

L A W
OF THE REPUBLIC OF ARMENIA

Adopted on 17 May 2000

ON ORGANISING AND CONDUCTING CONTROL IN THE REPUBLIC OF ARMENIA
(Title amended by HO-172 of 3 April 2001)

Article 1. Scope of the Law and Subject of Its Regulation

1. This Law regulates the relationships with regard to organising and conducting control and examination of the activities performed at commercial and non-commercial organisations registered in the Republic of Armenia or in foreign states and operating in the Republic of Armenia, establishments (including those of a foreign legal entity), branches and representations of a legal entity, as well as of the activities of sole entrepreneurs (hereinafter referred to as “economic operators”), and lays down the unified procedure thereof.

2. Control is a procedure conducted based on the law, which verifies the reliability of the declarations provided for by the legislation of the Republic of Armenia, the accounts, calculations laid down with regard to taxes and other mandatory payments, baseline data, other documents (hereinafter referred to as “accounts”) submitted by an economic operator, as well as the compliance of the actual activity of an economic operator with the requirements of the laws and other legal acts.

3. Examination is an internal procedure conducted by the authority carrying out control at the control authority, with the purpose of determining the financial state and state of actual activities of an economic operator based on the balance sheet, financial and other accounts provided for by the legislation of the Republic of Armenia, except for cases laid down by the ninth paragraph of this Point.

Tax authorities may carry out off-site (desk) examinations of the statements as well as of information defined by the legislation with regard to accounts, calculations, declarations, and baseline data (hereinafter referred to as “accounts” in this Article) submitted by an economic operator to the tax authority.

Off-site examination is aimed at verifying the accuracy of tax calculations, the figures, data and arithmetical calculations of the same accounts, the consistency of comparable figures or 2 information available in different accounts, as well as the consistency of the figures and information disclosed in accounts with the information obtained from competent public authorities according to the procedure prescribed by law.

The examination provided for by this Article shall be carried out at the office of the tax authority, without making visits to the economic operator and requesting additional documentation.

In case of violations, inaccuracies, inconsistencies (hereinafter referred to as “violations” in this Article) in the accounts revealed as a result of off-site examination, a protocol shall be drawn up with that regard, which shall be provided by the tax authority conducting the examination to the economic operator in person or through mail within three working days. In case of agreeing to the recorded violations, the head of the economic operator (his/her alternate) shall, within five working days, submit the corrected (amended) accounts provided for by the legislation to the tax authority. In case the head of the economic operator (his/her alternate) does not agree to the recorded violations, he/she shall submit written objections to the tax authority.

Additional tax liabilities may arise in the course of the examination provided for by this Article only if the economic operator accepts the violations revealed by the tax authority and submits amended accounts and as a result of examination carried out with the purpose of identifying the amount of value added tax subject to settlement and/or return.

The tax authority shall attach the aforementioned written objections to the tax file of the economic operator and may use them only in the course of control provided for by this Law. As to the control with respect to interrelations with the State Budget, conducted as a result of violations referred to in the preceding paragraphs, double control with respect to interrelations with the State Budget based on these violations may be conducted only in case of grounds laid down in Article 5 of this Law.

The procedure for verifying the execution of instructions given following a control carried out by the authorities of the State Hygiene and Anti-Epidemic Service of the Ministry of Health, State Commission for the Protection of Economic Competition of the Republic of Armenia, as well as inspection authorities of the Ministry of Agriculture is also an examination.

Tax authorities may conduct examinations with a view to determining the amounts with regard to taxes accrued to the State Budget of the Republic of Armenia which are subject to settlement against other tax liabilities of the economic operator and/or return (hereinafter referred to as “tax settlements and/or return” within the meaning of this Law), the foundedness of the return of amounts of mandatory payments made to the State Budget in exceed of the amount due as calculated in accordance with the law, the accuracy of the information presented pursuant to law, conducting control purchases, responding to the requests of the competent authority of a foreign state and returning the amount of tax levied on the income gained from Armenian sources by non-residents of the Republic of Armenia, and measurement of volumes of manufacturing goods, extracting and sales of minerals, circulation of goods and delivery of services, and actual sales (including average) prices (tariffs), in accordance with the provisions of the international agreements of the Republic of Armenia.

The procedures for conducting examinations provided for by the ninth paragraph of this Point shall be defined by the Annexes constituting an integral part of this Law.

The Annexes of this Law shall define:

- 1) The procedure for conducting examinations of foundedness of tax settlements and/or returns, return of amounts of mandatory payments made to the State Budget in exceed of the amount due as

calculated in accordance with the law, and determining the accuracy of information submitted in accordance with the law, pursuant to Annex 1.

The peculiarities of conducting examinations for the purpose of tax settlements with regard to value added tax and excise tax, as well as examinations of movement of excise stamps and the compliance with the rules of stamping shall be defined by the laws on these types of taxes.

2) The procedure for conducting control purchases, pursuant to Annex 2.

3) The procedure for conducting examinations by tax authority with a view to responding to the requests of a competent authority of a foreign state, as well as returning the amount of tax levied on the income gained from Armenian sources by non-residents of the Republic of Armenia in accordance with the provisions of the international agreements of the Republic of Armenia.

4) The procedure for carrying out measurement, within economic operators, of volumes of manufacturing goods, extracting and sales of minerals, circulation of goods and delivery of services, and actual sales (including average) prices (tariffs).

The findings of the examinations provided for by the ninth paragraph of this Point shall be used by the tax authority in cases laid down by the tax legislation of the Republic of Armenia with a view to calculating (assessing) tax liabilities of an economic operator, and, when applying Articles 22 and 28 of the Law on Taxes of the Republic of Armenia, the findings of a control purchase shall apply only to the products and goods recorded through the control purchase.

In cases of examinations defined by the ninth paragraph of this Point, the officials of economic operators and persons carrying out control shall have the rights and responsibilities stipulated by this Law.

Additional taxes or mandatory social contributions shall not be imposed as a result of examinations.

The examination stipulated by this Point may be performed also on the basis of the taxpayer's (policyholder's) written application.

