LAW

OF THE REPUBLIC OF ARMENIA

Adopted by the National Assembly

on 30 September 1997

ON PROFIT TAX

SECTION 1

GENERAL PROCEDURE FOR TAXATION

CHAPTER I

GENERAL PROVISIONS

Article 1. Subject matter of the Law

This Law shall regulate the relations pertaining to estimation and payment of profit tax, establish the scope of profit taxpayers, the procedure for calculation of profit tax rates and payment thereof.

Article 2. Concept of profit tax

Profit tax is a direct tax paid to the state budget by taxpayers in a procedure and amount defined by this Law.

Article 3. General basis of calculation of profit tax

1. When determining profit tax, the calculation shall be made in compliance with the principals and rules laid down in the laws and other legal acts regulating accounting and financial reporting unless the peculiarities of their application are provided for by this Law.

2. Within a period for filing profit tax returns, profit taxpayers shall inform in writing the tax inspection body of the principles and rules of accounting and financial reports chosen by them, accounting software used, as well as of changes thereof provided such right is granted to the taxpayer under law or other legal act.

3. When determining the taxable profit, the assets and liabilities shall be taken into account in their original (acquisition) value, except for the results of reappraisal carried out in accordance with law. For the purpose of implementation of this Law, the results of reappraisal shall be deemed results of repricing of assets and (or) liabilities made in accordance with the procedure established by law, provided the reappraisal is done in accordance with the law, which explicitly states that the repricing of assets and (or) liabilities shall be made for the purpose of calculation of the taxable profit or profit tax.

4. Only the revenues and deductions generated as a result of creation of reserves (reserve funds) provided for by this Law shall be taken into account in determining the taxable profit.

(Article 3 supplemented by HO-269 of 28 December 1998, amended, supplemented by HO-128 of 26 December 2000, HO-238-N of 19 December 2012)

CHAPTER II

TAXPAYERS AND OBJECT OF TAXATION

Article 4. Profit taxpayers

1. The profit tax in the Republic of Armenia shall be paid by (the taxpayers are) the residents of the Republic of Armenia (hereinafter referred to as ''residents'') and non-residents except for state administrative institutions of the Republic of Armenia, local self-government bodies of the Republic of Armenia, state non-commercial organisations in terms of budgetary allocations and revenues transferred to the state budget in full and the Central Bank of the Republic of Armenia.

2. For the purposes of this Law:

(a) the residents are organisations incorporated in the Republic of Armenia (those registered and on file with state authorities) and contractual investments funds, except for the pension funds and separate units of the organisations referred to in sub-point (b) of this point;

(b) non-residents are organisations incorporated in foreign states as well as international organisations and their organisations established beyond the territory of the Republic of Armenia.

3. The manager of the given investment fund shall act on behalf of the taxpayer and on the account of the investment fund in all the relations prescribed by this Law with the investment fund as a taxpayer.

(Article 4 edited and amended by HO-128 of 26 December 2000 and HO-55-N of 25 December 2003, amended, supplemented by HO-265-N of 22 December 2010)

Article 5. Object of taxation

1. The object of taxation for residents shall be the taxable profit generated within and beyond the territory of the Republic of Armenia.

2. The object of taxation for non-residents shall be taxable profit generated from the Armenian sources (Article 53 of this Law).

Article 6. Taxable profit

Taxable profit is the balance between the gross revenue of the taxpayer and the deductions defined by this Law, while for the investments funds taxable profit is its net assets. For the purposes of defining the taxable profit the procedure for calculating the net assets of the investment fund shall be defined by the Central Bank of the Republic of Armenia in coordination with the authorised body of the financial sector of the Government of the Republic of Armenia. Moreover, in the meaning of this Law, the dividends or other amounts distributed in any similar way from the assets of the investment fund to its participants shall not be deducted from the net assets of the investment fund.

(Article 6 supplemented by HO-265-N of 22 December 2010)

CHAPTER III

GROSS INCOME

Article 7. Gross revenue

1. The gross revenue is the sum of all revenues received by a taxpayer in the reporting year, notwithstanding their sources.

For the purposes of this Law:

(a) revenue is the inflow of assets, their increase and reduction in liabilities within the reporting year, which lead to the increase of the equity capital of the taxpayer;

(b) the equity capital is the balance of the assets and liabilities;

(c) the assets are any means belonging to the taxpayer under the ownership right, including property (tangible assets), property rights and personal non-property rights related to the property rights (intangible assets), foreign currency, securities, receivables and other property;

(d) the liability is the current debt (credit, payables, tax liabilities, etc.) of a taxpayer.

2. The revenues shall include, particularly:

(a) revenue received from the sales of goods, product (hereinafter referred to as ''goods'');

(b) revenue from the sale of services;

(c) revenue from the sale of fixed and other assets;

(d) interest and other compensation received on loans (hereinafter referred to as ''interest'');

(e) fees and other compensation received from the lease (hereinafter referred to as ''lease fees'');

(f) compensation received for the use or the right to use any copyright on literature, art or scientific work, for any patent, trade mark, design or model, plan, secret formulae or process, for the use or the right to use software for electronic calculation machines and data base or industrial, commercial, scientific equipment or for provision of information on industrial, technical, organisational, commercial, and scientific experience (hereinafter referred to as ''royalty'');

(g) dividends;

(h) insurance indemnities;

(i) revenue generated as a result of financing debts or commercial transactions, or the conduct of other factoring operations;

(j) revenue received from futures, options and other similar transactions;

(k) assets received gratuitously, revenues generated from deduction or remission of liabilities except for the amounts of tax credits provided for by law; other compulsory fees and duties paid to the state or community budgets, the amounts of tax credits provided in relation to the nature use,

(l) revenues received from the damage compensation (losses incurred);

(m) revenues received in the form of penalties, fines and other property sanctions, with the exception of penalties accrued in favour of a taxpayer for each delayed day following the time limitation of 90 days as defined by law for the refund of the overpayments and/or amounts other than overpayments relating to taxes paid to the state budget (except for the property tax and land tax paid to the state budget) in accordance with Article 33 of the Law of the Republic of Armenia "On taxes";

(n) revenues received from the cancelled transactions;

(o) bad receivables written off in a procedure established by the Government of the Republic of Armenia and in case of banks, credit institutions, investment companies and insurance companies — in a procedure jointly established by the authorised body of the Government of the Republic of Armenia and the Central Bank of the Republic of Armenia;

(p) paid amounts of bad receivable accounts previously written off in accordance with the procedure established by the Government of the Republic of Armenia, or in case of payment of non-written off receivable accounts - deductions credited to the reserve account in a prescribed manner, and in case of banks, credit institutions, insurance companies and specialised persons of the securities market - the revenues accrued as a result of recovering in the balance the bad assets and investment securities previously written off in accordance with the procedure jointly established by the

authorised body of the Government of the Republic of Armenia and the Central Bank of the Republic of Armenia, and in case of assets not written off from the balance sheet — the revenues accrued as a result of deductions from the reserve accounts formed in a prescribed manner;

(q) ***(subpoint repealed by HO-238-N of 19 December 2012)***

(r) revenues received from the provision of guarantees or acceptance operations;

(s) revenues received from managing securities and investments of third persons in the form of trust management and in any other form as well as from the provision of broker and financial agent (representative) services;

(t) revenues received from the issue, deduction, transfer, concession or service of promissory notes, checks, payment certificates, other payment securities, payment documents, cards and other instruments;

(u) revenues recognised in terms of technical reserves of the insurance companies, the re-insurer's share in the technical reserve;

(v) commissions received by the insurance companies from the re-insurance agreements;

(w) ***(subpoint repealed by HO-128-N of 26 December 2000)***

(x) the surplus of fixed assets, inventory, cash values and other property identified as a result of inventorisation (including inspection), and in case of recognising by the taxpayer its rights to the ownerless property in accordance with the procedure established by the legislation (except by the decisions of the courts) — the ownerless property; The surplus of the property, the ownerless property shall be evaluated by the similar value already existing at the given resident, and in case of the absence of such value — by the value determined through the expertise, which formulates the original (acquisition) value of the given property and shall be included in the gross revenue entirely in the given reporting period (in case of the surplus of the property

— the period of detecting such surplus, whereas in case of the ownerless property — period of recognising the rights);

(y) funds combined for the purpose of joint venture (at the receiver), unless a statement of declaration on assuming an obligations to calculate and pay taxes in terms of the joint venture is filed with the tax authority in accordance with the procedure established by the Law of the Republic of Armenia "On taxes".

3. For the purpose of this Law, the term for the statute of limitation of demand receivables and payables shall start from the day of filing the claim but not later than the 61st day following the conduct of the transaction.

4. In case of subsidies grated by the state or authorised body in a prescribed manner from the state budget with regard to applying approved tariffs — the revenue of the taxpayer shall be determined as a result of applying such tariffs in the sum of the amounts to be received by the purchaser (consumer) (earning from the sale) and actual subsidies received from the state budget (earnings from the sale).

(Article 7 supplemented, amended, edited by HO-269 of 28 December 1998, amended by HO-128 of 26 December 2000, HO-286 of 14 December 2001, supplemented, amended by HO-487-N of 11 December 2002, amended by HO-189-N of 9 April 2007, HO-203-N of 11 October 2007, HO-152-N of 27 October 2010, supplemented by HO-301-N of 29 November 2011, amended, supplemented by HO-229-N of 5 December 2012, edited, amended, supplemented by HO-238-N of 19 December 2012)

Article 8. Elements not considered revenue

For the purposes of this Law, the revenues shall not include investment made in the statutory capital (fund) of a taxpayer by participants (shareholder, stakeholder, member), the balance of the subscription price and par value of a taxpayer's shares, assets combined for the purposes of joint venture, if the statement of declaration is

filed with the tax authority on assuming obligations to calculate and pay taxes in terms of joint venture in accordance with the procedure established by Article 6.1 of the Law of the Republic of Armenia "On taxes", as well as revenues received by the participants from the investments within the framework of the joint venture, if the joint venture has been carried out in accordance with the procedure established by Article 6.1 of the Law of the Republic of Armenia "On taxes".

