2. For the purposes of this Article, agricultural products shall be deemed to be the following products intended for final and intermediate consumption which are produced through biological transformation of animals and plants:

- 1) Grain crops and legumes;
- 2) Industrial crops;
- 3) Tuberos plants, vegetables, melons and gourds and greenhouse products;
- 4) Field cultivated fodder crops;

- 5) Other products of feed production;
- 6) Products of gardens, vineyards, perennials and floriculture;
- 7) Seeds of trees and bushes, seeds in fruit;
- 8) Grafts of trees and bushes;
- 9) Saplings of trees and bushes;
- 10) Output of animal production;
- 11) Output of pig production;
- 12) Output of sheep and goat production;
- 13) Output of poultry production;
- 14) Output of horse, donkey and hinny production;
- 15) Output of deer and camel production;
- 16) Output of rabbit and fur game production, hunting;
- 17) Output of aquaculture, beekeeping, sericulture, artificial insemination.

3. If it is impossible to calculate the income to be received from agricultural production, such an income shall be calculated on the basis of net income cadastre data validated in the manner established by RA legislation.

Article 9. Counting of Income of a Non-Resident in an Object Subject to Taxation

1. When determining the object of taxation of a non-resident, except the incomes as defined by Articles 6; 7 and 8 of this Law, the gross income of a non-resident does not include the taxable income of the non-resident received from his/her foreign economic activities.
2. For the purposes of this Law foreign economic activities shall be considered activities performed exclusively on behalf of the non-resident, importing the goods belonging to him/her to Armenia (in cases of availability of customs documents for such goods and absence of agents/brokers in such activities), in which case the non-resident holds the title of such goods before crossing the state border of the Republic of Armenia.

CHAPTER 3. RATES OF UNIFIED INCOME TAX

Article 10. Rates of Unified income tax

1. Except for the cases identified in Clauses 2, 3, 4, 5, 6 and 7 of this Article, the unified income tax shall be calculated at the rate of 26 percent.

2. If the taxpayer receives lump sum amounts of voluntary funded pension accrued on insurance conditions as defined by the legislation of the Republic of Armenia, the unified income tax shall be calculated at the rate of 35 percent.

3. For incomes received from royalties and lease of property, as well as sale of dwelling houses, apartments thereof, and other spaces by individuals, except for individual entrepreneurs, who are constructing multi-apartment (including multi-functional) buildings, facilities, personal houses in residential areas and complexes, the income tax on incomes received from the sale of up to 10 percent of the overall space of the building (without non-residential spaces of shared ownership), but no more than 500 m² of space, and from sale of 4 personal houses (hereinafter referring to ceiling for taxation) in residential areas (or complexes) shall be at the rate of 10 percent without consideration of tax deductions defined by this law. And the ceiling for taxation at the defined rate shall be used for apartment houses (including multifunctional buildings), surface of multifunctional building or individual dwelling apartments in dwelling residences (complexes) only once, irrespective of timelines of selling of various apartments in the building or individual dwelling apartments and the number of individuals, who served as constructors and/or owners.

Within the meaning of this Law, a royalty shall be deemed to be the compensation payable for permits for using a piece of literature, art or scientific study, or using or obtaining the right to use any copyright, patent, trademark, design or model, plan, secret formula or process, programs for electronic calculation machines and databases or industrial, commercial, scientific equipment or accessing information on industrial, technical, organizational, commercial, scientific experience.

4. For interest income, unified income tax shall be calculated at the rate of 10 percent, without considering the deductions defined by this Law.

5. The tax agent shall calculate the unified income tax on incomes payable against purchase of property from individuals at the rate of 10 percent, taking into account also the provisions of Articles 7 and 8 of this Law.