4. There are subject controls, which are aimed at reviewing the actual condition of specific elements in the activities of the economic operator, and complex controls, which are aimed at reviewing the overall financial-economic condition of an economic operator. Subject controls include controls aimed at estimating and checking the accuracy of the payment of taxes, customs fees, mandatory social insurance fees, natural resources use fees, environmental fees, and other mandatory fees required by law; controls aimed at checking the accuracy of interrelations with the State Budget; control of activities performed on the basis of a license to perform a certain type of activities; controls of compliance with established prudential requirements; controls of the compilation of share registers and transactions therewith; controls of currency-related operations; controls of compliance with sanitation and hygiene rules; controls of compliance with fire safety regulations; controls of the compliance with the requirements set for the control over the export of dual-purpose goods and transfer of dual-purpose information and products of intellectual activity; controls of the accuracy of documents and other information submitted on the basis of a decision taken by the State Commission for the Protection of

Economic Competition of the Republic of Armenia with respect to violations of law; controls of the conformity of goods and technologies with presented baseline data and other similar controls; controls aimed at assessing the compliance with labour legislation and other legal acts containing rules on employment; controls of the enforcement of pension laws and the compilation of the individual record-keeping database; controls of the accuracy of financial and statistical data on the implementation of mandatory social insurance projects, organisation and performance of paid social activities; controls of compliance with the required minimum national social standards on child care and education; and controls of compliance with the legislation on social assistance.

A complex control is a control of financial and economic activities, which is performed by means of checking whether accounting documents, financial statements, the balance sheet, and original bookkeeping documents were correctly compiled and is aimed at revealing the final or interim findings relating to the financial and economic activities of the operator subject to control with respect to the purposeful and efficient use of own and borrowed financial means and stocks. The exclusive right to demand a complex control of financial and economic activities belongs to the shareholders, stockholders, founders, or members of the economic operator, within the scope of their powers defined by law.

5. This law shall not apply to controls performed by the public authority acting as a transaction party under a contract between the public authority and the economic operator on the basis of a civil law transaction.

6. This law shall not regulate supervision by the Central Bank of the activities of banks and other licensees of the Central Bank; supervision carried out by the Control Chamber of the Republic of Armenia; procedures related to customs control (except for post-release control) stipulated by the Customs Code of the Republic of Armenia; relations concerning supervision over land use and conservation; relations concerning control carried out by stockholders, shareholders, founders, or members over the executive body of an economic operator; as well as relations concerning control of the territorial and structural subdivisions of the economic operator by its executive body.

(paragraph 2 repealed by HO-250-N of 08/12/2005)

(Article 1 amended by HO-172 of 3 April 2001, HO-282 of 14 December 2001, HO-8-N of 24 September 2003, HO-103-N of 11 July 2004, HO-34-N of 8 December 2004, HO-186-N of 14 December 2004, supplemented and amended by HO-152-N of 8 July 2005, HO-250-N of 8 December 2005, supplemented by HO-28-N of 15 December 2005, HO-162-N of 7 July 2006, HO-108-N of 22 February 2007, amended by HO-10-N of 25 December 2006, supplemented, amended and edited by HO-214-N of 11 October 2007, amended by HO-237-N of 24 October 2007, supplemented by HO-297-N of 6 December 2007, HO-37-N of 8 April 2008, HO-121-N of 17 June 2008, HO-144-N of 21 August 2008, amended by HO-17-N of 4 February 2010, HO-45-N of 8 April 2010, supplemented by HO-81-N of 20 May 2010)

Article 2. Public Authorities Performing Controls

1. The following authorities have the power to perform controls in the territory of the Republic of Armenia within the scope of their competence:

- Ministry of Justice of the Republic of Armenia;
- Ministry of Transport and Communications of the Republic of Armenia;
- Ministry of Agriculture of the Republic of Armenia;
- Ministry of Nature Protection of the Republic of Armenia;
- Ministry of Energy and Natural Resources of the Republic of Armenia;
- Ministry of Territorial Administration of the Republic of Armenia;
- State Revenue Committee adjunct to the Government of the Republic of Armenia;
- State Nuclear Safety Regulatory Committee adjunct to the Government of the Republic of Armenia;
- Public authorities of Fire Control of the Republic of Armenia;
- State Service for Hygiene and Anti-Epidemic Control of the Republic of Armenia;
- The public administration authority with Government-delegated powers in the area of pension security;
- Ministry of Finance of the Republic of Armenia;
- State Inspectorate of Language of the Republic of Armenia;
- National Statistical Service of the Republic of Armenia;
- State Water Committee of the Ministry of Territorial Administration of the Republic of Armenia;
- National Security Service of the Republic of Armenia;
- Ministry of Economy of the Republic of Armenia;
- Ministry of Health of the Republic of Armenia;
- Ministry of Labour and Social Affairs of the Republic of Armenia;
- Ministry of Education and Science of the Republic of Armenia;
- General Department of Civil Aviation under the Government of the Republic of Armenia;
- State Commission for the Protection of Economic Competition of the Republic of Armenia;
- State bodies granting licenses;
- Ministry of Urban Development of the Republic of Armenia.

In case of changes in public authorities or in their powers, the powers of the said authorities carrying out controls shall be exercised by successor authorities or those having relevant powers.

2. Public authorities carrying out controls shall act only in compliance with the laws of the Republic of Armenia and within the powers conferred on them by those laws.

3. Intervention, during control, into on-going economic activities of economic operators shall be prohibited.

(Article 2 amended by HO-453-N of 6 November 2002, HO-480-N of 11 December 2002, HO-12-N of 7 October 2003, HO-8-N of 24 September 2003, HO-90-N of 9 June 2004, HO-34-N of 8 December 2004, supplemented by HO-235-N of 15 November 2005, amended by HO-250-N of 8 December 2005, supplemented by HO-82-N of 22 February 2007, HO-108-N of 22 February 2007, amended by HO-237-N of 24 October 2007, supplemented by HO-121-N of 17 June 2008, amended by HO-180-N of 22 October 2008)

Article 3. The Purpose of Control and the Procedure for Conducting Controls

1. The purpose of control is to verify the trustworthiness of accounts, submitted to state bodies or disclosed on the basis of the law and other legal acts, in the field of activity of the economic operator; implement state control over the fulfilment of the requirements of the laws and other legal acts of the Republic of Armenia; protect the economic operator's rights in rem; and, in case of controls assigned in accordance with the Criminal Procedure Code of the Republic of Armenia, also the clarification of the actual condition of specific elements in the activities of the economic operator.

