



Corporate Tax Comparative Guide



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Law firm

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1. Basic framework

1. 1. Is there a single tax regime or is the regime multi-level (eg, federal, state, city)?

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Armenia is a unitary state and there are no administrative divisions which have some level of independence. However, from a tax perspective, there are two tax regimes: state taxes and local taxes, which are respectively paid to the state budget or the local budget of self-governance authorities.

1. 2. What taxes (and rates) apply to corporate entities which are tax resident in your jurisdiction?

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The following taxes and rates are prescribed by the Tax Code, which apply to certain taxpayers that fall under the criteria for payment of that type of tax:

- value added tax (VAT) – 20%;
- excise tax – rate varies depending on the type of goods;
- profit tax:
 - 18% for resident profit taxpayers, as well as non-resident profit taxpayers carrying out activities in Armenia through a permanent establishment; and
 - 20% for non-resident profit taxpayers carrying out activities in Armenia without a permanent establishment;
- environmental tax – rate varies depending on the harmful material;
- road tax (only for use of Armenian highways by cargo vehicles which are not registered in Armenia) – rate varies depending on the minimum permissible weight;
- turnover tax – rate varies depending on the transaction type and object;
- real estate tax – rate varies depending on the real estate type and value; and
- vehicle property tax – rate varies depending on the power of the vehicle.

1. 3. Is taxation based on revenue, profits, specific trade income, deemed profits or some other tax base?

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The tax base will depend on the tax type and no single criterion applies in this regard. For instance:

- the tax base for VAT is the value of the transaction; and
- the tax base for profit tax is the profit of the company (ie, income minus expenses).

1. 4. Is there a different treatment based on the nature of the taxable income (eg, gains on assets as opposed to trading income or dividend income)?

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There are various circumstances in which Armenia resident entities will be exempt from profit tax for certain types of profits. One such approach applies to entities which conduct special activities prescribed by law. For instance, the following bodies are exempt from profit tax payments for several kinds of profits:

- the Armenian Deposit Guarantee Fund prescribed by the Law on Guaranteeing Compensation of Bank Deposits of Natural Persons; and
- the Bureau established on the basis of the Law on Compulsory Motor Vehicle Liability Insurance.

Non-resident profit taxpayers are also exempt from profit tax on the following income:

- income derived from interest from foreign currency state bonds issued by Armenia;
- income derived from a discount made at the time of repayment of such bonds; and
- income derived from the alienation of such bonds, their exchange with other securities or similar transactions.

Profit taxpayers deemed to be operating in a free economic zone are exempt from profit tax on income derived from activities carried out in a free economic zone established in the Armenian territory.

1. 5. Is the regime a worldwide or territorial regime, or a mixture?

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The main principle is to tax all amounts which have been accrued from Armenian sources.

1. 6. Can losses be utilised and/or carried forward for tax purposes, and must these all be intra-jurisdiction (ie, foreign losses cannot be utilised domestically and vice versa)?

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In order to determine the tax base for resident profit taxpayers, as well as non-resident profit taxpayers that carry out activities in Armenia through a permanent establishment, the following will be deducted from the gross income:

- natural losses of property, as prescribed by law; and
- qualitative, accidental, technological and/or other losses of property supported by documents, as prescribed by Parts 3 to 7 of Article 122 of the Tax Code.

1. 7. Is there a concept of beneficial ownership of taxable income or is it only the named or legal owner of the income that is taxed?

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Armenian tax law does not recognise the concept of beneficial ownership. The entity which carries out the activity is liable for tax purposes.

1. 8. Do the rates change depending on the income or balance-sheet size of the taxpayer?

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This is not the general principle for all taxes. However, the concept is not unfamiliar in Armenia. Those taxes whose rates may vary depending on various criteria are set out in question 1.2.

1. 9. Are entities other than companies subject to corporate taxes (eg, partnerships or trusts)?

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A 'taxpayer' is defined as an organisation or natural person (including a sole proprietor or a notary) who, in the cases defined by the Tax Code or the Armenian law on payments, has or may have an obligation to pay taxes or fees.