6. When calculating incomes of individuals, the tax agent shall calculate and withhold the unified income tax at the rate of 11 percent to the payable incomes without considering the deductions prescribed by this Law in the event of failure to conclude the written agreement as per Point 1 of Clause 2, Article 12 of this Law or concluding such an agreement without necessary indication of any data specified in the above Article, with the exception of the following cases:

- 1) incomes calculated for the taxpayer are justified by checked receipts or short invoices, or
- 2) information has been provided to tax authorities in the due manner and time (including with respect to a transaction concluded on conditions substantially different from what has been provided in the accounting documents) and validity of such information has been justified by the tax authorities in the manner provided by law. In case validity of such information is not confirmed in the manner as provided by law, liability for the unified income tax shall arise as of the month of receiving written information from the tax authorities on non-grounded information.

7. For an individual entrepreneur who is a payer of a fixed fee, the unified income tax shall be calculated at the rate of 3 percent.

Article 11. Rates of Unified income tax of Foreign Residents and Persons without Citizenship

The unified income tax of foreign residents and persons without a citizenship shall be calculated at the following rate:

1. For incomes received in the form of insurance premiums against insurance, and freight charges, the unified income tax shall be calculated at the rate of 5 percent.
2. For incomes received from royalties, interests, rentals from lease of property, increase in asset value and other passive incomes (other than income received in the form of freight charges), the unified income tax shall be calculated at the rate of 10 percent.
3. For other incomes received from Armenian sources, not specified in parts 1 and 2 of this Article, the unified income tax shall be calculated at the rate specified in Article 10 of this law, with the exception of incomes specified in Article 7.

CHAPTER 4. MANNER OF CALCULATING AND PAYING PERSONAL INCOME TAX, FILING OF INFORMATION

Article 12. Withholding Income Tax by Tax Agent

1. Save for the cases specified in Clause 2 of this Article, when calculating incomes of individuals, the unified income tax shall be withheld (charged) by the tax agent.

Where organizations implementing projects under treaties signed and ratified on behalf of the Republic of Armenia are exempt from withholding unified income tax on incomes paid to individuals at the source of incomes, these organizations may, at their own discretion, act as tax agents on the basis of the return filed with the tax office, and perform withholding of tax on personal taxable income. In this case the tax agent shall withhold tax starting from the month of filing the return.

2. The tax agent shall not perform any tax withholding (charging), if:

- 1) The paid incomes result from business activity (supply of goods, delivery of works and services), and a written civil-legal agreement shall be signed with the tax agent along with indicating the Taxpayer Identification Number (TIN), passport details and domicile address in the Republic of Armenia, or
- 2) Incomes payable to the notary.

3. Amounts withheld (levied) by the tax agent at sizes specified in Article 11 of this Law shall be deemed as the foreign citizen's and persons with no citizenship final amount of personal income tax in the Republic of Armenia, save for the cases, where the foreign citizen or a person with no citizenship is a resident or has carried out business activities in the Republic of Armenia under the conditions specified in Clause 2, sub-clause 1 of this Article. In these cases the foreign citizen or a person with no citizenship shall apply exclusively electronically to the tax office for performing recalculation, and for this purpose and to consider the deductions prescribed by Article 23 of this Law the foreign citizen shall submit a personal annual income return as per this Law for offsetting the tax amounts withheld at the source.

Article 13. Calculation of Unified income tax and Submission of Calculations

1. Each month, the tax agents calculate the unified income tax deducting the amounts of insurance contributions calculated and actually paid on behalf of wage-earners. The insurance contributions are considered deductible starting the 20th day of the month following the deduction.

If the total amount of unified income tax calculated for all wage-earners for the given month is not sufficient for paying the insurance contributions, then the tax agent pays the insurance contributions from his/her own funds which is compensated from the state budget within one month based on the relevant statement submitted exclusively electronically to the tax authority together with the monthly unified income tax calculation confirmed by the tax authority and submitted exclusively electronically to the authorized body of RA.

