

Taxation

1. Direct Taxes**Introduction**

The Armenian legislation in the field of direct taxes partially complies with the EU legislation.

The basic principles of the RoA Law on Profit Tax comply with the provisions of EU Directives; however the EU's tax-related legislation mainly regulates the peculiarities of the common system of taxation of parent companies and subsidiaries (profit tax), meanwhile it is not regulated by the RoA Law on Profit Tax. There are incompliances also in respect of defining the scope of tax agent's rights and obligations. In particular, the EU Directives provide for a wider scope of responsibilities and rights for the tax agent than those provided by the RoA laws on Income Tax and Profit Tax.

Within the framework of the National Programme, the subchapter "Direct Taxes" shall be partially approximated with the requirements of the EU legislation by 2009.

Y2009

For the approximation of the Armenian legislation on direct taxes with the relevant EU legislation, amendments shall be made to the RoA laws on Income Tax and Profit Tax on the basis of EC Directives No. 2003/48/EC of 3 June 2003 and No. 90/435/EEC of 23 July 1990.

1.1. Legislative Approximation

0	1	2	3	4	5	6
N/N	Measure	EU Legal Source	Responsible Institutions	Submission Date	Necessary Resources (man/days)	EU Technical Assistance
2009						
1.	Elaboration of a draft law on making amendments to the RoA Law on Income Tax	Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments	Ministry of Finance and Economy of Armenia (with participation of the State Tax Service under the Government of Armenia)	2 nd quarter	27	Provisional expertise
2.	Elaboration of a draft law on making amendments to the RoA Law on Profit Tax	Council Directive 90/435/EEC of 23 July 1990 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States	Ministry of Finance and Economy of Armenia (with participation of the State Tax Service under the Government of Armenia)	2 nd quarter	15	Provisional expertise
TOTAL					42	

1.2. Institutional Capacities¹

0	1	2	3	4
N/N	Institution	Reorganization	Training Needs	Technical Assistance Needs
1.	RoA Ministry of Finance and Economy State Tax Service under the Government of Armenia	-	Training course on the taxation of dividend income in the EU (2 days / 2009)	Consultancy, provisional expertise
2.	RoA Ministry of Finance and Economy State Tax Service under the Government of Armenia	-	Training course on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (2 days/2009)	Consultancy, provisional expertise

¹ For coordination of legislative approximation activities, relevant EU Integration subdivisions will be established within the responsible ministries and state agencies mentioned in the present subchapter

2. Indirect Taxes

Introduction

The Armenian legislation in the field of indirect taxes partially complies with the EU legislation.

The majority of EU Directives are aimed at harmonizing the national system of indirect taxation, i.e. harmonization of the legislation on Value Added Tax (VAT) and Excise Duties. The above-mentioned issues in Armenia are regulated by the RoA laws on Value Added Tax², Excise Duties³, Property Tax⁴, Fixed Payment for Tobacco Products⁵, other laws and secondary legislation.

Based on the screening results it should be noted that there is almost full compliance in the field of legal regulation of VAT, however the details provided by EU legislative acts⁶ on VAT are not reflected in the relevant law of Armenia. In particular, the EU legislation provides for two categories of VAT payers, i.e., taxable persons established within the Community and taxable persons not established within the Community. This differentiation is missing in the RoA Law on VAT.

The provisions of the RoA Law on Excise Duty mainly comply with the rules stipulated by EU Directives. The list of goods subject to excise duty and the marking procedure coincide. However, the RoA Law on Excise Duty does not stipulate certain concepts which are set out in the EU Directives, e.g. the concepts of excise officer, excise warehouse, warehouse officer⁷. The Armenian law on Excise Duty establishes preferences for small consignment of goods. The Law does not comply in terms of preferences either, i.e. the total amount of imported goods exempt from VAT and excise duty.

Within the framework of the Programme, the subchapter "Indirect Taxes" shall be almost completely approximated with the requirements of the EU legislation by 2009.