2. Prior to commencing the control, the head (his/her alternate) of the relevant public authority shall issue an order or instruction on conducting a control, indicating the name of the authority carrying out control, the full name of the economic operator subject to control, the position, name and surname of the official (officials) carrying out control, issues of control, the period subject to control, the purpose, period of control, and the legal grounds for control. Officials not mentioned in the order or instruction may not be involved in the control. In case an official conducting the control is substituted by another official due to impossibility of carrying out his/her official duties, he/she shall be substituted according to an issued order, and the economic operator shall be notified about the substitution according to the procedure prescribed by this article.

In cases of control by tax authorities with respect to using excise stamps and cash registers, baseline data and correction coefficients as defined by the law on presumptive payment, foreign exchange offices and currency dealers-brokers, entrepreneurial activities carried out without state registration and/or a corresponding license (authorisation) and in cases of controls aimed at revealing non-registered employees, the power to issue orders or instructions may be transferred to the head of (territorial) tax inspectorate upon the decision of the head of tax authority.

In case the Ministry of Labour and Social Affairs of the Republic of Armenia conducts a forcause-control or aimed at revealing illegal employment, the powers to issue an order or instruction may be transferred to the head of the State Labour Inspectorate upon the decision of the Minister of Labour and Social Affairs of the Republic of Armenia.

In case tax authorities conduct controls aimed at revealing economic operators carrying out activities without state registration and/or without a corresponding license, the control order (instruction) shall indicate the name of the authority carrying out control, the position, name and surname of the

official (officials) carrying out control, the purpose of control, period subject to control and the legal grounds for control.

3. Two copies of the order or instruction shall be given to the head of the economic operator or his/her alternate, three working days prior to the commencement of control, except for supervision of compliance with the mandatory requirements provided for the organizers licensed (authorised) to organise lotteries, prize games and pawnshops; supervision implemented by the relevant subdivision of the Ministry of Finance and Economy of the Republic of Armenia with respect to marking and hallmarking of precious metal items, retail trade thereof, refinement of precious metals, bank gold, and standardized bar production; supervision implemented by the Ministry of Trade and Economic Development of the Republic of Armenia with respect to expired goods, except for trade of food products, as well as supervision of compliance of products, except for food products, services, except for services in public dining facilities, with the requirements of prudential documents, and metrological supervision of disposed goods; in case of controls by tax authorities with respect to the use of excise stamps and cash registers, baseline data and their correction coefficients as defined by the law on presumptive payment, posting an announcement and including information required therein by the taxpayers as prescribed by Article 15(i) of the Law of the Republic of Armenia “On taxes”, foreign exchange offices and currency dealers-brokers, registration of delivered, provided, transported or sold products, goods, entrepreneurial activities carried out without state registration and/or corresponding license (authorisation), registration of currency purchase or sale transactions by foreign exchange offices or currency dealers, application of laws governing currency relations and other legal acts adopted on the basis of those laws, production residues belonging to simplified tax-payers, accuracy of mandatory social security payments (including running a registry of employment contracts with paid employees), as well as controls by the Ministry of Labour and Social Affairs of the Republic of Armenia or tax authorities aimed at revealing cases of employment without concluding an employment contract or cases of non-inclusion of the terms provided for by Article 84, Section 1, points 1, 4, 5, 6 and 7 of the Labour Code of the Republic of Armenia in employment contracts; in cases of for-cause-controls implemented by the Ministry of Labour and Social Affairs of the Republic of Armenia or the State Commission for the Protection of Economic Competition of the Republic of Armenia and/or controls at economic operators carrying out pharmaceutical activities implemented by nature protection inspection bodies, the Ministry of Health of the Republic of Armenia; controls implemented by the authorities of the National Hygiene and Anti-Epidemic Service with respect to the population water supply and water use, use of chemicals and biological resources, good sanitary conditions at schools, pre-school institutions and populated areas, by the Ministry of Agriculture of the Republic of Armenia aimed at revealing violations of veterinary and sanitary safety requirements pertaining to the processing, preservation, transportation and trade of products and raw material of animal origin, feed and supplements, as well as of maintenance, transportation, trade and slaughter of animals, violations of the legislation of the Republic of Armenia regulating the veterinary field, organisation and implementation of measures aimed at the prevention and elimination of animal diseases, diseases common for people and animals; controls implemented by the authorities of National Inspectorate for

Agricultural Equipment with respect to the cases of using agricultural equipment without relevant technical certificate and state registration number, driving a tractor without holding a driving licence for a relevant category and subcategory by a tractor-driver, driving without technical examination; controls implemented by the authorities of the National Inspectorate for Plant Quarantine and National Inspectorate for Husbandry with respect to fight against quarantine pests, plant diseases and weeds, export from borderline railway stations, car stations, airports and other border points of materials imported from foreign countries without undergoing quarantine examination and relevant processing; controls with respect to the failure to take measures aimed at fight against non-quarantine weeds by land-users, expired, poor quality and out-of-production chemical and biological plant protection substances, as well as to the cases of exceeding the maximum permitted level of residues of pesticides and fertilizers - not included in a relevant nomenclature and sold under prohibited conditions - in the soil or food products of plant origin; as well as in cases of controls implemented by an appropriate state inspectorate operating within the structure of the authorised public authority in the sphere of agriculture with respect to cases of nonobservance of the rules and requirements pertaining to means of transportation, workshops, warehouse and other areas used in the stages of production, processing and trade of food products, necessary technological equipments and performance of relevant technological processes, the requirements on food raw materials, water, auxiliary materials, food additives used for food production, materials intended to come into contact with food products and processed food products as well as the storing conditions thereof, the requirements on disinfecting substances, rodent and pest control means and the storing conditions thereof, the requirements on marking, and revealing violations of the application of food safety laws and other legal acts adopted on the basis thereof. The latter must put a signature on one copy, confirming thereby that he/she has been notified about the control.

The signed copy shall be returned to the official of public authority carrying out the control.

4. The official (officials) conducting control does (do) not have the right to act beyond the scope of the purpose mentioned in the order or instruction on carrying out control.

5. In case of emergence of new circumstances and necessities, the purposes and scopes of the control may be amended by the relevant public authority upon a written substantiation of the official (officials) carrying out the control, and in case of controls assigned in accordance with the Criminal Procedure Code of the Republic of Armenia, by an inquest body or an investigator upon a grounded decision. The head of the economic operator or his/her alternate shall be notified in writing about the amendments, by being presented with a new order or instruction attached to the previous order or instruction.