2. On a monthly basis, by the 20th day of the next month, tax agents shall be obliged to submit exclusively electronically to the tax office the unified income tax calculation, consisting specifically of the following:
 - 1) personal data (first name, second name, patronymic, address of residence/registration, social security card number) on the individuals receiving income from the given tax agent (except for those receiving passive income), incomes calculated for them, unified income tax deducted from these incomes, and as to persons engaged in funded pension system also contributions calculated and deducted,
 - 2) summary data on passive income calculated by the given tax agent, deducted unified income tax from these incomes for persons,
3. In cases when, in compliance with provisions of this Law, no unified income tax withholdings are made (collected) from respective sources of income gained by organizations, which are incorporated (registered with the respective government authority) in the Republic of Armenia, as well as individual entrepreneurs or notaries, also in cases when natural persons voluntarily join the mandatory funded pension system, then such persons shall calculate the unified income tax on

monthly basis and such calculations shall be expressed in annual income calculations filed to the tax authority within timelines as specified in Article 23 of this Law. In addition, persons engaged in funded pension system shall exclusively electronically attach the annual income tax calculations with copies of documents verifying payment of funded pension contributions.

4. If the tax agents identify any errors in calculations of unified income tax for previous reporting periods, they may submit exclusively electronically adjusted calculations to the tax authorities based on which the tax liabilities for these periods shall be recalculated.

Article 14. Paying of Tax Amounts to the Budget

The unified income tax calculated in compliance with Article 13 of this Law shall be paid to the state budget the latest on the 20th day following the month due for calculations of incomes of natural persons.

Article 15. Filing of Information

1. In the event nothing else is specified by this article, on a yearly basis, the organizations, sole entrepreneurs and notaries shall exclusively electronically submit personified data (first name, second name, patronymic, address of residence/registration, social security card number) in the manner specified by the tax authority by April 15th of the following year to the tax office, which must include the amounts calculated and paid off to individuals during the previous year with respect to passive income, incomes calculated for such individuals, unified income tax withheld from such incomes.
2. Information submitted to tax authorities in compliance with this Law shall not incorporate information about natural persons about whom personal information is provided in monthly unified income tax calculations in the manner as established in this Law.
3. In the event of liquidation of an organization, termination of activities of an individual entrepreneur, the information shall be presented to the tax authorities in the manner prescribed in Clause 1 of this Article within 5 days after filing an application on liquidation (termination of activities) to the state body responsible for the state registration.

Article 16. Provision of Statements by Tax Authorities and Tax Agents

1. Based on the application of a non-resident, the tax authorities shall provide the respective statement on tax amounts withheld from Armenian sources in the format and manner established by the Government of the Republic of Armenia.

2. Upon the request of individuals, tax agents shall be obliged to provide statements on calculated and paid-off funded contributions, amounts of withheld tax, as well as on payment of pension insurance contributions made by the employer for the employees.

CHAPTER 5. MANNER OF CALCULATING AND PAYING OF UNIFIED INCOME TAX ON INCOMES RECEIVED FROM BUSINESS ACTIVITY

Article 17. Counting of Incomes from Business Activity

When determining the gross income from business operations, the accrual basis of accounting shall be applied for legal entities in the manner prescribed by the RA Law “On Profit Tax”.

Article 18. Specifics of Determining Taxable Object

1. When determining the taxable object of unified income tax on entrepreneur activities, with the exception of incomes reduced in the manner as envisaged in this Law, the gross income shall be deducted by the amount of costs directly relating to generation of income from entrepreneur activities and civil contracts and supported by documents, based on the declaration on annual income filed by the individual.

2. In particular, expenses include:

- a) material costs;
- b) wages and payments equalized to them
- c) voluntary funded pension contributions done by employers for hired employees, in the amount not exceeding 5% of salary of such an employee;
- d) amortization allowances;

- e) rentals;
- f) insurance fees;
- g) taxes not subject to refund (offsetting), duties and other mandatory fees;
- h) interests on loans and other borrowings;
- i) fees against guarantees, security, letters of credit and other bank services;
- j) promotion costs;
- k) representational costs;
- l) sponsorship costs;
- m) judicial costs;
- n) travel;
- o) indemnification of caused damage;
- p) fines, penalties and other property sanctions, save for those fines, penalties and other property sanctions which are payable to the State or community budgets, as well as contributions to the funded pension system;
- q) costs of audit, legal, other consulting, information and management services;
- r) costs of factoring, trust (granting a power of attorney) operations;
- q) identified understated costs for the three years preceding the reporting year.