For the purposes of this Law, the revenue shall not include positive result of the revaluation of foreign currency and other assets and liabilities expressed in foreign currency as well as of the assets carried out in a manner stipulated by law.

The revenues shall not include amounts of tax privileges provided for by law, other compulsory fees and duties paid to the state or community budgets, the amounts of privileges granted in terms of the nature use.

For the purposes of this Law, the revenues shall not include assets (including member fees) and services gained by non-commercial organisations gratuitously.

For the purposes of this Law, the revenues shall not include the amounts of compensation provided for by the Law of the Republic of Armenia "On value added tax" to be received by resident companies that have listed their common nominal shares in the stock exchange in the territory of the Republic of Armenia.

For the purposes of this Law, the revenues shall not include the amounts of liabilities up to 100 Armenian drams in relation to each type of tax (including payments replacing taxes), duties and other compulsory fees, nature use fees, fines and penalties, which shall be ignored in case of liquidation of the taxpayer.

For the purposes of this Law, revenues shall not include means received from securities (including from their alienation, exchange, other similar transactions, distribution of dividends or other distributions made in the similar way, as well as transactions conducted from the assets of contractual investment funds) attesting the participation in investment funds.

For the purposes of this Law, the revenues shall not include penalties accrued in favour of a taxpayer for each delayed day following the time period of 90 days defined by law for refund of overpayments and/or amounts other than overpayments relating to taxes paid to the state budget (except for the property tax and land tax paid to the state budget) in accordance with Article 33 of the Law of the Republic of Armenia "On taxes".

For the purpose of this Law, the revenues shall not include revenues generated from the operation of casinos, operation of slot machines, as well as operation of internet gaming.

For the purpose of this Law, the revenues shall not include revenues received by the residents certified in accordance with the procedure established by the Law of the Republic of Armenia "On state support to Information Technologies Sector" from the realisation of information technologies within the term of operation of the Certificate.

(Article 8 supplemented, edited by HO-269 of 28 December 1998, supplemented by HO-128 of 26 December 2000, HO-153-N of 11 June 2009, HO-152-N of 27 October 2010, supplemented by HO-189-N of 8 December 2010, HO-265-N of 22 December 2010, HO-301-N of 29 November 2011, amended by HO-229-N of 5 December 2012, HO-238-N of 19 December 2012, supplemented by HO-58-N of 27 April 2010, HO-246-N of 17 December 2014)

CHAPTER IV

DEDUCTIONS FROM THE GROSS REVENUE

Article 9. Deductions from the gross revenue

When determining taxable profit, deductions (expenses, losses and other deductions) may be made from the gross revenue provided for by this Chapter. The same amount of deductions shall be deducted from the gross revenue only once.

Article 10. Expenses

1. While determining the taxable profit, the expenses relating to generation of profit and supported by documents shall be deducted from the gross revenue.

For the purposes of this Law:

(a) the expenses are the outflow of and decrease in assets or increase in liabilities within the reporting year, which lead to the decrease in a taxpayer's equity capital;

(b) necessary expenses are the expenses incurred by a taxpayer directly and exclusively on the production of goods, rendering of services, promotion in the market and/or sales of goods (services), consulting and legal services, elimination of shortcomings identified in the course of accompanying, guarantee control and exploitation, the preparation, mastering and conservation of production (construction), maintenance of property, training of staff as well as other expenses in relation to the generation of revenue and necessary therefor.

(Last part deleted as of HO-269 of 28 December 1998)

2. Expenses shall include, in particular:

(a) material expenses;

(b) work remuneration, and other equivalent payments;

(c) ***(subpoint repealed by HO-265-N of 22 December 2010)***

(d) amortisation allowances;

(e) insurance premiums;

(f) non-refundable (non-offsetable) taxes, duties and other compulsory payments, nature use fees;

(g) interest on loans and other borrowings, except for cases provided for in subpoints (m) and (n) of part 1 of Article 16 of this Law;

(h) payments for guarantees, letters of guarantee, letters of credit and other banking services, services provided by insurance and credit institutions;

(i) advertisement expenses;

(j) representative expenses;

(k) secondment expenses;

(l) court expenses;

(m) damage compensation;

(n) fines, penalties, and other property sanctions except for cases defined in subpoint (g) of point 1 of Article 16 of this Law;

(o) staff recruitment related expenses;

(p) audit, legal and other consulting, information and management services related expenses;

(q) factoring, trust operations related expenses;

(r) ***(subpoint repealed by HO-238-N of 19 December 2012)***

(s) current expenses made on fixed assets, service expenses relating to fixed assets;

(t) compulsory payments made to the office of financial system conciliator by organisations defined by the Law of the Republic of Armenia "On financial system conciliator";

(u) payments made by the employer for the employee on terms of voluntarily accrual pension insurance in the manner prescribed by the legislation of the Republic of Armenia

3. The requirements for supporting documents on acquisition (and in relevant cases - on revenues of other taxpayers) of inventories, works, services, fixed and other assets shall be defined by the Government of the Republic of Armenia

(Article 10 amended, edited, supplemented by HO-269 of 28 December 1998, amended by HO-487-N of 11 December 2002, amended by HO-233-N of 24 October 2007, supplemented by HO-131-N of 17 June 2008, supplemented, amended by HO-265-N of 22 December 2010, supplemented, amended by HO-301-N of 29 November 2011, amended, supplemented by HO-238-N of 19 December 2012)

Article 11. Elements not considered expenses

Expenses shall not include:

(a) distribution of a taxpayer's equity capital among the participants in the form of dividends or in other similar form;

(b) investments by a taxpayer in the statutory capital of a third party;

(c) the negative balance between the book value and the sale value of taxpayer's shares, stocks;

(d) the negative result of revaluation of foreign currency and other assets and liabilities expressed in foreign currency as well as of fixed assets carried out in a manner stipulated by law;

(e) expenses with regard to the assets (including member fees) gained by non-commercial organisations gratuitously or expenses made from them;

(f) the amounts up to 100 Armenian drams in relation to each type of tax (including payments replacing taxes), duties and other compulsory fees, nature use fees, fines and penalties shall be ignored in case of liquidation of a taxpayer;

(g) expenses with regard to the acquisition and alienation of securities certifying the participation in investment funds, as well as with regard to participation in those funds;

(h) expenses with regard to the operation of casinos, operation of slot machines, as well as operation of internet gaming;

(i) investment made by the participants for the purpose of joint venture, funds paid for the investments to the participants by the person being obliged to calculate and pay taxes in terms of joint venture, if the joint venture has been carried out in accordance with the procedure established by Article 6.1 of the Law of the Republic of Armenia "On taxes";

(j) expenses with regard to generation of revenues received by the residents certified in accordance with the procedure established by the Law of the Republic of Armenia "On state support to Information Technologies Sector" from the realisation of information technologies within the term of operation of the Certificate.

(Article 11 edited by HO-269 of 28 December 1998, supplemented by HO-128 of 26 December 2000, HO-189-N of 8 December 2010, amended, supplemented by HO-265-N of 22 December 2010, amended, supplemented by HO-238-N of 19 December 2012, supplemented by HO-58-N of 27 April 2010, HO-246-N of 17 December 2014)

Article 12. Amortisation allowances for non-current assets acquired by 1 January 2014

(title edited by HO-238-N of 19 December 2012)

1. When determining taxable profit, the gross revenue shall be deducted in the amount of amortisation allowances of fixed and intangible assets owned by the taxpayer by the property right or long-term lease subject to amortisation within the periods defined in points 2, 3 or 4 of this Article.

2. The amount of amortisation allowances shall be calculated in a manner stipulated by this Article proceeding from the following minimum amortisation periods defined below for a give group of fixed assets:

(a)	for buildings, constructions and transmission devices, except those referred to in sub-point (b) of this point	20 years
(b)	for buildings and constructions of hotels, boarding-houses, resort houses, sanatoriums, educational institutions	10 years
(c)	mentioned assembly lines, robot equipment	3 years
(d)	computation devices and computers	1 years
(e)	for other fixed assets, including working cattle, perennial plants and capital investment for improving land	5 years

The minimum amortisation period for fixed assets referred to in sub-points (a) and (b) of this point that are located in the earthquake zone shall be one year. The territory of the earthquake zone referred to in this Part shall be defined by the Government of the Republic of Armenia.

For organisations that engage in activities in the town of Gyumri, the minimum amortisation period for the buildings, constructions, transmission devices, assembly lines, robot technology and other fixed assets located in the town of Gyumri shall be one year within the period when such assets are located in the town of Gyumri. In case the mentioned minimum amortisation periods were applied to the fixed assets located in the town of Gyumri and such assets were moved outside the town of Gyumri (without being alienated to third persons), the taxpayer shall pay the underpaid profit tax due to use of fast amortisation as well as the penalties due for delayed payments of the profit tax (including advance payments).

For fixed assets with the value of up to 50,000 Armenian drams, the minimum amortisation period shall be one year.

3. The amortisation period of intangible assets shall be determined by a taxpayer taking into account their possible usage periods. Where it is impossible for the latter to take a decision, the minimum amortisation period of intangible assets shall be ten year but not more than the term of operation of the taxpayer's business.

For the purpose of profit taxation, within the concession agreements, which were qualified as such by the authorised body of the Government of the Republic of Armenia in accordance with the criteria defined by the Government of the Republic of Armenia, the right of the concession operator acquired from the concession grantor to exploitation of the public services infrastructure (including exploitation of assets of infrastructure by the concession operator (operator) owned by the concession grantor (grantor), result of the improvement made on its separate elements or the assets (tangible or intangible) purchased or built by or transferred to the concession grantor (grantor) under the ownership right, separate elements included in their composition) shall be entered as intangible asset, the amortisation allowances of which shall be made in accordance with the general procedure established by law, unless otherwise provided for by law.

4. A taxpayer may choose another period of amortisation for fixed assets at his/her discretion for the purpose of determining the taxable profit but not less than the aforementioned periods set for a given group.

5. The annual size of amortisation allowances shall be calculated as the ratio between the initial cost of fixed assets and, in case revaluation is carried out as defined by law, the value of the revaluation and the amortisation period defined for a given group in points 2, 3 or 4 of this Article or for intangible assets.