(Article 3 amended by HO-172 of 3 April 2001, HO-282 of 14 December 2001, HO-453-N of 6 November 2002, HO-480-N of 11 December 2002, HO-68-N of 25 December 2003, HO-186-N of 14 December 2004, HO-53-N of 24 December 2004, HO-150-N of 8 July 2005, HO-152-N of 8 July 2005, HO-218-N of 11 November 2005, HO-250-N of 8 December 2005, supplemented by HO-84-N of 23 May 2006, HO-162-N of 7 July 2006, HO-195-N of 27 November 2006, amended by HO-108-N of 22 February 2007, HO-237-N of 24 October 2007, supplemented by HO-265-N of 13 November 2007,

amended by HO-297-N of 6 December 2007, supplemented by HO-144-N of 21 August 2008, supplemented and amended by HO-17-N of 4 February 2010)

Article 4. Period of Control

1. The period of a control of an economic operator may be defined as not more than 15 consecutive working days per year; the first day of control shall be considered the day when the control has actually commenced. The day of actual commencement of the control shall be considered the day when a relevant record has been made in the control registry kept at the entity subject to control.

The control registry of the economic operator shall include information on controls carried out during the year, the relevant public authority carrying out control, the composition of the officials carrying out control, and the issues, purpose and period of control.

2. The control period must not exceed the period mentioned in the order or instruction on carrying out control issued by the head (his/her alternate) of the relevant public authority. If necessary, the period defined in Point 1 of this Article may be extended upon the order or instruction of the head (his or her alternate) of relevant public authority based on a written substantiation of the official carrying out the control, whereas for economic operators which, in the reporting year, have declared sales turnover or gross revenue of 3.0 billion drams and more, the period may be extended up to 75 consecutive working days. The head of the entity subject to control or his/her alternate must be notified thereon. In case there is a need to clarify certain information during the control or if the documentation related to the control has been seized during an inquest, preliminary investigation or based on a court decision, or in case of a natural disaster or other unpredictable circumstances that render control implementation impossible, and until the bases for suspension are eliminated, but not more than for 90 working days, and in case of making inquiries to foreign states – not more than for 10 working days after receiving the answer to the inquiry, the course of the control shall be suspended upon the order of the official (officials) issuing the order to carry out control, based on a written statement of the official carrying out control. The total duration of the actual period for carrying out control may not exceed 30 consecutive working days, and as for economic operators which, in the reporting year, have declared sales turnover or gross revenue of 3,0 billion drams and more, the period must not exceed 90 consecutive working days (excluding the suspension period).

The act extending or suspending the control period shall enter into force on the day following the day of submitting it to the entity subject to control.

3. The same public authority may control the same economic operator not more than once a year, except for the cases specified in Point 3 of Article 3 of this Law as well as in cases when the economic operator is subjected to control prior to tax settlements and/or returns as defined by the tax legislation, and return of amounts of mandatory social security payments which exceed the liabilities calculated in accordance with the law and the controls assigned in accordance with the Criminal Procedure Code of the Republic of Armenia.

When there are legal grounds established by this law for carrying out a repeat control, the authority empowered to conduct controls shall be entitled to perform a double control during the period of one year. Following a complex and subject control of an economic operator implemented by the Ministry of State Revenues of the Republic of Armenia, any control with respect to the accuracy of interrelations with the State Budget for the same economic operator for the same period of time shall be considered as double control.

4. If the findings of the double control do not substantiate (justify) the grounds for carrying out a double control, the persons who have presented the grounds for double control shall be subject to liability according to the procedure stipulated by the legislation of the Republic of Armenia.

(Article 4 amended by HO-172 of 3 April 2001, HO-480-N of 11 December 2002, HO-186-N of 14 December 2004, HO-28-N of 15 December 2005, amended by HO-214-N of 11 October 2007, supplemented by HO-167-N of 30 September 2008, supplemented by HO-17-N of 4 February 2010)

Article 5. Legal Grounds for Conducting Repeat Controls

Repeat control is a control executed by the authority conducting control at the same economic operator for the second time (double control) within a year, except for cases of control defined by Article 3(3) and/or executed prior to tax settlements and/or returns of amounts of mandatory social security payments which exceed the liabilities calculated in accordance with the law as referred to in Article 4(3) of this Law, where repeat controls are controls carried out more than once. . Repeat controls of financial and economic activities may be carried out only upon the written instruction of the Prime Minister of the Republic of Armenia, and in case of control assigned in accordance with the Criminal Procedure Code of the Republic of Armenia, upon a grounded decision of an inquest body or an investigator.

Repeat controls may be conducted based on any of the following grounds:

- a) dissolution of economic operator;
- b) request of the head of economic operator;
- c) written instruction of the Prime Minister of the Republic of Armenia;
- d) substantiation by a final judgment of criminal actions committed, during the performance of control, by the person who has previously carried out the control;
- e) request of public authority empowered in the field of state property privatisation, if the control is necessary for implementation of preliminary works in view of privatisation of an economic operator with state participation or with more than 51 percent state participation;
- f) in cases provided for by Article 7(h) of this Law;
- g) *(Article 5(g) deleted by HO-480-N of 11 December 2002)*
- h) in case defined by Article 11(3) of this Law;
- i) in case of controls defined by Article 3(3) of this Law and controls executed prior to return or settlement as defined by Article 4 (3) upon the request of the taxpayer of the amounts paid in exceed of

defined tax liabilities against other tax liabilities of the taxpayer, and conducted upon a written instruction of the head of a competent public authority in accordance with Article 3(4) of this Law;

j) in case of assigning a repeat control in accordance with the Criminal Procedure Code of the Republic of Armenia.

(Article 5 amended by HO-172 of 3 April 2001, HO-453-N of 6 November 2002, HO-68-N of 25 December 2003, HO-186-N of 14 December 2004, HO-480-N of 11 December 2002, amended by HO-214-N of 11 October 2007, supplemented by HO-17-N of 4 February 2010)

Article 6. Summarising the Findings of Control

1. A record based on control findings shall be drawn up in two copies, and where the economic operator has state-owned share the record shall be drawn up in three copies. Where no violations and deficiencies are detected, a statement shall be drawn up indicating the date and place of drawing up the statement, the names of the relevant public authority carrying out control and of the economic operator, the composition of persons carrying out control, the purpose, period and findings of control, and in case of a record - explanations (special opinion) of the economic operator's representatives, the number of copies and the reference number.