3. Contributions made by the taxpayer to other persons' paid-in capital shall not be treated as costs.

4. In the event of conducting business operations, the norms laid down in the Profit Tax Law shall apply to legal entities for the calculation of depreciation allowances and other costs, expenses which are not deductible from gross income, types of expenses, norms of deducting expenses from gross income as set out by the Government of the Republic of Armenia, as well as losses incurred during the reporting period.

5. The requirements for justifying spending supported by documents shall be established by the Government of the Republic of Armenia.

Article 19. Calculating of the Unified income tax Amount

The taxpayer shall independently perform the final calculation of the actual unified income tax amount and duly reflect it in the annual income declaration.

Article 20. Advance Payments of Unified income tax

1. The tax-payer (except for license fee payers) who receives income from business activities in the course of the year shall make advance payments of unified income tax in the manner and timelines as envisaged in the Clauses 2 through 8 of this Article.

2. Advance payments shall be made at one-sixth amount of the actual unified income tax amount for the previous year on a quarterly basis, by the 15th day of the last month of each quarter. In case the taxpayer fails to made advance payments in a timely manner, and in other cases specified by law, tax offices shall set forth claims for these amounts and advance payments and fines thereof as prescribed by law.

3. The taxpayer who newly opens a business shall be entitled not to make advance payments of unified income tax until June 15 of the next year, by sending a prior notice to the tax office.

4. If the taxpayer has incurred losses during the previous year, or the amount of unified income tax for the previous year has not exceeded AMD 500,000 (five hundred thousand) then the taxpayer shall have the right not to make advance payments of income tax after filing the annual income return. Before calculating the actual amount of unified income tax for the previous year not later than March 15, the taxpayer shall make the first advance payment of unified income tax at the required amount at end of the previous year.

5. Where the taxable object for the year in question is anticipated to be lower as compared to the previous year, the taxpayer shall determine independently the quarterly size of the advance payment. If the total annual amount of advance payments is less than 2/3 of the actual income tax for the year in question, then the taxpayer shall pay a fine against the difference between 1/6 amount of the actual income tax and actual advance payment made for the quarter

in question, from the day of making the advance payment through the day when the amount of actual unified income tax becomes known to the tax office (day of filling the annual income return).

6. After the completion of the reporting year, the taxpayer shall calculate the amount of unified income tax based on the calculated taxable object, along with offsetting it against the amounts of advance payments made for the reporting year in question.

7. If the amount of actual unified income tax for the reporting year is less than the total amount of advance payments made for the same year, then the difference shall be subject to refund in conformity with Article 33 of the Law on Taxes. In this case the calculation of fines imposed against the amounts of advance payments shall be ceased on the day when the amount of actual unified income tax becomes known to the tax office (filing the annual income return) but no later than May 1. The amounts of fines calculated against advance payments shall not be subject to recalculation or refund.

8. If the aggregate of advance payments is less than the amount of actual unified income tax for the reporting year in question, then only unified income tax shall be recalculated, and the taxpayer shall be obliged to pay the difference to the State budget. In this case the calculation of fines on advance payments shall cease on the day when the amount of unified income tax becomes known to the tax office (filing the annual income return). For delayed payment of income tax, from May 1 fines shall accrue on the outstanding amount of the income tax in the amount set out in Article 23 of the Law on Taxes.

9. With respect to activities subject to taxation presumptive taxpayers shall make unified income tax in advance payments in the amount of 5000 drams on a monthly basis by the 20th of the month following the given month.

Article 21. Minimal Amount of Unified income tax

1. Where the amount of advance payment for each quarter defined in the manner established by Article 20 of this Law is less than 1 percent of the amount specified in Clause 3 of this Article, the taxpayer (with the exception of activities subject to a license fee) shall effect quarterly payments of minimal unified income tax.