(Article 12 edited by HO-243 of 6 July, 1998, supplemented by HO-269 of 28 December 1998, HO-128 of 26 December 2012, HO-326 of 16 April 2002, HO-187-N of 25 April 2011, edited, amended, supplemented by HO-238-N of 19 December 2012)

Article 12.1. Amortisation allowances for non-current assets (to be built developed) acquired after 1 January 2014

1. When determining taxable profit after 1 January 2014, the gross revenue shall be deducted in the amount of amortisation allowances of non-current assets (including fixed assets and intelligible assets) owned by the taxpayer by the ownership right or long-term lease subject to amortisation within the periods defined in points 2, 3 or 4 of this Article.

2. The amount of amortisation allowances shall be calculated based on maximum annual amortisation rate defined for the given group of fixed assets:

Group of fixed assets	The maximum annual amortisation rate
(a) for buildings and constructions of hotels, boarding-houses, resort houses, sanatoriums, educational institutions	15
(b) other buildings and constructions, transmitting devices	7.5
(c) assembly lines and robot technology	50
(d) computation devices and computers	100
(e) for other fixed assets (including working cattle, perennial plants and capital investment for improving land)	30

The annual amortisation rate for fixed assets referred to in points (a) and (b) of this part located in the earthquake zone shall be 100 percent. The territory of the earthquake zone referred to in this Part shall be defined by the Government of the Republic of Armenia.

For organisations engaged in activities in the city of Gyumri, the annual amortisation rate for the fixed assets referred to in point (a), (b) and (c) located in the city of Gyumri and for the group of fixed assets referred to in point (e) of this part shall be 100 percent during when such assets are located in the city of Gyumri. When the mentioned annual amortisation rate applies to the group of fixed assets located in the

city of Gyumri and such assets were moved outside the city of Gyumri (without being alienated to third persons), the taxpayer shall pay the underpaid profit tax due to use of fast amortisation as well as the penalties due for delayed payments of the profit tax (including advance payments).

If the book value of the given group of fixed assets does not exceed 50 thousand Armenian drams by the end of the last day of the reporting period, the annual amortisation rate for the given group of fixed assets shall be 100 percent.

3. The annual amortisation rate for the given group of intangible assets shall be determined by a taxpayer taking into account their possible usage periods. Where it is impossible to determine such usage periods, the maximum annual amortisation rate for intangible assets shall be 20 percent (but not less than the annual amortisation rate calculated based on the term of operation of the taxpayer, which is divided proportionally during that period).

For the purpose of profit taxation, within the concession agreements for provision of services, which were qualified as such by the authorised body of the Government of the Republic of Armenia in accordance with the criteria defined by the Government of the Republic of Armenia, the right of the concession operator acquired from the concession grantor to exploitation of the public services infrastructure (including exploitation of assets of infrastructure by the concession operator (operator) owned by the concession grantor (grantor), result of the improvement made on its separate elements or the assets (tangible or intangible) purchased or built by or transferred to the concession grantor (grantor) under the ownership right, separate elements included in their composition) shall be entered as a separate group of intangible assets, the amortisation allowances of which shall be made in accordance with the general procedure established by law, unless otherwise provided for by law.

4. For the purpose of determining taxable profit, a taxpayer shall at its discretion choose another annual rate for the group of fixed assets, which may not exceed the

maximum annual amortisation rate defined by this Article for the given group of fixed assets.

5. The annual value of amortisation allowances shall be calculated as the product of the book (residual) value of groups of non-current assets by the end of the last day of the reporting period and the annual amortisation rate defined by parts 2, 3 and 4 of this Article for the given group of non-current assets. The original (acquisition) value of non-current assets acquired (built, developed) within the year shall be added to the book (residual) value of the given group of non-current assets, whereas the book (residual) value of the non-current asset (except for non-current asset acquired during the year when the asset was alienated) shall be deducted from the book (residual) value of the given group of the non-current assets.

For the purpose of enforcing this part the residual value of alienated non-current assets (except for non-current asset acquired during the year when the asset was alienated) shall be determined by multiplying the ratio of the number of fixed assets being alienated and the number of fixed assets included in the given group of non-current assets as of the beginning of the year which includes the alienation day with the book (residual) value of the given group of non-current assets as of the beginning of the year which includes the alienation day.

(Article 12.1 supplemented by HO-238-N of 19 December 2012)

Article 13. Expenses made on non-current assets acquired (built, developed) by 1 January 2014 and their service expenses

(title edited by HO-238-N of 19 December 2012)

1. When determining taxable profit, gross revenue shall be deducted:

(1) in the amount of current expenses made on the fixed assets owned by a taxpayer by the ownership right or rented (including by leasing) or taken for gratuitous use — during the year when such expenses have been made;

(2) in the amount of capital expenses made on the fixed assets owned by a taxpayer by the ownership right or rented (including by leasing) or taken for gratuitous use — in accordance with the procedure established by parts 2 and 3 of this Article;

(3) in the amount of service expenses made on the fixed assets owned by a taxpayer by the ownership right or rented (including by leasing) or taken for gratuitous use — during the year when such expenses have been made;

2. The expenses of capital nature made on the fixed asset shall be added to the book (residual) value of the fixed asset, with regard to which such expenses have been occurred and

(1) if such expenses do not exceed the book (residual) value of the fixed asset as of 1 January of the current year, such expenses shall be amortised in accordance with the procedure established by Article 12 of this Law;

(2) if such expenses exceed the book (residual) value of the fixed asset as of January 1 of the current year, they shall be amortised in a manner stipulated by Article 12 of this Law but not less than within 5 years. If the minimum amortisation period of the fixed asset is set at a period less than 5 year, the capital expenses made on such fixed asset shall be amortised within the minimum amortisation period set for that fixed asset.

3. A taxpayer (borrower) shall amortise the expenses of capital nature made on the fixed assets rented (including by leasing) or taken for gratuitous use in accordance with the procedure established by Article 12 of this Law. In case of dissolving or actual termination of the lease (gratuitous use) agreement, not amortised residue shall be deducted from the gross revenue of the lessee (borrower).

4. Differentiation of expenses by current, capital or service expenses made on the fixed assets owned by a taxpayer by the ownership right or rented (including leasing)

or taken for gratuitous use shall be made based on the characteristics and/or sizes determined by the Government of the Republic of Armenia.

(Article 13 edited by HO-269 of 28 December 1998, amended by HO-128 of 26 December 2000, edited, supplemented by HO-55-N of 25 December 2003, supplemented by HO-147-N of 21 August 2008, edited by HO-238-N of 19 December 2012)

Article 13.1. Expenses made on non-current assets acquired (built, developed) after 1 January 2014 and their service expenses

1. When determining taxable profit, gross revenue shall be deducted:

(1) in the amount of current expenses made on the fixed assets owned by a taxpayer by the ownership right or rented (including by leasing) or taken for gratuitous use — during the year when such expenses have been made;

(2) in the amount of capital expenses made on the fixed assets owned by a taxpayer by the ownership right or rented (including by leasing) or taken for gratuitous use — in accordance with the procedure established by parts 2 and 3 of this Article;

(3) in the amount of service expenses made on the fixed assets owned by a taxpayer by the ownership right or rented (including by leasing) or taken for gratuitous use — during the year when such expenses have been made;

2. The expenses of capital nature made on the fixed asset shall be added to the book (residual) value of the group of the fixed asset, with regard to which such expenses have been occurred and

(1) if such expenses do not exceed the ratio of the book (residual) value of the given group of the fixed asset as of 1 January of the current year and the number of the fixed assets included in the given group as of 1 January of the current year, such

expenses shall be amortised in accordance with the procedure established by Article 12.1 of this Law;

(2) if such expenses do not exceed the ratio of the book (residual) value of the given group of the fixed asset as of 1 January of the current year and the number of the fixed assets included in the given group as of 1 January of the current year, such expenses shall be amortised in accordance with the procedure established by Article 12.1 of this Law, but not more than at the amortisation rate of 30 percent. Where the annual maximum amortisation rate of the given group of the fixed asset is more than 30 percent, the expenses of the capital nature made on the given fixed asset shall be amortised at the annual maximum amortization rate determined for the given group of the fixed asset.

3. A taxpayer (borrower) shall amortise the expenses of capital nature made on the fixed assets rented (including leased) or taken for gratuitous use in accordance with the procedure established by Article 12.1 of this Law. In case of dissolving or actual termination of the lease (gratuitous use) agreement, not amortised residue shall be deducted from the gross revenue of the lessee (borrower).

4. Differentiation of expenses by current, capital or service expenses made on the fixed assets owned by a taxpayer by the ownership right or rented (including leasing) or taken for gratuitous use shall be made based on the characteristics and/or sizes determined by the Government of the Republic of Armenia.

(Article 13.1 supplemented by HO-238-N of 19 December 2012)

Article 14. Expenses on preparatory, geological survey, project and research works for the extraction of natural resources

When determining taxable profit, the gross revenue shall be deducted in the amount of expenses made by a taxpayer on preparatory, geological survey, project and

research works of extracting natural resources in a manner stipulated by point 3, article 12 of this Law.

Article 15. Expenses on scientific research, experimental and design works

When determining taxable profit, the gross revenue shall be deducted completely in the amount of expenses made on scientific research, experimental and design works within the year of producing such expenses. For the purposes of this Law, the classification (concept) of scientific and research as well as experimental and design works shall be established by the Government of the Republic of Armenia.