Control record shall include the detected violations, the legal rules the requirements of which have not been complied with, the exact time of violation, reference to relevant documents, corresponding legal grounds for imposition of liability.

If violations detected during the control and the liability imposed on the economic operator based thereon is based on comparative examinations and analyses made by the authority carrying out control with respect to prices applied by other economic operators or among themselves, being in similar conditions, a statement on such examination and analysis shall also be attached to the control record.

2. Persons carrying out control shall submit the record to the head of the economic operator or his/her alternate within three days. The record shall be signed by officials carrying out the control and the head of the economic operator or his/her alternate. In case of disagreement, the opinions of the parties shall be filed in the record. If one of the parties refuses to sign the record, a corresponding note shall be made in the record. The period for signing the record or putting forward disagreements by an economic operator shall not exceed three working days, and for economic operators which have, in the reporting year, declared sales turnover or gross revenue of 3,0 billion drams and more, it shall not exceed 15 working days. One copy of the record shall be provided to the economic operator. . If the latter is a public undertaking or an undertaking with state-owned share, one copy of the statement shall be submitted to the higher public administration authority.

3. Cases on violations detected according to the findings of the control shall be examined pursuant to the procedure stipulated by the legislation of the Republic of Armenia.

(Article 6 amended by HO-480-N of 11 December 2002, HO-68-N of 25 December 2003 and supplemented by HO-28-N of 15 December 2005)

Article 7. Rights of Persons Carrying out Control

Persons carrying out control, when exercising their powers, are entitled to:

a) have free access to the subdivisions of the economic operator subject to control in the presence of the representatives of the economic operator;

b) require documents, data and other information, explanations, statements which directly relate to the purpose of control carried out within the scope of their competence;

c) involve in the control, where necessary, the specialists of the economic operator, upon the consent of the head of the economic operator or his/her alternate;

d) set up time limits for elimination of detected deficiencies and violations that do not result in criminal and administrative liability;

e) submit proposals to the management of the public authority that requested the conduct of control, with a view to taking relevant measures in respect of detected abuses and other violations within the control framework that results in criminal and administrative liability;

f) take documents, copies, photocopies, objects, operative embodiments and other necessary materials that directly relate to the purpose of control and do not impede the smooth functioning of the economic operator. When taking documents, the officials carrying out control shall seal the copies thereof and provide them to the representatives of the economic operator;

g) carry out measuring activities related to the purpose of control, control checks with respect to the accurate functioning of weighing, measuring and other similar tools and equipments;

h) carry out counter-controls at the other party to transaction with the sole purpose of ascertaining the legitimacy of the execution of the given transaction to justify money transactions, accuracy of accounts and calculations of the economic operator subject to control;

i) require the head of the economic operator or his/her alternate to carry out inventory of basic funds, inventory holdings, financial resources and calculations within the scope of issues specified in the control order; involve relevant employees and specialists of the economic operator in the inventory process;

j) require, if necessary, references, copies of documents on movement of transactions accounts of the economic operator subject to control from the authority registering rights in rem, tax, customs and other public authorities, undertakings in accordance with the legislation of the Republic of Armenia;

k) involve, in any stage of control, relevant specialists and translators specialised in the economic activity implemented by the economic operator with a view to clarifying specific issues.

(Article 7 supplemented by HO-480-N of 11 December 2002, HO-152-N of 8 July 2005, supplemented by HO-28-N of 15 December 2005, HO-17-N of 4 February 2010)

Article 8. Duties of Persons Carrying out Control

1. Person (persons) carrying out control shall be obliged to:

a) follow the requirements of the laws and other legal acts of the Republic of Armenia relating to control;

b) not disclose, without a written consent of the economic operator's official, information on transactions of the economic operator, any programme or project relating to the activities thereof, information on inventions, utility model and industrial design and any other information that has become known to him/her (them) during the control and that the economic operator intended to keep in secret and the person (persons) carrying out control is (are) aware or may be aware of the intention of the economic operator, as well as information considered as a commercial secret (hereinafter referred to as "information");

c) "Disclosure of information" within the meaning of this Law shall mean publication or dissemination of information through mass media or otherwise in writing or orally, or passing it to a third party or parties;

d) respect the rights and interests of the economic operator provided for by laws and other legal acts;

e) refrain from impeding the smooth functioning of the economic operator;

f) familiarise the officials of the economic operator with their rights and obligations;

g) follow, during the control, only the laws and other legal acts published in the Official Journal of the Republic of Armenia and the Official Journal of State Agency Prudential Legal Acts of the Republic of Armenia, if the publication thereof is required at the time of entry into force;

h) give written responses, during the control, to any written request of the head of the economic operator or his/her alternate in regard to the control and directly relating to the control period of the economic operator;

i) impose sanctions provided only for violations related to the issue (issues) of control, where violations are detected during the double control conducted in cases specified in Article 3(3) of this Law pursuant to a written instruction of the Minister of the State Revenue of the Republic of Armenia.

2. In case documents, items, operative embodiments and other necessary materials pertaining directly to the control purpose are temporarily taken from the economic operator, a protocol shall be drawn specifying the term for the return thereof. A copy of the record shall be submitted to the head of the economic operator or his/her alternate.

3. Persons carrying out control shall be liable for maintenance of the qualitative and quantitative integrity and timely return of temporarily taken documents, items, operative embodiment and other relevant materials.

4. Sealing of warehouses, buildings, cash-desks, energy sources, equipments, machines, etc. shall be prohibited during controls, except for inventory and measurement activities implemented by the tax

authority in accordance with the legislation, provided that they do not impede the smooth functioning of the economic operator.

(Article 8 supplemented by HO-172 of 3 April 2001, HO-480-N of 11 December 2002)

Article 9. Rights of the Officials of the Economic Operator

The officials of the economic operator shall be entitled to:

- a) prohibit the control (provision of documents to the persons carrying out the control), if the persons carrying out control fail to follow the requirements of Articles 3 and 4 of this Law, by submitting a written notice to the public authority carrying out control on the given day;
- b) familiarise with control records;
- c) provide explanations, clarifications, file motions, appeal the actions of the persons carrying out control in accordance with the law;
- d) demand compensation of damages inflicted as a consequence of unlawful acts of persons carrying out control;
- e) refuse to comply with requirements that are beyond the scope of the powers of the persons carrying out control, the purpose and programme of control;
- f) involve, at any stage of the control, specialists, experts, auditors, lawyers with a view to protecting the interests of the economic operator subject to control.