2. The minimal unified income tax shall be payable at the rate of 1 percent of the amount specified in Clause 3 of this Article.

3. The minimal unified income tax shall be computed against the income calculated on the accrual basis which is generated during the previous quarter from sale of goods (other than fixed assets, as well as securities and exchange commodities), products (other than the ones specified in Article 8 of this Law) and delivery of services, and against the difference between the amount which is less than 50 percent of the income for the same period and depreciation allowances for fixed assets, save for cases envisaged in this Clause.

Taxpayers, who during the course of the current year, are considered as non-VAT payers in the manner as established by law shall, during the VAT exemption period, calculate the minimum unified income tax from the income duly calculated as established in this Clause, without considering depreciation allowances for fixed assets.

4. For taxpayers who use the tariffs set by the government or authorized body, as well as individual entrepreneurs who deliver services in the areas of health and education, or are involved in printing and distribution of newspapers and magazines, processing of precious stones, as well as engaging in international cargo transportation activities, the Government of the Republic of Armenia may establish other deductions for the calculation base of the minimal unified income tax.

5. The positive difference between the aggregate annual amount of minimal unified income tax and actual unified income tax for the reporting period shall be deducted from the unified income tax for the coming years.

Article 22. Specifics of Paying Unified Income Tax by Individual Entrepreneurs Who Are in Insolvency Process

In conformity with the legislation on insolvency of individual entrepreneurs, payments of unified income tax shall be suspended from the day when the court decision on recognizing the taxpayer as insolvent becomes effective through the moment when the state budget claims shall be satisfied in accordance with the established sequence of satisfying creditors' claims.

CHAPTER 6. CALCULATION OF ANNUAL INCOME AND PAYMENT OF TAX AMOUNT

Article 23. Manner and Timelines of Filing Annual Returns

1. Taxpayers who are individuals shall exclusively electronically file an annual income return with the tax office by April 15 of the year following the reporting year, except for the cases specified in Clause 2 of this Article.

2. The filing of an annual income return is not mandatory for individuals if during the reporting year they receive or are to receive:

- 1) Incomes specified exclusively in Articles 6, 7 and 8 of this, or;
- 2) Exclusively incomes in respect of which the responsibility for calculating, withholding (charging) the unified income tax and paying it to the budget rests with the tax agent.

3. In case of filing a report on annual unified income the individuals shall incorporate information on all incomes received in the course of the fiscal year, save for the ones specified in Clause 2 of this Article.

4. Incomes of individuals who are minors shall be declared by their parents (guardians).

5. Where the individual terminates his or her operations (source of income) before the completion of the fiscal year, he or she shall file the calculation in the manner and timeline as defined in this Article.

6. In case of calculating the incomes of individuals received from diplomatic missions and consulates of foreign states in the Republic of Armenia, supra-national inter-state (inter-government) organizations, when no income tax is withheld at the source of paying the income in accordance with the provisions of international treaties, the tax shall be paid and calculated in the course of the year in the manner established by the Government of the Republic of Armenia.

7. Failure to file an annual income calculation does not exempt the taxpayer from honoring the tax liabilities in conformity with this Law and other legal acts.

8. Taxpayers shall, within a period of one calendar year following the reporting period, be entitled to make corrections in data expressed in annual income calculations submitted for the reporting period within a course of one calendar year.

Article 24. Final Calculations and Timing for Payment of Tax on the Basis of Annual Unified income tax Calculation

1. Final calculations of unified income tax shall be done on the basis of the annual income calculation, by taking into consideration the deductions defined by this Law.

2. The taxpayer who has filed the annual income calculation shall pay the amount of the unified income tax to the State budget for the fiscal year in question no later than May 1 of the next year.

3. Overpayments to the budget made by tax-payer (also through the tax agent) paid on the basis on the annual income return shall be subject to refund in the manner and within the timeline as specified by the tax legislation.