Article 16. Expenses not deducted from gross revenue for taxation purposes

1. When determining taxable profit, except for cases provided for in this Article, the following shall not be deducted from the gross revenue:

(a) payment exceeding the rates defined by the Government of the Republic of Armenia for emission of hazardous materials into the environment, as well as expenses exceeding the rates defined in a manner prescribed by the Government of the Republic of Armenia for acquired fuel (petrol, diesel fuel, liquid and natural gas);

(b) expenses exceeding the rates defined by the Government of the Republic of Armenia for advertisement, marketing (market research of goods and services, promotion in goods and service market), education and training of staff beyond the territory of the Republic of Armenia;

(c) expenses exceeding the rates defined by the Government of the Republic of Armenia for compensation for special nutrition, uniforms and other clothes as well as other compensation to employees stipulated by legislation;

(d) expenses exceeding the rates defined by the Government of the Republic of Armenia for secondment expenses outside the territory of the Republic of Armenia and per diem on the territory of the Republic of Armenia;

(e) representative, sponsorship and management related expenses exceeding the rates defined by the Government of the Republic of Armenia;

(f) expenses (including amortisation allowances and repair expenses) exceeding the rates defined by the Government of the Republic of Armenia on the maintenance of public health institutions, nursing homes for the aged and disabled, pre-school establishments, rehabilitation camps, cultural, educational and sport institutions as well as housing fund sites;

(f.1) portion exceeding 5 percent of work remuneration of other equivalent payments for the given hired employee made by the employer within the framework of voluntarily pension contribution scheme in the manner prescribed by the legislation of the Republic of Armenia;

(g) penalties, fines and other proprietary sanctions paid to state and community budgets as well as charged for social security contributions, as well as penalties for the payments made to the pension fund, except for those charged for failure to fulfil or improper fulfilment of civil and legal obligations;

(h) assets provided gratuitously, remitted liabilities, except for the case stipulated by Article 23 of this Law;

(i) allocations provided to unions and other structures of non-state administration;

(j) expenses related to the maintenance of servicing units (free provision of buildings, payments of utility service costs to public catering enterprises);

(k) expenses for services rendered by a taxpayer (or to the taxpayer) which are not related to the production of goods (improvement works of cities, towns and other dwellings, assistance to agricultural works, etc.);

(l) expenses related to generation of revenues which are jointly deducted from the gross revenue;

(m) the portion of interests paid on credits and loans that exceeds twice the estimated bank interest rate announced by the Central Bank of the Republic of Armenia.

(n) twice the interest due in the reporting year according to the results of the reporting year (twice the net assets (of the positive balance between a taxpayer's assets and liabilities) of a taxpayer (except for banks and credit institutions)) from entities other than banks and/or credit institutions for attracted loans, and an amount exceeding the nine fold of the net assets (of the positive balance between a taxpayer's assets and liabilities) in case of banks and credit institutions.

The provisions of this subpoint shall not apply to the interests due for loans included in the list defined by the Government of the Republic of Armenia and received from international development organisations, as well as the interests due for loans attracted by means of public subscription of debt securities.

(o) interests accrued on the loans or borrowing taken (attracted) by banks, credit institutions, insurance companies or entities other than investment companies, if they are advanced to other persons interest-free, or rents accrued on non-current assets leased by the taxpayer, if they are provided to other persons gratuitously;

(p) the portion of interests accrued on the loans or borrowing taken (attracted) by banks, credit institutions, insurance companies or entities other than investment companies, which exceeds the interests accrued on loans or borrowing advanced to other persons from those means or the portion of the rents accrued on non-current assets leased by the taxpayer, which exceeds the revenues received from the sublease of those non-current assents to other persons.

2. Where the Government of the Republic of Armenia does not define the permissible amount of deduction of expenses stipulated in (a)-(f) subpoints of point 1 of this

Article, the gross revenue shall be deducted in the total amount of expenses actually incurred.

3. ***(part repealed by HO-238-N of 19 December 2012)***

(Article 16 supplemented by HO-269 of 28 December 1998, HO-286 of 14 December 2001, supplemented by HO-55-N of 25 December 2003, amended by HO-233-N of 24 October 2007, supplemented by HO-147-N of 21 August 2008, HO-248-N of 26 December 2008, supplemented, amended by supplemented, amended by HO-265-N of 22 December 2010, HO-301-N of 29 November 2011, amended by HO-218-N of 12 November 2012, supplemented, amended by HO-238-N of 19 December 2012)

Article 17. Expenses incurred due to cancelled transactions

When determining taxable profit, the gross revenue shall be reduced in the amount of money refunded to the other party of the transaction due to the cancelled transaction.

Article 18. Amounts of written off bad receivables and repayment of previously written-off bad payables

(title edited by HO-269 of 28 December 1998)

1. When determining taxable profit, the gross revenue shall be deducted in accordance with the procedure on writing off bad receivables established by the Government of the Republic of Armenia and in case of banks, credits institutions, investment companies and insurance companies — in a procedure jointly defined by the authorised body of the Government of the Republic of Armenia and Central Bank of the Republic of Armenia in the amount of allowances made to reserve fund and, in case such debts are written off — in the amount exceeding the allowances made to a reserve fund created for that purpose.

2. When determining taxable profit, the gross revenue shall be deducted in the amount of repayment of bad payables written off previously according to the procedure established by the Government of the Republic of Armenia, and in case of banks, credit institutions, investment companies and insurance companies – in a procedure established jointly by the authorised body of the Government of the Republic of Armenia.

(Article 18 amended by HO-269 of 28 December 1998, HO-286 of 14 December 2001, supplemented by HO-487-N of 11 December 2002, amended by HO-189-N of 09 April 2007, HO-203-N of 11 October 2007, HO-238-N of 19 December 2012)

Article 19. Expenses not supported by documents

1. When determining taxable profit without supporting documents, the gross revenue shall be deducted:

(a) in the amount of per diem as well as in the amount of reimbursement for field works or of transportation (mobility) nature which does not exceed the rate defined by the Government of the Republic of Armenia;

(b) for taxpayers that have shifted to the general taxation from the simplified taxation method due to legislative amendments since 1 January 2008 in case the profit from their sale does not exceed 50,0 million Armenian drams in 2008, in the amount of expenses made on the account of the remainder of inventory acquired in the course of the year 2008 as well as those available as of 1 January 2008 provided a calculation document is available on such expenses or there is a document (documents) proving that a bank transfer or a cash payment has been made;

(c) in the amount of those expenses not supported by documents in the territory of the Republic of Armenia and in the amount of sum of the calculated and paid income tax in accordance with part 7 of Article 10 of the Law of the Republic of Armenia "On

income tax", which does not exceed monthly 3,0 million Armenian drams, while in case of lump-sum transactions (the amount of tax income) — 300, 000 Armenian drams. Moreover, when determining taxable profit for the purpose of making deductions from the gross revenue the total amount of the expenses made by unilateral documents (unilateral invoice, cash-register coupon, unilateral purchase act) shall not exceed 36.0 million Armenian drams.

2. (point repealed by HO-128 of 26 December 2000)

(Article 19 amended by HO-128 of 26 December 2000, edited by HO-147-N of 21 August 2008, supplemented, amended by HO-248-N of 26 December 2008, edited by HO-201-N of 29 October 2009, supplemented by HO-301-N of 29 November 2011, amended by HO-238-N of 19 December 2012).

Article 20. The deduction of revenue reported in excess in the previous years

(Article repealed by HO-238-N of 19 December 2012)

Article 21. Natural and other losses

(title amended by HO-128 of 26 December 2000)

1. When determining taxable profit, the gross revenue shall be deducted in the amount of natural or other actual losses caused to property that have been supported by documents and do not exceed the rates defined by the Government of the Republic of Armenia in the course of the year when such losses incurred or were identified provided the Government of the Republic of Armenia has defined such rates.

2. In case the rates are not defined in a manner stipulated by the Government of the Republic of Armenia for natural and other actual losses or in case the loss exceeds such rate, the gross revenue shall be deducted in the amount of the given loss:

(a) in case of full or partial voluntary compensation by the person who caused the damage — within the year of full or partial compensation of the loss - or

(b) in case a criminal case is suspended or dismissed by an investigation body due to impossibility of identifying the person who caused damage- in the year when such decision was taken, or

(c) in case a judgement is made on a plea of guilty or not guilty — in the year when this judgement takes effect.

(Article 21 edited, amended by HO-128 of 26 December 2000)

Article 22. Incidental losses

1. When determining taxable profit, the gross revenue shall be deducted in the amount of incidental losses caused to property in the year when such losses incurred or were identified.

2. For the purposes of this Law, the actual loss, destruction, damage or deterioration of qualitative characters of a taxpayer's property supported by documents shall be deemed to be incidental loss that incurs as a consequence of fire, flood, earthquake or other natural disaster, shipwreck, war, military action, armed aggression, mass disorders, rebels or similar emergencies (including insurance incidents defined by law).

Article 22.1. Losses incurred due to participation in investment funds and other deductions

1. When determining taxable profit of the participants of investment funds losses incurred due to participation in investment funds and other deductions stipulated by this Law shall not be deducted from gross revenue.

(Article 22.1 as supplemented by HO-265-N of 22 December 2010)

Article 23. Charitable and other gratuitous contributions

When determining taxable profit, gross revenue shall be deducted:

(a) in the amount of funds (goods and/or money) transferred (provided) to non-commercial organisations, libraries, museums, public schools, boarding houses, old aged houses, orphanages, mental hospitals and tuberculosis clinics and hospitals or in the amount of value of the services rendered thereto but not exceeding 0,25 percent of gross revenue;

(b) ***(subpoint repealed by HO-128-N of 26 December 2000)***

(Article 23 supplemented by HO-269 of 28 December 1998, by HO-128 of 26 December 2000)

Article 24. Assets received gratuitously

In the meaning of this Law assets received gratuitously (except for funds and lands) shall be deemed revenue in the reporting year, when they are recognised as expense or loss irrespective of deducting that expense or loss from the gross revenue. The provisions of this Article shall apply also to the cases of recognising the ownership title to the asset recognised as ownerless based on court decisions.

(Article 24 edited by HO-158 of 26 December 2000, supplemented by HO-487-N of 11 December 2002, HO-238-N of 19 December 2012)

Article 25. Losses from the operation of the taxpayer

1. When determining taxable profit, the gross revenue shall be reduced in the amount of losses incurred by a taxpayer in the previous years, except for the reorganisation of organisations in the form of union, merger, and restructure. The loss from the

operation of a taxpayer is the excess of deductions prescribed by law over the gross revenue.

2. For the purpose of making such deduction in case of a loss from the operation of a taxpayer during the reporting and previous year, such loss shall be forwarded to the five years following the year when such loss incurred. ***(sentence deleted by HO-487-N of 11 December 2002)***

(Article 25 amended, supplemented by HO-128 of 26 December 2000, amended by HO-487-N of 11 December 2002, supplemented by HO-55-N of 25 December 2003)

Article 26. Dividends

When determining taxable profit, the gross revenue shall be deducted in the amount of dividends received by a taxpayer except for the case defined by point 2 of Article 56 of this Law.