Y2007

For settlement of issues related to fiscal marking of gas oils and kerosene, the Government of Armenia shall elaborate a draft decree based on the provisions of the EU Directive No. 95/60/EC of 27 November 1995.

The issues concerning certain means of temporarily imported transport as well as permanent import of personal property of individuals shall be regulated even more effectively following the amendment of the Armenian Customs Code and the RoA Law on VAT. The amendments shall be based on the principles of the Directive No. 83/182/EEC of 28 March 1983.

For regulation of issues related to tax exemption applicable to the imports of consignment of goods of non-commercial character, amendments shall be made to the Customs Code of Armenia and the RoA laws on VAT and Excise Duty. Those legal acts shall be approximated with the provisions of the Directive No. 78/1035/EEC of 19 December 1978.

² HO-118, 14.05.1997

³ HO -79, 07.07.2000

⁴ HO -491, 26.12.2002

⁵ HO -40, 24.03.2000

⁶ Council Directive No. 83/181 of 28 March 1983 determining the scope of Article 14 (1) (d) of Directive 77/388/EEC as regards exemption from value added tax on the final importation of certain goods

⁷ Council Directive No. 92/12/EEC of 25 February 1992 on the general arrangements for products subject to excise duty and on the holding, movement and monitoring of such products

To ensure effective regulation of the procedure for taxation of heavy goods vehicle, the RoA Law on Transportation Charges shall be amended on the basis of EU Directive No. 1999/62/EC of 17 June 1999.

With the purpose of approximating the Armenian legislation relating to taxes on cigarettes and excise duties on alcohol and alcoholic beverages with the EU provisions, the RoA laws on Excise Duty and Fixed Payment for Tobacco Products shall be amended on the basis of EU Directives No. 92/79/EEC, 92/80/EEC, 92/83/EEC, 92/84/EEC of 19 October 1992 and No. 95/59/EC of 27 November 1995.

Y2008

Within the mentioned period it is envisaged to harmonise the Armenian legislation on VAT with EU standards. To this end, relevant amendments shall be made to the Customs Code of Armenia and the RoA Law on VAT. The approximation of the legislation shall be based on the Sixth Council Directive of 17 May 1977, Council Directives No 67/227/EEC of 11 April 1967, No. 86/560/EEC of 17 November 1986, No. 1999/85/EC of 22 October 1999, No. 94/5/EC of 14 February 1994, No. 2002/38/EC of 7 May 2002, No. 83/181/EEC of 18 March 1983, No. 98/80/EC of 12 October 1998 and No. 79/1072/EC of 6 December 1979.

Within the context of effective enforcement of the legislation on excise duty, amendments shall be made to the Customs Code of Armenia, the RoA laws on Taxes and Excise Duty on the basis of the principles of the Directive No. 92/12/EEC of 25 February 1992 and 69/169/EEC of 28 May 1966.

Y2009

For efficient settlement of issues as regards taxes on the raising of statutory capital of companies as well as of energy products and electricity, amendments shall be made to the RoA Law on VAT based on the principles of Council Directives No. 69/335/EEC of 17 July 1969 and No. 2003/96/EC of 27 October 2003.

2.1. Legislative Approximation and Implementation

0	1	2	3	4	5	6
N/N	Measure ⁸⁹	EU Legal Source	Responsible Institutions	Submission Date ¹⁰	Necessary Resources (man/days)	EU Technical Assistance
2007						
1.	Elaboration of a draft Government Decree on fiscal marking of gas oils and kerosene	Council Directive No. 95/60/EC of 27 November 1995 on fiscal marking of gas oils and kerosene	Ministry of Finance and Economy of Armenia (with participation of the State Tax Service under the Government of Armenia, State Customs Committee under the Government of Armenia)	2 nd quarter	15	Provisional expertise

⁸ The Government of Armenia has envisaged transitional provisions in each legal act relating to the dates of entry into force of the legal act.