Article 10. Duties of the Officials of the Economic Operator

The officials of the economic operator shall be obliged to:

- a) refrain from hindering the control process, comply with the lawful requirements of persons carrying out control;
- b) submit, upon the request of the person carrying out control, the required documents, data, provide photocopies (costs of photocopying shall be covered by the authority carrying out control), copies thereof and other information. The documents shall be returned to the economic operator as soon as the request is withdrawn but no later than within three years;
- c) provide necessary conditions for the activity of persons carrying out control;
- d) eliminate, within the defined time period, deficiencies and violations specified in the record of control findings, notifying thereon, in writing, the authority carrying out control.

(Article 10 amended by HO-480-N of 11 December 2002)

Article 11. Liability of the Persons Carrying out Control and Appealing of Actions

1. Persons conducting control in breach of the requirements of this Law shall be held liable in accordance with the legislation of the Republic of Armenia.

2. The actions, as well as the record drawn up during the control, of persons conducting control may be appealed within the time period defined by law to the immediate superior public authority of the person (persons) conducting the control, or to the court. The head of the economic operator or his/her alternate may refuse to allow proceeding with the control until the response to the claim is received, except for the cases defined under Article 3(3) and the controls assigned in accordance with the Criminal Procedure Code of the Republic of Armenia.

3. Complaints shall be subject to administrative review by a higher administrative authority, and decisions thereon shall be made not later than within 30 calendar days upon receiving the complaint. If no response is given to a complaint within the specified time period, the arguments referred to in the complaint shall be deemed accepted. The period specified herein shall commence on the first working day following the day of filing the written complaint at the relevant authority.

4. If the head of the economic operator or his/her alternate disagrees to the adopted decision, he/she shall be entitled to appeal to the court.

5. The decision of an inquest body or an investigator on assigning a control in accordance with the Criminal Procedure Code of the Republic of Armenia shall be appealed against in the manner prescribed by the Criminal Procedure Code of the Republic of Armenia, whereas actions performed during the control by the person carrying out the control and the record drawn up as a result of the control – in the manner prescribed by parts 2-4 of this Article.

(Article 11 amended by HO-172 of 3 April 2001, amended by HO-480-N of 11 December 2002, amended and supplemented by HO-17-N of 4 February 2010)

Article 12. Compensation of Damages Caused to the Economic Operator as a Consequence of Unlawful Actions of Authorities Carrying out Control

Damages caused to the economic operator, including lost profits inflicted as a consequence of unlawful actions of authorities carrying out control shall be subject to compensation from the State Budget in accordance with the legislation of the Republic of Armenia and within the time period stipulated in the Law of Republic of Armenia “On budgetary system of the Republic of Armenia”.

Article 12¹. Peculiarities of Controls Carried out with Respect to the Activities of Insurance Undertakings

(Article 12¹ supplemented by HO-152-N of 8 July 2005, repealed by HO-250-N of 8 December 2005)

ARTICLE 13. ENTRY INTO FORCE

This law shall enter into force on 1 July 2000.

The laws and other legal acts regulating the relationships regarding the organisation and conduct of controls shall be effective in so far as they do not contradict the requirements of this Law.

Annex 1
to the Law of the Republic of Armenia
“On organising and conducting control in the Republic of Armenia”

Procedure for Conducting Examinations of Foundedness of Tax Settlements and/or Return, and Return of Amounts of Mandatory Social Security Payments in Exceed of Liabilities Calculated in Accordance with the Law, and Determining the Accuracy of Information Submitted in Accordance with the Law

1.1. This procedure defines the rules on the examination conducted with the view to determining the foundedness of tax settlements and/or return, and return of amounts of mandatory social security payments in exceed of liabilities calculated in accordance with the law, and to determining the accuracy of information submitted in accordance with the law.

(point 1.1. supplemented by HO-214-N of 11 October 2007)

1.2. The examinations are conducted on the following grounds:

a) the necessity to determine the amounts subject to settlement against other tax liabilities of the economic operator accrued to the State Budget on the account of tax overpayments and other amounts subject to settlement against other tax liabilities of the economic operator, as well as the amounts of estimated tax subject to settlement as regards to taxable turnover of indirectly taxable transactions;

b) the necessity to determine the amount subject to return of tax and mandatory social security overpayments and other amounts of tax liabilities of the economic operator subject to settlement;

c) the necessity to record the accuracy (reliability) of the information submitted in accordance with the law;

d) the request of the economic operator to conduct examination.

(point 1.2. supplemented by HO-214-N of 11 October 2007)

1.3. The examination shall be conducted based on a written instruction issued for each examination by the head of tax authority, deputy heads, head of the structural subdivision entitled to perform relevant functions or his/her alternate, head of the tax (territorial) inspection or his/her alternate; the instruction shall indicate the grounds for examination, purpose, particulars of the economic operator (registration number, name, registered office of the operator), place and period of examination, name of the tax authority and particulars of the tax official conducting the examination (name, surname, position), sealed by the tax authority conducting the examination.

(point 1.3. supplemented by HO-214-N of 11 October 2007)

1.4. The instruction on the conduct of examination is communicated to the knowledge of the head of the economic operator or his/her alternate prior to commencing the examination.

(point 1.4. supplemented by HO-214-N of 11 October 2007)

1.5 As a result of the examination, the tax official conducting examination shall draw up a protocol in two copies.

The form of the protocol drawn up as a result of the examination shall be defined by the order of the head of tax authority. The protocol shall indicate the number of the instruction, the time period of the examination, the place of drawing up the protocol, the name, surname, position of the official (officials) conducting the examination, particulars of the economic operator (taxpayer registration number, name, and registered office), and the obtained findings.

The protocol shall be signed by the tax official (officials) conducting the examination and the head of the economic operator or his/her alternate. A copy of the protocol shall be submitted to the head of the economic operator or his/her alternate, who shall submit his/her objections, if any, in writing.