For the purposes of this Law, the revenue gained from the participation (shares) in the statutory capital of other legal entities or an enterprise not having a status of a legal person shall be deemed to be dividend.

Article 27. Realisation of repurchased participation

When determining taxable profit, the gross revenue shall be deducted in the amount of positive balance between the realisation price of repurchased share by a taxpayer and the book value thereof provided such shares have been repurchased by virtue of the Law.

Article 28. The residual property received form a liquidated legal person

When determining taxable profit in case of liquidation of a legal entity, the gross revenue shall be deducted in the amount of positive balance between the amount of residual property received for a taxpayer's shares and the book value thereof.

Article 29. Difference between the par value and the acquisition value of privatisation certificates

When determining taxable profit, the gross revenue shall be deducted in the amount of the difference between the purchase price of privatisation certificates and the investment price paid by a taxpayer with the purpose to take part in the privatisation and in case of investment in the investment funds — between the par value and acquisition value (book value) of such certificates.

Article 30. Deductions of gross revenue of banks, credit institutions, insurance companies, specialised persons on the securities market for taxation purposes

(Title supplemented by HO-487-N of 11 December 2002, HO-189-N of 9 April 2007, amended by HO-203-N of 11 October 2007, HO-238-N of 19 December 2012)

For taxation purposes, the gross revenue of banks, in addition to the deductions defined in Articles 10-29 of this Law, shall also be deducted:

(a) in the amount of transferred to a reserve of possible losses of assets and/or investment funds of banks, credit institutions, insurance companies and specialised persons on the securities market in accordance with the procedure established jointly by the authorised body of the Government of the Republic of Armenia and the Central Bank of the Republic of Armenia;

(b) in the amount of interests on bank deposits of customers and attracted loans;

(c) in the amount of the negative balance (discount) between the interests accrued on debt liabilities of bank and credit institutions (bonds, deposit statements, including certificates and promissory notes), including the sales price of debts liability securities and the par value thereof;

(d) in the amount of mediator payments paid by a bank or a credit institutions for services and general correspondence, including cash register/fringe services rendered to clients, costs of running their current and other accounts, payments for cash register services rendered to other banks and similar expenses;

(e) in the amount of expenses for transportation (encashment) of cash, checks, other payment documents as well as for packing of values, including expenses on the supplement of cash, transportation, keeping and delivery of values belonging to a bank or its customers;

(f) in the amount of payments for cash registers and computation centre services;

(g) in the amount of expenses related to preparation, emission, deposition and investment of payment means (plastic cards, traveller's checks, etc.) necessary for the activity of a bank and credit institution;

(h) in the amount of expenses (issuance, preparation of emission prospects, acquisition, printing costs of securities papers, mediation fees for distribution of securities, etc.) in relation to emission of shares, bonds, deposit certificates, other liabilities and securities in circulation in the financial market;

(i) in the amount of losses incurred by a bank or credit institution due to fake banknotes and payments documents.

(Article supplemented, amended by HO-487 of 11 December 2002, HO-189-N of 9 April 2007, HO-203-N of 11 October 2007, amended by HO-110-N of 26 May 2008, amended, edited by HO-238-N of 19 December 2012)

Article 31. Deductions of gross revenue of insurance companies for taxation purposes

For taxation purposes, the gross revenue of banks, in addition to the deductions defined in Articles 10-29 of this Law, shall also be deducted:

(a) in the amount of insurance (reinsurance) indemnities;

(b) in the amount of reinsurance payments accounted on risks transferred to reinsurance;

(c) in the amount of expenses of deductions of preventive action reserves, of transportation, keeping and delivery of values belonging to insurers and insured persons;

(d) ***(subpoint repealed by HO-238-N of 19 December 2012)***

(e) in the amount of commissions paid to insurance agents and brokers;

(f) in the amount of payments for cash registers and computation centre services;

(g) in the amount of expenses for preparation, emission, deposition and investment of payment assets (traveller's checks, plastic cards, etc.) to insure the activity of insurance companies;

(h) interest expenses accrued and/or paid to accrual accounts on life insurance (including pension insurance);

(i) in the amount of expenses recognised in terms of technical reserves of the insurance companies, the re-insurer's share in the technical reserve;

(Article 31 amended by HO-269 of 28 December 1998, amended, supplemented by HO-189-N of 9 April 2007, amended, edited by HO-238-N of 19 December 2012)

Article 32. Making expenses-related deductions from gross revenue

1. The deduction from gross revenue in the amount of expenses (material, work remuneration, social insurance, cumulative payment made by the employer for the employee within the framework of voluntary cumulative pension scheme established by the legislation of the Republic of Armenia, etc.) that are directly related to the production of goods and rendering of services shall be made in proportion to the sales of such goods and services.

2. The deductions from gross revenue in the amount of acquisition price of goods shall be carried out in proportion with the sales of such goods for taxpayers engaged in commercial activity.

3. The deduction from gross revenue in the amount of residual value of assets not provided by points 1 and 2 of this Article shall be carried out in proportion of the sales thereof, except for the cases referred to in the second paragraph of this part.

For the purpose of enforcing this part the residual value of non-current assets acquired (built, developed) after 1 January 2014, (except for non-current asset acquired during the year when the asset has been alienated) shall be determined by multiplying the ratio of the number of fixed assets being alienated and the number of fixed assets included in the given group of non-current assets as of the beginning of the year which includes the alienation day with the book (residual) value of the given group of non-current assets as of the beginning of the year which includes the alienation day.

4. The deductions from gross revenue in the amount of administrative costs related to the activity of a taxpayer (salaries and wages of the management staff, social insurance, secondment, material and transport services, maintenance and exploitation of technical means of management, representation, judicial, auditing and information services, training and retraining of personnel, etc.), expenses related to the sales of goods and services (packing, maintenance, loading, transportation, escort,

advertisement, marketing, etc.) other non-productive expenses (inventions, rationalization, scientific research, project and experimental design works, etc.) shall be made within the year they refer to.

5. The deductions from gross revenue in the amount of expenses related to the financial activity of a taxpayer (interests on loans and other borrowings, interests on long-term lease of property, etc.) shall be made in the year to which they refer, except for the cases provided for by legislation, when they are included in the original (acquisition) value of the asset.

6. The deductions related to the expenses referred to in points 4 and 5 of this Article shall be made also when gross revenue does not exist.

(Article 32 amended by HO-269 of 28 December 1998, HO-233-N of 24 October 2007, edited by HO-248-N of 26 December 2008, supplemented by HO-265-N of 22 December 2010, amended by HO-218-N of 12 November 2012, supplemented by HO-238-N of 19 December 2012)

CHAPTER V

PROFIT TAX RATES

Article 33. Profit tax rates for residents

1. Profit tax amount in relation to taxable profit shall be calculated at the rate of 20 percent and at the rate of 0.01 percent in relation to net assets for investment funds.

2. ***(point repealed by HO -128 of 26 December 2000)***

(Article 33 edited, amended by HO-128 of 26 December 2000, supplemented by HO-265-N of 22 December 2010)

Article 34. Payments replacing profit tax

(title edited by HO-238-N of 19 December 2012)

Turnover taxes, presumptive payments or patent fees replacing profit tax may be defined for separate payments, their groups, types of activities.

(Article 34 edited by HO-238-N of 19 December 2012)

Article 35. Taxation by different rates of profit tax

(Article repealed by HO-128 of 26 December 2000)

CHAPTER VI

PROFIT TAX PRIVILEGES

Article 36. Revenue generated from the sales of agricultural products

1. Taxpayers engaged in the production of agricultural products shall be exempt from profit tax on revenue generated from the sales of their agricultural products, as well as from the sales of fixed assets and other assets as well as other revenue provided their share in the gross revenue does not exceed 10 percent.

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

- cereals and beans;

- technical crops;

- tuberous plants, vegetables, field plants products and products of covered soil;

- fodder plants of field cultivation;

- other products of fodder production;

- products of gardens, vineyards, perennials plantations and floriculture;

- trees of trees and shrubs, as well as fruit seeds;

- sprouts of trees and shrubs;

- seedlings of trees and shrubs;

- products of cattle-breeding;

- products of pig-breeding;

- products of sheep-breeding and goat-breeding;

- products of poultry farming;

- products of horse-breeding, donkey-breeding and mule-breeding;

- products of deer-breeding and camel-breeding;

- products of rabbit-breeding, fur animal breeding and hunting;

- products of fish-breeding, bee-breeding, silkworm-breeding, of artificial reproduction.

3. When it is impossible to make accurate calculation of the revenue derived from agricultural production, it shall be calculated on the basis of net cadastral revenue data approved in accordance with the procedure established by the legislation of the Republic of Armenia.

4. ***(point repealed by HO -128 of 26 December 2000)***

(Article 36 supplemented, amended, edited by HO-269 of 28 December 1998, amended by HO-128 of 26 December 2000)

Article 36[1]. Revenues of Deposit Guarantee Fund

The Deposit Compensation Guarantee Fund established by the Law of the Republic of Armenia on “Guarantee of bank deposit compensations to natural persons" shall be exempt from profit tax in terms of the following revenue:

(a) regular, lump sum and additional guarantee payments paid in a procedure established by the Law of the Republic of Armenia on "Guarantee of bank deposit compensations to natural persons” by commercial banks;

(b) amounts received from the banks based on claims made to banks and compensated to natural persons by the Fund;

(c) incomes derived from investments in the following assets:

- state securities of the Republic of Armenia;

- bank deposits and/or bank accounts in the Central Bank of the Republic of Armenia and foreign leading high rating banks;

- securities of the Central Bank;

- standard gold bars;

- securities of governments of countries with high rating and/or Central Banks thereof;

- securities of leading organisations and/or banks with high rating;

(d) by the decision of the board of trustees of the Fund and at the consent of the board of Central Bank of the Republic of Armenia — in other financial assets.