Hence, the tax law does not focus on the type of entity from a civil law perspective. The core factor in determining whether an entity qualifies as a taxpayer is the activity which it conducts.

2. Special regimes

2. 1. What special regimes exist (eg, for fund entities, enterprise zones, free trade zones, investment in particular sectors such as oil and gas or other natural resources, shipping, insurance, securitisation, real estate or intellectual property)?

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The Tax Code sets out no special tax regimes. However, there are prescribed exceptions for certain taxes and certain entities or situations.

For instance, profit taxpayers that are deemed to be operating in a free economic zone are exempt from profit tax on income derived from activities carried out in a free economic zone established in the Armenian territory.

Preferential tax regimes also apply to taxpayers that operate in the IT and agricultural sectors:

- IT start-ups which are qualified as such by law are exempt from profit tax until 31 December 2022; and
- Taxpayers engaged in the production of agricultural products are exempt from profit tax until 31 December 2024.

Licensed resident companies involved in the production of electric energy from renewable sources are

granted a profit tax exemption for revenues from the sale of electric energy.

2. 2. Is relief available for corporate reorganisations or intra-group transfers of companies and other assets? Please include details of any participation regime.

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The Tax Code does not provide for such a possibility.

2. 3. Can a taxpayer elect for alternative taxation regimes (eg, different ways to calculate the taxable base, such as revenue-based versus profits based or cash basis versus accounts basis)?

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The tax base for each type of tax is regulated imperatively and taxpayers cannot choose between several tax base options. However, taxpayers may choose between general and special tax systems where the requirements for the latter are met.

2. 4. What are the rules for taxing corporates with different functional or reporting currency from that of the jurisdiction in which they are resident?

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The difference in functional or reporting currency is not recognised as grounds for a differentiated approach.

2. 5. How are intangibles taxed?

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The type of transaction object is not decisive from an Armenian tax law perspective; thus, no special regulations apply to intangibles.

2. 6. Are corporate-level deductions available for contributions to pensions?

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In determining the tax base of resident profit taxpayers and non-resident profit taxpayers carrying out activities in Armenia through a permanent establishment, the following will not be deducted from the gross income:

- that part of the pension fees paid for employees within the framework of the voluntary pension

component as prescribed by Armenian law which exceeds 7.5% of the sum total of the salary and other equivalent fees of the relevant employee; and

- that part of the pension fees paid for themselves as individual entrepreneurs or notaries within the framework of the voluntary pension component as prescribed by Armenian law which exceeds 5% of the tax base.

2. 7. Are taxpayers from different sectors (eg, banking) subject to different or additional taxes or surtaxes?

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In Armenia, the taxpayer's industry sector is not considered as a criterion for different taxation. Hence, from a tax perspective, there are no regulations which hold companies in a certain sector more liable than those in other sectors.

However, in addition to taxes, the Tax Code also provides for charges which are due solely where the entity carries out a certain type of activity. For instance, a nature utilisation fee must be paid for:

- the use of surface water;
- the extraction of fresh thermal water;
- the extraction of groundwater (including the production of carbon dioxide); and
- the use of other natural resources.

2. 8. Are there other surtaxes (eg, solidarity surtax, education tax, corporate net wealth tax, remittance tax)?

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There are exhaustive list of taxes and other payments that may be required from entities and individuals in Armenia. There are also taxes and other charges which in other jurisdictions might be qualified as surtaxes.

State taxes include the following:

- value added tax;
- excise tax;
- profit tax;
- income tax;
- environmental tax;
- road tax; and
- turnover tax.

Local taxes include the following:

- real estate tax; and
- vehicle property tax.

State charges include the following:

- state duty;
- nature utilisation fees;
- social payments;
- mandatory fees for the issue of a radio frequency use permit (extension of validity period) and mandatory fees for use;
- mandatory charges for the regulation of public services; and
- pension charges.

Local charges include the following:

- local payments; and
- local fees.