(point 1.5. supplemented by HO-214-N of 11 October 2007)

(Annex supplemented by HO-214-N of 11 October 2007)

Annex 2
to the Law of the Republic of Armenia
“On organising and conducting control in the Republic of Armenia”

Procedure for Conducting Control Purchases

1.1. This procedure defines the rules of conducting control purchases by a tax authority for the calculation (assessment) of objects of taxation and tax liabilities in cases provided for by the tax legislation of the Republic of Armenia, as well as for the implementation of the requirement of laws and other legal acts adopted on the basis thereof regulating currency relations.

(point 1.1. supplemented by HO-214-N of 11 October 2007)

1.2. A control purchase is an examination - conducted by tax authority for the purpose of calculating (assessing) tax liabilities - with respect to prices of goods, items, works, and services, supervision of currency transactions performed by residents and non-residents of the Republic of Armenia, and compliance with the rules on cash registers operation. Moreover, in order to recalculate tax liabilities for different types of taxes, at least one control purchase shall be carried out for each time period during the financial year.

(point 1.2. supplemented by HO-214-N of 11 October 2007)

1.3. Control purchases shall be carried out on the grounds of:

a) failure or serious violation of an economic operator to maintain accounting documents, other documents to be registered and recorded, with respect to the object of taxation, as envisaged by the tax legislation of the Republic of Armenia or decrees of the Government of the Republic of Armenia or inclusion of obviously false data in the accounts, calculations, declarations, and other documents submitted to tax inspection, resulting in impossibility to calculate tax liabilities of the economic operator in accordance with the Republic of Armenia tax legislation;

b) information obtained from a third party in accordance with the defined procedure;

c) substantiated motion by a tax official to obtain a permission for control purchase, indicating the reasons for conducting a control purchase, the data expected to be obtained as a result of the purchase, the particulars of the economic operator, the place of the control purchase, as well as substantiation for the timing of the control purchase.

(point 1.3. supplemented by HO-214-N of 11 October 2007)

1.4. Control purchase shall be carried out based on a written instruction issued by the head of tax authority or tax inspection with an indication of the grounds, the purpose, particulars of the economic operator (name, registered office), place of the control purchase, dates and particulars of the tax official (officials) conducting the control purchase (name, surname, position), sealed by the tax authority conducting the control purchase. Where a control purchase is conducted by another person (with the person's written consent), the particulars of that person (passport details in case of a natural person; tax

registration number, name and registered office in case of a legal person) shall also be indicated in the instruction.

(point 1.4. supplemented by HO-214-N of 11 October 2007)

1.5. The instruction shall be presented to the head of the economic operator or his/her alternate after the control purchase.

(point 1.5. supplemented by HO-214-N of 11 October 2007).

1.6. As a result of the control purchase, a protocol in two copies shall be drawn up in the form defined by the tax authority. The protocol shall indicate the number and the date of the instruction, the place of drawing up the protocol, the place and the time of conducting the control purchase, the name, surname and position of the official (officials) conducting the control purchase; where another person conducts a control purchase, the protocol shall indicate the particulars of that person, the particulars (name, registered office) of the economic operator and the obtained findings. The protocol shall be signed by the persons conducting control purchase and the employee selling goods, providing services and/or making monetary calculation on behalf of the economic operator. One of the copies of the protocol shall be submitted to the head of the economic operator or his/her alternate, who shall submit his/her objections, if any, in writing.

(point 1.6. supplemented by HO-214-N of 11 October 2007).

2. Procedure for disposal of obtained goods and funds of the control purchases shall be approved by the Government of the Republic of Armenia.

(point 2. supplemented by HO-214-N of 11 October 2007)

(Annex supplemented by HO-214-N of 11 October 2007)

Annex 3

to the Law of the Republic of Armenia

“On organising and conducting control in the Republic of Armenia”

Procedure for conducting examinations by tax authority with a view to responding to the requests of a competent authority of a foreign state, as well as returning the amount of tax levied on the income gained from Armenian sources by non-residents of the Republic of Armenia in accordance with the provisions of the international agreements of the Republic of Armenia

1.1. This procedure defines the rules on examinations (hereinafter referred to as “examinations”) by tax authority conducted at the economic operator pursuant to the provisions of the international agreements of the Republic of Armenia or international agreements concluded on behalf of the Government of the Republic of Armenia. The examinations shall be carried out:

a) to respond to requests of a competent authority of a foreign state, with the purpose of checking the information concerning the registration and economic activities, tax liabilities and mandatory social

security payments, the fact of conclusion, authenticity, scope, value and prices of particular transactions of the economic operator, which is a party to a transaction with a foreign person;

b) to return the amount of tax levied on the income gained from Armenian sources by nonresidents of the Republic of Armenia.

(point 1.1. supplemented by HO-214-N of 11 October 2007)

1.2. The examination shall be carried out on the grounds of:

a) an official request to a tax authority made by a competent authority of a foreign state within the framework of, and as provided for by the requirements of international agreements of the Republic of Armenia;

b) the necessity of returning the amount of tax levied on the income gained from Armenian sources to the economic operators pursuant to the provisions of the international agreements of the Republic of Armenia on double taxation.

(point 1.2. supplemented by HO-214-N of 11 October 2007)

1.3. The examination shall be conducted based on a written instruction issued for each examination by the head of tax authority, deputy heads, head of the structural subdivision entitled to perform relevant functions or his/her alternate, head of the tax (territorial) inspection or his/her alternate; the instruction shall indicate the grounds for examination, purpose, particulars of the economic operator (registration number, name, registered office of the operator), place and period of examination, name of the tax authority and particulars of the tax official conducting the examination (name, surname, position), sealed by the tax authority conducting the examination.

(point 1.3. supplemented by HO-214-N of 11 October 2007)

(Annex supplemented by HO-214-N of 11 October 2007)

Annex 4

to the Law of the Republic of Armenia

“On organising and conducting control in the Republic of Armenia”

PROCEDURE FOR CARRYING OUT MEASUREMENT OF VOLUMES OF MANUFACTURING GOODS, EXTRACTING AND SALES OF MINERALS, CIRCULATION OF GOODS AND DELIVERY OF SERVICES, AS WELL AS ACTUAL SALES (INCLUDING AVERAGE) PRICES (TARIFFS) WITHIN ECONOMIC OPERATORS

1. This Procedure defines the procedure for the measurement by the tax authorities of volumes of manufacturing goods, of extracting (including output of the primary and supplementary components of a mining product from the massif of a mineral) and sales of minerals, of circulation of goods and delivery of services, as well as actual sales (including average) prices (tariffs) within economic operators in cases provided for by the tax legislation of the Republic of Armenia (hereinafter referred to as “measurement”).