(Article 361 supplemented by HO-149-N of 24 November 2004)

Article 36.2. Payment of profit tax by Pan-Armenian Bank

1. The Pan-Armenian Bank shall be exempt from profit tax.

(Article 36.2 supplemented by HO-32-N of 26 December 2008)

Article 36.3. Revenue derived from the sales of handmade carpets

Taxpayers engaged in the production of handmade carpets shall be exempt from profit tax in terms of the revenue derived by them from the sales of handmade carpets.

(Article 36.3 supplemented by HO-68-N of 19 March 2009)

Article 36.4. The payment peculiarities of profit tax paid by the Bureau established on the basis of the Law of the Republic of Armenia "On compulsory insurance of the liabilities arising from the use of motor vehicles"

1. The Bureau established on the basis of the Law of the Republic of Armenia "On compulsory insurance of responsibility arising from the use of motor vehicles" shall be exempt from profit tax in terms of all payments made to the Guarantee fund (hereinafter referred to as "Guarantee fund") established within the Bureau in accordance with that Law, as well as all the sums received in favour of the Guarantee fund, including the revenue gained from the investments made from the means of the Guarantee fund.

(Article 36.4 supplemented by HO-68-N of 18 May 2010)

Article 36.4. Revenues of the guarantee fund

1. The Guarantee fund established by the Law of the Republic of Armenia "On cumulative pensions" shall be exempt from profit tax in terms of the following revenues:

a. regular and lump-sum guarantee payments paid by the managers of the pension fund in accordance with the procedure established by the Law of the Republic of Armenia "On cumulative pensions";

b. amounts compensated to the participants by the Guarantee fund and amounts gained therefrom based on the claim against the managers of the pension fund;

c. revenues gained from the investments.

(Article 36.4 supplemented by HO-265-N of 22 December 2010)

Article 37. Public, religious and other not-for-profit organisations; political parties of the Republic of Armenia

(title amended by HO-269 of 28 December 1998)

(Article 37 amended by HO-269 of 28 December 1998, repealed by HO-128 of 26 December 2000)

Article 38. Payments to the Disabled

When determining taxable profit of a taxpayer, the gross revenue shall be deducted in the amount of 150 percent of salaries and wages and other payments deemed equal thereto for each salaried disabled person employed by the taxpayer.

Article 38.1. Accrued pension voluntary cumulative contributions made for a hired employee

1. When determining taxable profit of a taxpayer, the gross revenue shall be deducted in the amount of 50 percent of the accrued pension voluntary cumulative contributions made by the taxpayer for each hired employee but not more, than in the amount of 2.5 percent of employee's salary and other equal payments. The deduction prescribed by this Article, together with permissible amount of deduction defined by point (f)(1) of Article 16 of this Law should not exceed the amount of 7.5 percent of the salary of the given hired employee and other equal payments.

(Article 38.1 supplemented by HO-265-N of 22 December 2010)

Article 39. Privileges of a resident with foreign investments

1. If the total value of investment actually made by the foreign investors in the statutory capital of a resident with foreign investments (except for banks and credit organisations) makes up at least 500 million Armenian drams as of 1 January 1998, the amount of profit tax of that resident shall be deducted:

Year of filing up the portion determined for foreign investments in the statutory capital of the resident	Deducted amount of profit tax of the resident with foreign investments	
	by 100 %	by 50 %
1998	1999 and 2000	2001-2008 including
1999	2000 and 2001	2002-2009 including
2000	2001 and 2002	2003-2008 including
2001	2002 and 2003	2004-2007 including
2002	2003 and 2004	2005-2006 including
2003	2004 and 2005	
2004	2005 and 2006	
2005	2006 and 2007	
2006	2007 and 2008	
2007	2008 and 2009	

In case a taxpayer is liquidated within the period of privilege stipulated by this point, the amount of profit tax for the period of this privilege shall be calculated at the full rate — for the whole period of activity.

For the purposes of applying this Article:

(a) the inflow of assets and/or decrease in liabilities directed to the establishment and replenishment of the statutory capital, as well as the privatisation of state property shall be deemed to be investment;

(b) property investments shall be subject to state registration and/or notary certification and/or independent expertise in accordance with the procedure established by this Law.

The privilege provided for by this Article shall not apply to investments in intangible assets.

2. In case the profit tax privileges are granted to enterprises and banks with foreign investment by law and other legal acts before 1 January 1998, a taxpayer may enjoy the privilege defined by point 1 of this Article at his/her discretion up to the expiration of the period established by a given law or other legal acts on the basis of a statement submitted to tax inspection bodies.

(Article 39 edited by HO-216 of 5 May 1998, supplemented by HO-286-N of 14 December 2001, HO-487-N of 11 December 2002)

Article 39[1]. Profit tax in free economic zone

The amount of the gross revenue of the current year derived from of a taxpayer performing an operation in free economic zone in the territory of the Republic of Armenia in the manner prescribed by law shall be deducted by 100 percent for the period of performing operation in free economic zone.

(Article 391 supplemented by HO-330 of 29 May 2002, edited by HO-196-N of 25 May 2011)

Article 39.2. Profit tax of resident companies listed in the stock exchange operating in the territory of the Republic of Armenia

1. Resident companies having listed their common nominal shares in a manner stipulated by law at the stock exchange operating on the territory of the Republic of Armenia and meeting the requirements stipulated by the second part of this Article

(except for the residents applying tariffs regulated by the state) by 31 December 2012 shall be enjoy the privilege to reduce their profit tax of the reported years by 50 percent in a manner and period stipulated by this Article but not more than 300 million Armenian drams for each year.

2. The privilege defined by the first part of this Article shall apply to the resident company, whereof:

(1) 20 percent and more of shares are publicly owned on a yearly average; and

(2) the financial reports are compiled and published in accordance with the international financial reporting standards;

(3) the number of shareholders is 100 and more on a yearly average.

3. The privilege provided for by this Article shall apply in the year when all the conditions defined in part 1 and 2 of this Article simultaneously exist as well as during two reporting years following that year.

4. For the purposes of enforcement of this Article:

(1) publicly owned shares is the entire set of company issued shares owned by:

(a) those persons, who together with their affiliated persons have 5 and more percent of participation with voting right in the statutory capital of the issuer;

(b) members of the management bodies of a given resident company and/or their affiliated persons;

(c) the daughter enterprise of the given resident company, members of the management bodies thereof and their affiliated persons;

(d) Republic of Armenia;

(e) the given resident company;

(2) on a yearly average the proportion of publicly owned shares constitutes 1/12 of the sum of publicly owned shares (expressed in percentages) as of the last day of the months of the given year;

(3) on a yearly average the proportion of publicly owned shares constitutes 1/12 of the sum of publicly owned shares (expressed in percentages) as of the last day of the months of the given year;

(4) affiliation is acknowledged according to the meaning of the Law of the Republic of Armenia on "Securities market";

(5) members of the management body are the chairman of the board, members of the board, chairman of the administration, members of the administration, director, general director, executive director, deputy director, deputy general director, deputy executive director, chief accountant, members of directorate, chairman of control committee, members of control committee, chief controller, controller of the issuer.

5. The unpaid amount of profit tax (or paid in reduced amount) due to the privilege as well as penalties calculated in the amount and in a manner defined by tax legislation for the period of privilege shall be charged from resident companies that have been granted tax privilege defined in the first part of this Article, where during the period of privilege or in the following three consecutive years:

(1) the common nominal shares issued by a resident company are unlisted (including as a consequence of restructuring of the resident company);

(2) the resident company is liquidated (except for liquidation as a result of bankruptcy);

(3) the resident company does not ensure at least 20 percent of publicly owned shares on a yearly average;

(4) the resident company has not compiled financial reports and did not publish them in accordance with the international financial reporting standards.

6. The stock exchange operating on the territory of the Republic of Armenia shall submit information to the State Revenue Committee under the Government of the Republic of Armenia by the 1st date of the second month following each quarter in a manner stipulated by the Government of the Republic of Armenia on resident companies that have listed common nominal shares in the stock exchange operating in the territory of the Republic of Armenia.

(Article 39.2 supplemented by HO-153-N of 11 June 2009)

Article 39.3. Privileges approved by the Government of the Republic of Armenia for the residents conducting business projects

1. The profit tax of the year of launching the business plan and of following two reporting years of the residents conducting business project approved by the Decision of the Government of the Republic of Armenia (except for the resident operating in trade or financial sector) shall be reduced in the amount of 100 percent of additional salaries calculated during the relevant years in terms of the new jobs created within the framework of the business project and equivalent payments, but not more than 30 percent of the actual profit tax calculated for the relevant reporting year.

2. The procedure for approval of the business projects, as well as calculation of the additional salaries as defined by part 1 of this Article shall be established by the Government of the Republic of Armenia.

(Article 39.3 supplemented by HO-238-N of 19 December 2012)

Article 40. Deferral of payment of the profit tax

(Article repealed by HO-128 of 26 December 2000)

Article 40[1].

The time period of profit tax payment for the supply of drinking water, removal and cleaning of muddy waters conducted by 1 January 2009 as well as for services (transactions) rendered to population in regard to irrigation water supply, to urban and rural communities of the Republic of Armenia, water user companies, unions of water user companies, condominiums, person rendering service (management) to multi-block buildings by 1 January 2011, also, in accordance with the Law of the Republic of Armenia "On procurements", for goods supplied and services rendered within the framework of state procurements shall be deferred until the reporting period of payment for the realisation thereof.

(Article 40[1] supplemented by HO-286 of 14 December 2001, HO-55-N of 25 December 2003, amended by HO-258-N of 16 December 2005, HO-217-N of 27 November 2008, HO-180-N of 7 December 2010)

Article 41. Tax privileges defined by certain laws

Other privileges of profit tax exemption prescribed by tax legislation of the Republic of Armenia may be established by Law.

CHAPTER VII

TAX ACCOUNTING

Article 42. Accounting on the accrual basis

When determining the taxable object, accounting of revenues and expenses shall be carried out on the accrual basis.

When accounting is conducted on the accrual basis, the taxpayer keeps accounting of revenues and expenses from the moment of the acquiring the right to receive such

revenue or recognising the expense respectively, irrespective when the revenue was actually received or the payments was made.