2. 9. Are there any deemed deductions against corporate tax for equity?

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There is no corporate tax for equity in Armenia.

3. Investment in capital assets

3. 1. How is investment in capital assets treated – does tax treatment follow the accounts (eg, depreciation) or are there specific rules about the write-off for tax purposes of investment in capital assets?

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Where not otherwise prescribed by law, the general rule is that in determining the tax base, the following is considered deductible income:

- income received from the alienation of participations (eg, shares) in the authorised or share capital of an organisation, or other securities indicating investments; and
- income received from the exchange of such participations for other securities or other similar transactions.

3. 2. Are there research and development credits or other tax incentives for investment?

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There are no special tax incentives for research and development credits.

3. 3. Are inventories subject to special tax or valuation rules?

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Inventories of assets and liabilities are regulated by the law on the preparation and submission of financial statements. Inventories are deemed mandatory in order to prepare annual financial statements and must be conducted as prescribed by the supervision committee.

3. 4. Are derivatives subject to any specific tax rules?

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The following transactions relating to derivatives are exempt from value added tax:

- the alienation and exchange of foreign currency (ie, paper money and coins, except for coins and banknotes of numismatic value and used for that purpose) in Armenian dram by banks, credit organisations and other taxpayers;
- the alienation, transfer, exchange or similar of derivative financial instruments concluded by banks, credit organisations and other taxpayers;
- the incurrence of all fees associated with such transactions, except for fees associated with the actual supply of the property whose alienation is subject to value added tax pursuant to the Tax Code;
- the provision of investment services established by Article 25 of the Law of the on the Securities Market, with the exception of services for providing advice to clients relating to investments in securities and derivative financial instruments; and
- the provision of a regulated market for the organisation of trading in securities and derivative financial instruments (in terms of the fees charged for such transactions), as well as the determination and offset (clearing) of mutual obligations (claims) arising as a result of concluded transactions.

4. Cross-border treatment

4. 1. On what basis are non-resident corporate entities subject to tax in your jurisdiction?

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For profit tax purposes, non-resident entities pay tax on income accrued from sources in Armenia. The principles under which sources are considered to be from Armenia are set out in the Tax Code.

4. 2. What withholding or excise taxes apply to payments by corporate taxpayers to non-residents?

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Corporate taxpayers act as tax agents for non-residents for their withholding tax payments.

First, it will be considered whether a double tax treaty applies which will reduce the tax paid by the non-resident through some type of reduction principle. The resident taxpayer will then pay the applicable tax on behalf of the non-resident, which then will be reimbursed.

4. 3. Do double or multilateral tax treaties override domestic tax treatments?

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According to Article 5(3) of the Armenian Constitution, in case of conflict between the norms of international treaties which have been ratified by Armenia and those of Armenian laws, the norms of international treaties will apply.

According to Article 2(1) of the Tax Code, tax relations are governed by:

- the Armenian Constitution;
- the international treaties ratified by Armenia;
- the Tax Code;
- the laws on fees;
- secondary legal acts adopted on the basis of the above laws to ensure their implementation; and
- legal acts specified by points 1-6 of Part 3 of Article 2 of the Tax Code.

4. 4. In the absence of treaties, is there unilateral relief or credits for foreign taxes?

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Article 20 of the Tax Code regulates the principle of exclusion of double taxation as follows:

- Profit taxable objects and income tax received or to be received outside the Republic of Armenia by resident organisations of the Republic of Armenia and resident natural persons of the Republic of Armenia shall be included in the taxable object under the relevant tax type of these organisations and natural persons and shall be subject to taxation in the Republic of Armenia as prescribed by the Code, unless otherwise prescribed by the Code.
- For the purpose of taxation of resident organisations of the Republic of Armenia and resident natural persons of the Republic of Armenia, the tax amounts calculated for taxable objects determined as prescribed by part 1 of this Article shall be reduced in the amount of the sums of the relevant taxes which have been collected in foreign states in accordance with the legislation of those states.
- Amounts of taxes shall be reduced as prescribed by part 2 of this Article in amounts not exceeding the amounts of the relevant taxes calculated for taxable objects formed in foreign states in the manner and at the rates prescribed by the Code.
- Where the amount of the profit tax or the income tax subject to reduction in accordance with part 3 of this Article exceeds the profit tax or the income tax liability respectively for the given reporting year, the amounts of taxes in excess shall — with regard to the relevant tax type — be subject to reduction from the liabilities of the following reporting years of the organisation or the natural person

4. 5. Do inbound corporate entities obtain a step-up in asset basis for tax purposes?