2. Measurement is considered the examination carried out by a tax authority with the direct participation of the representative of an economic operator (if necessary, involving also a representative from a relevant authorised body of public administration or an independent expert), the aim of which is to identify:

(1) in case of not submitting statements provided for by the legislation, the actual volumes of manufacturing goods, extracting and sales of minerals, circulation of goods and delivery of services, as well as actual sales prices (tariffs);

(2) the accuracy of actual volumes of manufacturing goods (including expenses and losses), extracting and sales of minerals, circulation of goods and delivery of services, as well as actual sales prices (tariffs) presented in the statements, as well as in the accounting, production and technical documentation and in other internal record data (hereinafter referred to as “statements”) submitted by an economic operator in the manner defined by the legislation.

3. Measurements in accordance with this Procedure shall be carried out within economic operators on the basis of an order or assignment issued by the head of a tax authority, which shall specify the grounds, purpose of measurement, data on the economic operator (name, registered office), the place, time periods of measurement and data (name, surname, position), certified by the seal of the tax authority, on the officials of the tax authority carrying out the measurement, on the representative involved in the measurement on the basis of an order or assignment issued by the head of the relevant authorised body of public administration, or on an independent expert involved in the measurement in the manner defined by the order of the head of the tax authority.

4. On the day of actual commencement of the measurement, two copies of the order or assignment shall be handed to the head of the economic operator (or to the official ex officio having the authority to substitute him or her). The latter shall be obliged to put a signature on one copy, confirming thereby of being notified about the measurement to be carried out. The signed copy shall be returned to the officials having submitted it. In case of impossibility to commence or complete the actually commenced measurement on the day specified in the order or assignment (due to temporary termination of activities, idleness caused by technical reasons, due to strikes, unfavourable natural and climatic conditions and other similar circumstances), a protocol shall be drawn up by the officials carrying out the measurement that shall be signed also by the officials of the economic operator. In the mentioned cases, a measurement shall be actually commenced or continued after the resumption of regular functioning of the economic operator, whereon the head of the economic operator (or the official ex officio having the authority to substitute him or her) shall be obliged to notify the head of a relevant unit of the tax authority carrying out the measurement or the head of the Tax Inspectorate. The period of the temporary termination of measurement on the mentioned grounds shall not be included in the time period defined by the order or assignment for carrying out the measurement.

In cases the officials of an economic operator hinder the measurement activities carried out in accordance with this Procedure, refuse to carry out inventories upon the requirement of officials of a tax authority or to provide necessary documents related to the purposes of the measurement, persons carrying

out the measurement shall draw up a protocol, which shall serve as a ground for imposing liability prescribed by law on the officials of the economic operator, and in case of extraction of minerals – as a ground for a warning and termination of a mining right.

5. The total time period of all the measurements carried out within an economic operator during the given fiscal year may not exceed 30 working days. One measurement may be carried out within a period of two to five working days defined by an economic operator.

6. In order to use the results of measurements of physical volumes of manufacturing highly seasonal goods, of extracting minerals, and of their circulation on an annual basis, they shall be necessarily carried out throughout the given fiscal year by equal proportionality during the respective season and in the period beyond the season; and the results of measurements carried out in that manner shall be averaged in terms of the respective accounting periods. For the purpose of application of this Procedure, the criteria and periods of seasonality of manufacturing and sales of individual types of goods shall be defined by the Government of the Republic of Armenia.

7. In case of involving a representative from a relevant authorised body of public administration or an independent expert in the activities of measurement of physical volumes of extracting minerals, they may participate in the measurement only immediately after acquainting the head of an economic operator (or the official ex officio having the authority to substitute him or her) with the order of the head of a relevant authorised body of public administration or with the order or respective supplement to the assignment of the head of a tax authority.

For the purpose of carrying out measurements of physical volumes of extracting minerals, authorised bodies, carrying out control of quotas (limits) of actual volumes subject to payment of nature use fee, shall – in the manner prescribed by the Government of the Republic of Armenia – provide the tax authorities with the baseline data (with corresponding coordination marks) identified based on the results of the last (previous) control. The tax authorities, in the manner defined by the Government of the Republic of Armenia, shall provide the baseline data (with corresponding coordination marks) – identified based on the results of measurements carried out pursuant to this Procedure – to the authorised bodies carrying out control of quotas (limits) of actual volumes subject to payment of nature use fee, for the purpose of using them in carrying out control.

8. The results of measurement shall be reflected in a protocol drawn up in two copies, and the head of the tax authority, having carried out the measurement, the head of the economic operator (or the official ex officio having the authority to substitute him or her), and the officials of the relevant authorised body of public administration or independent experts involved in the measurement shall be obliged to sign it. The form of a protocol drawn up based on the results of measurement shall be defined by the order of the head of a tax authority. One copy of the protocol shall be handed to the head of the economic operator (or the official ex officio having the authority to substitute him or her) within three working days following the completion of the measurement. In case of refusing to receive or sign the protocol, the officials having carried out the measurement shall make a corresponding record thereon in the protocol and send it to the economic operator via registered letter. In case of having objections

relating to the process or results of the measurement, officials of an economic operator shall make a record thereon in the copy of the protocol maintained in the tax authority, and written objections shall be submitted to the tax authority in the defined manner within three working days following the submission of the measurement protocol to the economic operator. In cases of failure to submit written objections within the mentioned period, as well as in case of refusing to receive or sign the measurement protocol, the data identified by the measurement shall be considered as undisputable. Economic operators shall appeal against the actions of officials or independent experts having carried out the measurement through a general procedure prescribed by law.

9. Protocols drawn up based on the results of measurement shall be bound and maintained in the tax record file of an economic operator in chronological order. In cases prescribed by law, the calculation of liabilities of an economic operator in terms of taxes and nature use fees, by using the data included in protocols, shall be made in the manner defined by law in the course of a regular control (repeat control) of relations with the budget of an economic operator.

(Annex supplemented by HO-144-N of 21 August 2008)

**President
of the Republic of Armenia**

R. Kocharyan

12 June 2000

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