Article 43. Peculiarities of accounting of revenues on the accrual basis

When conducting accounting of revenue on the accrual basis, a taxpayer shall take into consideration the following peculiarities:

(a) the right to generation of revenue is deemed acquired if the appropriate amount is subject to unconditional payments (compensation) to a taxpayer or when the taxpayer has fulfilled the liabilities arising from a transaction or a contract even if the time of fulfilling such right is deferred or the payments are made in parts;

(b) in case a taxpayer renders services, the mentioned right is deemed acquired from the moment of completing the provision of services arising from the transaction (also in stages);

(c) in case of receiving revenue in the form of interest or from the lease of the property, the right to receive revenue is deemed acquired from the moment when the debt period or the lease contract expires. If the expiration period of the debt or lease contract includes several reporting periods, the revenue for the reporting periods shall be distributed among the periods when such revenue has been accrued.

(d) in case of alienation of buildings, constructions (including not completed or semi-completed), residential or other areas, the right to receive revenue is deemed acquired as of the day of completing the transaction. When determining taxable profit except for alienation to the state in the form of confiscation, donation or any other manner, the revenue from the alienation of buildings, constructions (including not completed and semi-completed), residential and other areas shall be calculated for the purposes of property tax in the amount which is not less than the value determined for them in a manner stipulated by law. In case of compensation in a lesser amount than

that, the difference shall be considered as a liability discharged to the new owner as of the day of completing the transaction.

When determining taxable profit for buildings, constructions (including not completed and semi-completed), transactions for lease of residential and other areas or for granting such areas for gratuitous use (except for cases when they are given for lease or gratuitous use to the state), the revenue shall be determined according to their value defined in accordance with law for the purposes of property tax, and in case such value is non-existent, in the amount not less than 5 percent of the value corresponding to the share of the area given for lease or gratuitous use in the total space of the object of taxation for property tax purposes, calculated on an annual basis. In case of compensation less than that amount, the difference is considered as a liability discharged to the leaser (borrower).

(Article 43 supplemented by HO-190-N of 27 November 2006, HO-147-N of 21 August 2008, edited, supplemented by HO-248-N of 26 December 2008)

CHAPTER VIII

TAX CALCULATION PROCEDURE AND PAYMENT TERM

Article 44. Determination of the profit tax amount

1. Taxpayers shall determine the profit tax amount according to the results of each year by the rates defined in Chapter 5 of this Law.

2. For the purposes of calculating the profit tax in cases stipulated by Article 22 of the Law of the Republic of Armenia "On taxes", the tax inspection body shall enjoy the right provided for by the second part of the same Article.

Article 45. Payment of profit tax in a centralised manner

The Government of the Republic of Armenia may define the list of enterprises that shall be allowed to calculate profit tax, submit reports and make payments in a centralised manner.

Article 46. Filing of profit tax calculations

(title edited by HO-238-N of 19 December 2012)

By 15 April of the year following the reporting year profit taxpayers shall submit profit tax calculation by the results of each year, approved by the tax authority in a prescribed manner to the tax inspection body of their place of registration.

(Article 46 supplemented by HO-128 of 26 December 2000, amended by HO-222-N of 5 December 2006, supplemented, amended by HO-147-N of 21 August 2008, edited by HO-189-N of 8 December 2010, HO-238-N of 19 December 2012)

Article 47. Profit tax advance payments of residents

1. A taxpayer shall be obliged to make profit tax advance payments during a year in a manner stipulated by this Article.

For taxpayers enjoying profit tax reduction privilege in the current year (including periodic), the value of advance payments determined according to this Article shall be deducted in the amount of profit tax reduction for a given year (in percentages) during the period of privilege. For taxpayers enjoying the privilege of deferral of the payment of profit tax, the advance payments proportional to the calculated and deferred profit tax amounts shall be deferred until the period that follows the reporting period of receiving amounts relating to previous years.

2. Advance payments shall be made every quarter, in the amount of 18.75 of the actual amount and/or estimated amount of profit tax, not later than on the 15th day of the last month of the quarter.

Except for cases provided for in point 5 and 6 of this Article, the positive balance between the profit tax amount calculated by rates applied to profit tax of the previous year and the accrued profit tax amounts paid on revenue generated in foreign states in the previous year as well as the amounts of profit tax in the turnover tax, presumptive payment and/or patent fees of the previous year in accordance with Article 52 of this Law shall be considered as the base for calculating advance payments of the current year taking into consideration the peculiarities defined in point 1 of this Article for the taxpayers enjoying the privilege of deferral of profit tax.

In case of failure to make advance payments in due time, the tax inspection bodies shall make claims on such advance payments and penalties accrued thereon in a manner stipulated by legislation.

3. ***(part repealed by HO-238-N of 19 December 2012)***

4. The taxpayer who submitted a declaration to the tax authority on non conducting activity (suspending its activity) may not make profit tax advance payments after submitting such declaration.

5. Prior to calculation of the actual amount of profit tax for the preceding year, a taxpayer shall make monthly advance payments of the profit tax in the amount constituting not less than the last advance payment in the preceding year.

After the amounts of the actual profit tax for the previous year have become known, the amounts of advance payments, which were made during the current year prior to the submission of calculations, shall be verified during the first advance payment following the submission of profit tax calculation — in total amounts accruing from the beginning of the year and by the rates referred to in point 2 of this Article.

6. ***(part repealed by HO-238-N of 19 December 2012)***

(part deleted by HO-128 of 26 December 2000)

(part deleted by HO-128 of 26 December 2000)

7. After the reporting year ends the taxpayer shall calculate the profit tax amount based on the calculated taxable profit and offset the amounts of the advance payments for the given reporting year thereto.

8. Where the actual amount of profit tax is less than the total amount of the advance payments for the given year, the balance shall be refunded to the taxpayer in accordance with Article 33 of the Law of the Republic of Armenia "On taxes". In this case the calculation of penalties on the advance payments shall be stopped on the day when the actual amount of the tax becomes known to the tax inspection body (the day of submitting the calculation of the profit tax) but not later than 25 April. The amounts of penalties accrued on the advance payments shall not be subject to recalculation or refund.

9. In case the total amount of advance payments is less than the amount of actual profit tax for the reporting year, recalculation shall be made only in terms of profit tax and the taxpayer shall be obliged to pay the difference to the state budget. In this case the calculation of penalties on the advance payments shall be stopped from the day when the amount of actual profit tax becomes known to the tax inspection body (the day of submitting calculation on profit tax). In case of delayed payment of the profit tax, the calculation of penalties shall start from 25 April in terms of the outstanding amount of profit tax at the rate provided for by 23 Article of the Law of the Republic of Armenia "On taxes".

10. The provisions of this Article shall not apply to investment funds.

(Article 47 supplemented, amended by HO-269 of 28 December 1998, amended by HO-128 of 26 December 2000, supplemented by HO-487-N of 11 December 2002, HO-147-N of 21 August 2008, edited, amended by HO-189-N of 8 December 2010, supplemented by HO-265-N of 22 December 2010, amended by

HO-301-N of 29 November 2011, amended, edited by HO-238-N of 19 December 2012)

Article 47[1]. Minimum profit tax amount

(Article repealed by HO-238-N of 19 December 2012)

Article 48. Payment peculiarities of profit tax by taxpayers being in insolvency process

1. According to the legislation governing the insolvency of banks, credit institutions, investment company and insurance companies, a taxpayer bank (credit institution, investment company or insurance company) shall suspend the payments of profit tax beginning from the day when a court decision on the liquidation of a bank (credit institution, investment company and insurance company) and on appointment of the liquidation administrator enters into force until it is turn to satisfy the claims to state budget according to the succession of the satisfaction of creditor claims established by law.

2. In accordance with the legislation governing insolvency of organisations, the profit tax payments shall be suspended from the moment a court decision enters into force on taxpayer's insolvency until it is the turn to satisfy state budget claims pursuant to the succession of the satisfaction of creditor claims established by law.

(Article 48 amended by HO-128 of 26 December 2000, supplemented by HO-487-N of 11 December 2002, amended by HO-189-N of 09 April 2007, HO-203-N of 11 October 2007)

Article 49. Payment peculiarities of profit tax by taxpayers being in liquidation process

The payments of profit tax of a taxpayer being in the process of liquidation that has not passed the process of insolvency shall be suspended from the day the decision on liquidation enters into force until it is the turn to satisfy the state budget claims pursuant to the succession of the satisfaction of the creditor claims established by law.

Article 50. Payment of profit tax

A taxpayer shall be obliged to pay the profit tax to the state budget until 25 April (inclusive) of the year following the reporting year.

Article 51. Adjustment of profit tax calculations

In case a taxpayer finds errors in the profit tax calculations submitted for the previous reporting period, a taxpayer may submit an adjusted calculation to the tax inspection bodies based on which tax liabilities for the given periods shall be recalculated in accordance with the procedure established by law.

Irrespective of the provisions defined in the first paragraph of this Article, in case a taxpayer finds errors independently in the calculations of profit tax submitted for the previous reporting period, a taxpayer may submit an adjusted calculation of the profit tax to the tax inspection bodies in a manner stipulated by law, provided the adjustment is made for the purpose of listing the common, nominal shares issued by a taxpayer in the stock exchange operating on the territory of the Republic of Armenia. Moreover, penalties in the procedure and amounts stipulated by the tax legislation shall be calculated and charged in respect to a taxpayer based on the adjusted calculation submitted for the purpose of listing shares in case the common nominal shares issued by a given taxpayer have not been listed in the stock exchange operating on the

territory of the Republic of Armenia until the period defined by the first part of Article 39.2 of this Law or in case any of the conditions defined in the fifth part of Article 39.2 of this Law is in place.

(Article 51 supplemented by HO-153-N of 11 June 2009, edited by HO-238-N of 19 December 2012)

Article 52. Offset of the amount of profit tax paid from the revenue received in foreign countries

The profit tax levied on the amount of profit of a taxpayer in the Republic of Armenia shall be reduced in such amount of the profit tax which has been charged from the residents in foreign countries in accordance with the legislation of the respective countries. Moreover, the deducted amount of the profit tax may not exceed the profit tax amount subject to payment in the Republic of Armenia under this Law from the revenue received in foreign countries.