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The step-up procedure is not regulated.

4. 6. Are there exit taxes (for disposed-of assets or companies changing residence)?

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No.

5. Anti-avoidance

5. 1. Are there anti-avoidance rules applicable to corporate taxpayers – if so, are these case law (jurisprudence) or statutory, or both?

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There are no anti-avoidance rules in Armenian tax law.

5. 2. What are the main ‘general purpose’ anti-avoidance rules or regimes, based on either statute or cases?

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N/A.

5. 3. What are the major anti-avoidance tax rules (eg, controlled foreign companies, transfer pricing (including thin capitalisation), anti-hybrid rules, limitations on losses or interest deductions)?

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N/A.

5. 4. Is a ruling process available for specific corporate tax issues or desired domestic or cross-border tax treatments?

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There are two alternative tax systems for entities conducting business under the general tax system: profit tax plus value added tax (VAT).

In addition, the taxpayer may opt for the turnover tax system or the micro-entrepreneurship tax system if the special requirements for these are met.

5. 5. Is there a transfer pricing regime?

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Under the transfer pricing regime prescribed by the Tax Code, when exercising tax controls, the tax authority will scrutinise the integrity of the calculation and payment of the following taxes and fees, as well as compliance with the arm's-length principle:

- profit tax;
- VAT; and
- royalties, as prescribed by Article 197, Part 2 of the Tax Code.

Where, for the purpose of calculation and payment of taxes and/or fees prescribed by the Tax Code, the code sets out other regulations for the determination of the tax base for the supply of goods, the alienation of intangible assets, the performance of works and/or the provision of services, these regulations will apply instead of transfer pricing regulations prescribed by Chapter 73 on transfer pricing of the Tax Code when determining the tax base for controlled transactions.

5. 6. Are there statutory limitation periods?

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Where violations of the Tax Code or the laws on fees are discovered as a result of tax inspections conducted as prescribed by Section 17 of the code, or studies prescribed by Article 343, Part 5, points 2–6 of the Tax Code, no tax liability will arise if the violation is discovered after the end of the third tax year immediately following that in which it was committed. Where the violations relate to the provisions of the Tax Code on tax on immovable property and property tax on vehicles, no tax liability may arise if the violation is discovered after the end of the tenth tax year immediately following that in which it was committed.

For such purposes, the tax year in the course of which the violation was committed is the full tax year, including the last day of the timeframe for submission of the relevant tax calculation report that included the relevant violation to the tax authority, as prescribed by the Tax Code and the laws on fees.

6. Compliance

6. 1. What are the deadlines for filing company tax returns and paying the relevant tax?

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Resident profit taxpayers and non-resident profit taxpayers that carry out activities in Armenia through a permanent establishment must make advance payments of profit tax (except in exceptional cases) for each quarter of the current tax year, by the twentieth day of the last month of the relevant quarter. The sum due is

- 20% of the total profit tax paid in the preceding tax year or,
- the amount calculated by two percent of income from the supply of goods, the performance of works

and the provision of services in the previous quarter if this amount is less than the amount of the previous point.

Resident profit taxpayers and registered contractual investment funds (except for pension funds and guarantee funds) which have registered their rules in Armenia, as well as non-resident profit taxpayers that carry out activities in Armenia through a permanent establishment, must pay the profit tax due to the State Budget by 20 April of the tax year following the relevant tax year, as prescribed by the Tax Code.