⁹ In the reference attached to the draft legal act, the Ministry provides its comments on the expedience and possible effects of the application thereof.

¹⁰ The date mentioned in the table refers to the submission date of the relevant legal act.

2.	<ul style="list-style-type: none"> Elaboration of a draft law on making amendments to the Customs Code of Armenia Elaboration of a draft law on making amendments to the RoA Law on Value Added Tax 	<p>Council Directive No. 83/182/EEC of 28 March 1983 on tax exemptions within the Community for certain means of transport temporarily imported into one Member State from another</p> <p>Council Directive 83/182/EEC of 28 March 1983 on tax exemptions applicable to permanent imports from a Member State of the personal property of individuals</p>	<p>Ministry of Finance and Economy of Armenia (with participation of the State Tax Service under the Government of Armenia, State Customs Committee under the Government of Armenia)</p>	2 nd quarter	30	Provisional expertise
3.	<ul style="list-style-type: none"> Elaboration of a draft law on making amendments to the Customs Code of Armenia Elaboration of a draft law on making amendments to the RoA Law on Value Added Tax Elaboration of a draft law on making amendments to the RoA Law on Excise Duties 	<p>Council Directive No. 78/1035/EEC of 19 December 1978 on the exemption from taxes of imports of small consignments of goods of a non-commercial character from third countries</p>	<p>Ministry of Finance and Economy of Armenia (with participation of the State Tax Service under the Government of Armenia, State Customs Committee under the Government of Armenia)</p>	2 nd quarter	15	Provisional expertise
4.	<ul style="list-style-type: none"> Elaboration of draft law on making amendments to the RoA Law on Transportation Charges 	<p>Directive No. 1999/62/EC of 17 June 1999 of the European Parliament and of the</p>	<p>Ministry of Finance and Economy of Armenia (with participation</p>	2 nd quarter	18	Provisional expertise

		Council on the charging of heavy goods vehicles for the use of certain infrastructures	of the Ministry of Transport and Communication of Armenia)			
5.	<ul style="list-style-type: none"> Elaboration of a draft law on making amendments to the RoA Law on fixed payment for tobacco products Elaboration of a draft law on making amendments to the RoA Law on Excise Duty 	<p>Council Directive No. 92/79/EEC of 19 October 1992 on the approximation of taxes on cigarettes</p> <p>Council Directive No. 92/83/EEC of 19 October 1992 on the harmonization of the structures of excise duties on alcohol and alcoholic beverages</p> <p>Council Directive No. 92/80/EEC of 19 October 1992 on the approximation of taxes on manufactured tobacco other than cigarettes</p> <p>Council Directive No. 92/84/EEC of 19 October 1992 on the approximation of the rates of excise duty on alcohol and alcoholic beverages</p>	Ministry of Finance and Economy of Armenia (State Tax Service under the Government of Armenia)	2 nd quarter	66	Provisional expertise

		Council Directive No. 95/59/EC of 27 November 1995 on taxes other than turnover taxes which affect the consumption of manufactured tobacco				
TOTAL					144	
2008						
6.	<ul style="list-style-type: none"> Elaboration of a draft law on making amendments to the Customs Code of Armenia Elaboration of a draft law on making amendments to the RoA Law on Value Added Tax 	<p>Sixth Council Directive of 17 May 1977 on the harmonization of the laws of the Member States relating to turnover taxes - Common system of value added tax: uniform basis of assessment</p> <p>Council Directive 67/227/EEC of 11 April 1967 on the harmonisation of the laws of the Member States relating to turnover taxes</p> <p>Council Directive 86/560/EEC of 17 November 1986 on the harmonization of the</p>	Ministry of Finance and Economy of Armenia (with participation of the State Tax Service under the Government of Armenia, State Customs Committee under the Government of Armenia)	2 nd quarter	280	Provisional expertise