Article 25. Excluding Double Taxation

1. The amounts of income received by residents outside the Republic of Armenia shall be included in the declared total annual income and taken into account when defining the size of tax.

2. The income tax paid by (charged) the residents of Republic of Armenia shall be deducted in the amount of the tax withheld in foreign states in line with their legislation, other than the amount of tax withheld in foreign states on incomes which are deductible from gross income under the legislation of the Republic of Armenia. Moreover, the amount of deductible (offset) tax may not exceed the amount of tax on incomes received in foreign states which is payable in Armenia in conformity with the provisions of this Law.

CHAPTER 7. CLOSING PROVISIONS

Article 26. Recalculating Salary and Equal Incomes of Individuals

From the moment of enforcement of this Law employers shall be obligated to increase the

salary and equal incomes paid to individuals to the extent that following enforcement of this Law the actual income of the individuals after withdrawal of unified income tax should not be less than the amount (after withholding of unified income tax and mandatory social contributions) actually paid to them on the basis of employment or civil-legal agreements in the course of the month following the month of enforcement of this Law.

Article 27. Responsibility of Individuals and Tax Agents for Infringing this Law

1. Taxpayers and tax agents shall be held responsible in the manner established by the law of the Republic of Armenia.

2. In conformity with the provisions of this Law, where the unified income tax is not withheld (charged) at the source, the tax liability (including the fines duly calculated for failure to pay in the unified income tax to the budget) shall be borne by the tax agent.

3. If the tax agent fails to timely withhold the amounts of tax on calculated incomes of individuals (or withholds less than the required tax amount) in line with the provisions of this Law, then these amounts of tax may be withheld from individuals in the legally prescribed manner for no more than the last three months, and the amounts withheld (charged) in excess of the established size shall be offset against forthcoming withholdings or refunded within one month from the day when it becomes known for the next three calendar years after the excess withholding.

4. For violating the requirements of Article 15, Clause 1 and 3 of this Law, organizations and individual entrepreneurs or the notaries shall pay a penalty at AMD 5000 against each data not disclosed to the tax authorities or incorrect information, which should be paid to the State Budget within 10 days after the penalty was imposed.

5. In case of overstating the losses calculated in the manner prescribed in this Law and reflected in the annual income declaration which is filed with the tax authorities, a penalty shall be imposed on the individual entrepreneur at 26 percent of the amount of overstated losses.

6. In case of stating the fact of failure to register, in writing, hiring of an employee in the manner prescribed in RA legislation (i.e. lack of a written hiring order and/or written agreement), an employer shall calculate and pay unified income tax in the amount of 60000 drams for that (unregistered) wage earner for the given month (month of statement). This provision shall not be

applicable in cases of failure to maintain contract ledgers for wage earners or appropriate books at public administration or local government offices in due manner or breach of thereof (in such cases unified income tax shall be calculated (recalculated) in a generally defined manner).

Article 28. Unification of Reports and Statements

Data pertaining to summary calculations of unified income tax as defined in Article 13 of this Law, as well as information defined by Article 15 of this Law may be incorporated in the personified report as mentioned in Article 1 of the Law of the Republic of Armenia “On Unified Income Tax and Personified Record Keeping of Funded Contributions.

The mentioned data shall be submitted to the authorized body electronically through application of e-signature.

29. Regulations on Application of the Law

Regulations on application of this Law shall be adopted by tax authorities by agreeing them with the Ministry of Finance of the Republic of Armenia.

Article 30. Coming into Force

This Law shall become effective from January 1, 2010.

From the instance of enactment of this law RA laws “On Income Tax” of 27 December 1997, ՀՕ-183, and “On Mandatory Social Security Contributions” of 26 December 1997, ՀՕ-179.

Article 31. Transitional Provisions

Income tax and social contribution liabilities occurred during 2009 or before shall not be considered terminated after 1 January 2010 and shall be subject to payment in the manner and timelines prescribed in RA laws “On Income Tax” and “On Mandatory Social Security Contributions.”