6. 2. What penalties exist for non-compliance, at corporate and executive level?

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A separate section of the Tax Code regulates tax violations. For instance, according to Article 401 of the Tax Code, the late payment of tax constitutes a tax violation and the taxpayer or tax agent will be subject to a fine of 0.075% for each day of delay. The fine is calculated based on the following amounts:

- the amount of tax not paid in due time (including by a tax agent, in cases prescribed by the legislation on tax relations);
- advance tax payments; and
- the amount of tax detected as underreported as a result of a tax inspection, for the entire period after the deadline for its payment thereof, up to a maximum of 730 days.

6. 3. Is there a regime for reporting information at an international or other supranational level (eg, country-by-country reporting)?

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No. Information exchange with the tax (or relevant) authorities of another country may be exercised pursuant to a bilateral or multilateral treaty.

7. Consolidation

7. 1. Is tax consolidation permitted, on either a tax liability or payment basis, or both?

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Tax consolidation is not permitted; each entity must pay its taxes and is held liable for its own obligations and violations.

8. Indirect taxes

8. 1. What indirect taxes (eg, goods or service tax, consumption tax, broadcasting tax, value added tax, excise tax) could a corporate taxpayer be exposed to?

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Value added tax (VAT): VAT is an indirect tax. The following transactions and operations are considered as subject to VAT:

- the supply of goods, where the place of supply is considered to be Armenia, pursuant to Article 37 of the Tax Code;
- the performance of works and/or provision of services – for this purpose, the ‘provision of services’ encompasses:
 - the provision of goods for lease or use (except for cases involving the financial lease (leasing) of goods, where the lease contract provides for the assignment of the right of ownership of the goods to the lessee);
 - the provision of a loan; and
 - the alienation of intangible assets;
- the import of goods to Armenia under the ‘release for domestic consumption’ customs procedure; and
- the import of goods with the status of Eurasian Economic Union (EUEA) goods into Armenia from EUEA member states.

The supply of goods will not be considered subject to VAT where the place of supply, pursuant to Article 37 of the Tax Code, is not considered to be Armenia.

Excise tax: Excise tax is an indirect tax. The following transactions and/or operations that involve excisable goods will be deemed to be subject to excise tax:

- the supply of excisable goods, produced or packaged by the producer, where the place of delivery of goods is deemed to be Armenia pursuant to Article 37 of the Tax Code. In cases prescribed by Article 83(3) of the code, the transfer of excisable goods to the customer will also be deemed to constitute the supply of excisable goods;
- the import of excisable goods to Armenia through the ‘release for domestic consumption’ customs procedure;
- the import of excisable goods with the status of EAEU goods into Armenia from EAEU member states; and
- the supply of compressed natural gas at a natural gas vehicle (NGV) refuelling compressor station. For this purpose, the consumption of compressed natural gas for domestic economic needs by a taxpayer operating a NGV refuelling compressor station will also be deemed to constitute the supply of compressed natural gas.

8. 2. Are transfer or other taxes due in relation to the transfer of interests in corporate entities?

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The timing of tax obligations is not linked to the transfer of interests in corporate entities.

9. Trends and predictions

9. 1. How would you describe the current tax landscape and prevailing trends in your jurisdiction? Are any new developments anticipated in the next 12 months, including any

proposed legislative reforms?

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Currently, no major revisions to the tax regime are under discussion. The Tax Code which is currently in force was adopted relatively recently and includes new regulations in this space; hence, no further amendments are considered necessary for the time being.

10. Tips and traps

10. 1. What are your top tips for navigating the tax regime and what potential sticking points would you highlight?

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The Tax Code allows entities to choose between the general tax system and two special tax systems, where the requirements of those special systems are met. However, these special systems have certain peculiarities which must be observed. The advice of tax experts should be sought in this regard.

There are also several tax incentives focused on specific industry sectors or specific types of entities which aim to promote business in the relevant fields. It is highly recommended to check whether your business qualifies for such incentives, in order to avail of these advantages where possible.



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