		<p>laws of the Member States relating to turnover taxes - Arrangements for the refund of value added tax to taxable persons not established in Community territory</p> <p>Council Directive 1999/85/EC of 22 October 1999 amending Directive 77/388/EEC as regards the possibility of applying on an experiment basis a reduced VAT rate on labour-intensive services</p> <p>Council Directive 94/5/EC of 14 February 1994 supplementing the common system of value added tax and amending Directive 77/388/EEC - Special arrangements applicable to second-hand goods, works of art, collectors' items and antiques</p> <p>Council Directive</p>				
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		<p>2002/38/EC of 7 May 2002 amending and amending temporarily Directive 77/388/EEC as regards the value added tax arrangements applicable to radio and television broadcasting services and certain electronically supplied services</p> <p>Council Directive 83/181/EEC of 28 March 1983 as regards exemption from value added tax on final importation of certain goods</p> <p>Council Directive 98/80/EC of 12 October 1998 supplementing the common system of value added tax and amending Directive 77/388/EEC - Special scheme for investment gold</p> <p>Eighth Council Directive of 6 December 1979 on the</p>				
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		harmonization of the laws of the Member States relating to turnover taxes - Arrangements for the refund of value added tax to taxable persons not established in the territory of the country (79/1072/EC)				
7.	<ul style="list-style-type: none"> Elaboration of a draft law on making amendments to the Customs Code of Armenia Elaboration of a draft law on making amendments to the RoA Law on Taxes Elaboration of a draft law on making amendments to the RoA Law on Excise Duty 	<p>Council Directive No 92/12/EEC of 25 February 1992 on the general arrangements for products subject to excise duty and on the holding, movement and monitoring of such products</p> <p>Council Directive 69/169/EEC of 28 May 1969 on exemption from turnover tax and excise duty on imports in international travel</p>	Ministry of Finance and Economy of Armenia (with participation of the State Tax Service under the Government of Armenia, State Customs Committee under the Government of Armenia)	2 nd quarter	75	Provisional expertise
TOTAL					355	
2009						
8.	<ul style="list-style-type: none"> Elaboration of a draft law on making amendments to the RoA Law on Value Added Tax 	Council Directive 69/335/EEC of 17 July 1969 concerning indirect taxes on the raising of capital	Ministry of Finance and Economy of Armenia (with participation of the State Tax	1 st quarter	60	Provisional expertise

		Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity	Service under the Government of Armenia)			
TOTAL					60	
TOTAL					559	

2.2 Institutional Capacities¹¹

0	1	2	3	4
N/N	Institution	Reorganization	Training Needs	Technical Assistance Needs
1.	RoA Ministry of Finance and Economy of Armenia State Tax Service under the Government of Armenia State Customs Committee under the Government of Armenia	-	Training course on the application of fiscal marking of fuel in the EU (1 day / 2007) Training courses on tax exemption applicable to permanent imports of personal property of individuals in the EU (1 days/ 2007) Training courses on tax exemption applicable to imports of a non - commercial character (1 day / 2007) Training courses on tax exemptions for certain transport means temporarily imported in the EU (1 day / 2007) Training courses on the charging of heavy goods vehicles within the Community (1 day/2007)	Training
2.	RoA Ministry of Finance and Economy State Tax Service under the Government of Armenia	-	Training courses on taxation of tobacco products in the EU (2 days/ 2007) Training courses on taxation of alcohol in the EU (2 days/ 2007) Training courses on the EU legislation related to VAT (3 days/ 2008)	Training

¹¹ For coordination of legislative approximation activities, relevant EU Integration subdivisions will be established within the responsible ministries and state agencies mentioned in the present subchapter

			<p>Training course on Legislation covering Excise Duty in the EU (2 days/ 2008)</p> <p>Training courses on taxation of the raising of capital (1 day/ 2009)</p> <p>Courses on the taxation of energy products and electricity (1 day/ 2009)</p>	
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