Where the amount to be deducted in accordance with the first part of this Article exceeds the profit tax liabilities based on the results of the reporting periods, the exceeding amount shall be deducted from profit tax amounts of the next years.

(Article 52 supplemented by HO-128-N of 26 December 2000)

Article 52[1]. For the residents of the Republic of Armenia who are profit taxpayers for the reporting time and in cases and procedure stipulated by law for the payers of presumptive payment replacing the profit tax, the amount of the presumptive payment for the reporting month shall be deducted for certain groups of citizens by law or in cases stipulated by law shall be discounted at rates established by the Government of the Republic of Armenia or shall be deducted in the amount of non-received revenue due to services rendered free of charge, except where:

(a) subsidy is foreseen for a taxpayer for the reporting year under the Law of the Republic of Armenia "On state budget";

(b) a given taxpayer has received the right to render such services based on an appropriate license or through a tender and it has been foreseen under the license or a tender that the damages caused to certain group of citizens due to rendering free of charge services or services with discounted tariffs stipulated by the Government of the Republic of Armenia in accordance with law or in cases provided for by law are not subject for compensation.

(Article 521 supplemented by HO-451-N of 06 November 2002)

SECTION 2

TAXATION OF THE NON-RESIDENT

CHAPTER IX

GENERAL PROVISIONS

Article 53. Revenue received from the Armenian sources

1. For the purposes of this Law, revenues received from the Armenian sources shall include:

(a) revenues received from entrepreneurial activities carried out by a non-resident on the territory of the Republic of Armenia;

(b) passive revenues of a non resident received from a resident or a non-resident;

(c) other revenues received by a non-resident on the territory of the Republic of Armenia;

(d) revenues gained from rendering services referred to in part 5 of this Article to the resident of the Republic of Armenia beyond the territory of the Republic of Armenia or to the another non-resident's separated subdivision registered in the Republic of Armenia.

2. The revenues received from entrepreneurial activities on the territory of the Republic of Armenia shall include in particular:

(a) revenue received from the sales of goods and products, provision of services in the Republic of Armenia, irrespective of the place of payment;

(b) revenues received from the mediation activity in the Republic of Armenia;

(c) revenues received from management, financial and insurance services provided such revenues are recognised as expenses for the paying subdivision or place.

3. Passive revenues shall include revenues received by a non-resident exclusively from the activity of third parties on the territory of the Republic of Armenia through the investment (provision) of its property or other assets; i.e.:

(a) dividends;

(b) interests;

(c) royalties;

(d) revenue received from lease of property located in Armenia;

(e) surplus of property value and other assets received from the alienation of property and other assets located in Armenia;

(f) other passive revenue.

4. Other revenues shall include revenues other than those mentioned in the previous point of this Article, which have been received in particular from the following sources:

(a) management services;

(b) provision of necessary assistance for the effective use of property or effective exercise of granted rights;

(c) provision of necessary assistance in installation and exploitation of equipment, assembly lines, mechanisms and devices;

(d) insurance payments received as a result of insurance, unless otherwise provided by the legislation of the Republic of Armenia, as well as insurance indemnities;

(e) consultation, assistance and other services related to the management of any scientific, industrial or commercial project, plan, process and joint action;

(f) consultations and services rendered by foreign companies to their daughter enterprises with regard to the entrepreneurial activities of the latter in the Republic of

Armenia, as well as consultations and services rendered by the head office of a non-resident in favour of its subdivision;

(g) freight of goods;

(h) import of goods from foreign countries on terms of commercial mediation with enterprises and realisation thereof in the Republic of Armenia. Moreover, in this case the difference paid to a non-resident between the price established by the latter and a more profitable price (at which the mediator enterprise actually implemented the sales of goods supplied for sales) or the part of difference belonging to a non-resident, shall be deemed revenue from the sources of Armenia.

5. Revenues received from rendering services to the resident of the Republic of Armenia beyond the territory of the Republic of Armenia or other non-resident's separated subdivision registered in the Republic of Armenia shall include revenues received from consultation, legal, accounting, management, expertise, marketing, advertisement, translation, engineering or other similar services.

(Article 53 amended by HO-269 of 28 December 1998, supplemented by HO-238-N of 19 December 2012)

Article 54. Subdivision and place of business of a non-resident

1. The separate subdivision of a non-resident registered in the Republic of Armenia shall be deemed to be the subdivision of a non-resident.

2. The place of business of a non-resident is the actual place where a non-resident, having no separate subdivision in the Republic of Armenia, carries out its entrepreneurial activity.

A place of business may include offices, agencies, plants, factories, workshops, pits, mines, oil and gas wells, sites of exploring, extracting and exploiting natural resources, sites of construction, installation, mounting, regulation, assembly and research work ,

of service of equipment, consultation and other professional services as well as the sites for supervision of such works.

Where a non-resident carries out its activity through an entrepreneurial agent, the place of business of the entrepreneurial agent shall be deemed a place of business of a non-resident.

3. Entrepreneurial agent is a legal persons considered to be a resident, an enterprise lacking legal capacity or a natural person whose activity is controlled by a non-resident through a contract of authorisation, trust administration contract, a power of attorney or in any other way and who performs the activity for a non-resident (authorising person), particularly, for the following purposes:

(a) organisation of purchases, making purchases and signing of other agreements;

(b) establishment of contractual agency relations with third parties, regular accumulation and storage of goods belonging to the authorising person, delivery of such goods to other persons on behalf of the authorising person;

(c) representation of the authorising persons when signing commercial contracts or performing purchase orders.

CHAPTER X

DETERMINATION OF TAXABLE PROFIT FOR A NON-RESIDENT

Article 55. Peculiarities of determining a taxable object

1. For the purposes of this Law, the activity with regard to the import of goods belonging to a non-resident into the Republic of Armenia (in case of availability of customs documents for the goods and absence of entrepreneurial mediator-agents in the given operation) performed exclusively on behalf of a non-resident, in case of which the resident becomes the owner of the goods before they cross the state border of the Republic of Armenia, shall be deemed to be an external economic activity.

2. Income received from the external economic activity of a non-resident, as well as income received from operators of free economic zone on the territory of the Republic of Armenia shall not be subject to taxation.

3. In case a non-resident and a third person establish and determine conditions other than those usually existing in the similar transactions, the tax inspection bodies may make tax adjustments in accordance with the procedure established by the tax legislation in respect of any revenue which might have been accrued by the taxpayer, but was not, due to the current conditions.

4. In case a non-resident carries out activities not only within but beyond the Republic of Armenia without keeping separate accounting, thereby preventing the determination of the taxable profit derived from the activity carried out through the subdivision, or place of business, the taxable profit may be determined on the calculation basis according to a method agreed between the tax inspection body and the taxpayer. The agreed method shall serve as a basis for determination of the taxable profit unless there is a weighty reason for changing.

5. The taxable profit derived from the activity of a subdivision or a place of business in the Republic of Armenia may be determined based on the share of the total revenue from the sales of goods (services) derived from the gross revenue of the activities of a non-resident in the Republic of Armenia as well as on the share of expenses with regard to the activities in the Republic of Armenia in the total expenses of a non-resident or the share of the employees employed in the Republic of Armenia in the total staff of a non-resident.

6. For the purposes of calculating the profit tax in cases stipulated by Article 22 of the Law of the Republic of Armenia "On taxes", the tax inspection body shall enjoy the right provided for by the second part of the same Article.

(Article 55 supplemented by HO-196-N of 25 May 2011)

Article 56. Deductions from the gross revenue

1. When determining the taxable profit of a subdivision or a place of business, a non-resident may make a deduction in the amount of expenses made for the purposes of its subdivision or a place of business in the Republic of Armenia or in the amount of losses occurred due to the activity carried out in the Republic of Armenia — on the basis of an annual income calculation submitted according to the procedure stipulated by this Law. Moreover, distribution of the expenses supported by documents and the actual losses may be allowed to make between the non-resident and its subdivision or a place of business in the Republic of Armenia. The distributed expenses shall include, in particular, management and general administrative expenses incurred both within and beyond the Republic of Armenia.

2. When determining the taxable profit of a subdivision, its gross revenue shall be deducted in the amount of other deductions defined by this Law except for those defined in Articles 24, 25 and 26 of this Law.

3. Revenue received by a non-resident from the Armenian sources may be recognised by the tax inspection body a result of entrepreneurial activity performed by a non-resident through a place of business in the Republic of Armenia in case documents confirming this entrepreneurial activity are submitted by a non-resident to the tax inspection body.

(Article 56 amended by HO-189-N of 08 December 2010)

CHAPTER XI

PROCEDURE AND TERM OF CALCULATION AND PAYMENT OF PROFIT TAX OF A NON-RESIDENT

Article 57. Profit tax rates for non-residents

1. Taxation of revenues from the Armenian sources by a non-resident in the Republic of Armenia shall be carried out by a tax agent performed at the source of revenue

payment. Tax agents shall withhold (levy) the profit tax at the source of payment from the revenues received by a non-resident from the Armenian source in a procedure stipulated by Article 64 of this Law at the following rates:

Revenue type:	Amount of profit tax in percentages
insurance indemnities; reinsurance; payments and revenues received from transportation (freight);	5
dividends, interests, royalties, revenue derived from leasing property; increase in the value of property and other passive revenues (except for revenues received from transportation (freight));	10
(row deleted by HO-128 of 26 December 2000)	
services rendered by non-residents, as well as revenues received from the services rendered to residents of the Republic of Armenia beyond the territory of the Republic of Armenia or other non-resident's separate subdivision registered in the Republic of Armenia	20

Dividends received by non-residents from the Pan-Armenian bank shall be subject to taxation at zero rate.

The revenues received by non-residents in a form of interests from the foreign currency state bonds of the Republic of Armenia or in a form of discount during redemption, as well as revenues received from the alienation of the mentioned bonds, conversion of other securities or other similar transaction shall be exempt from profit tax.

In case of not receiving the outcome for the advance payments made by the taxpayers to the organisations registered in offshore zones for the goods or fixed assets acquired from them within a year following the day of making the advance payments, the profit tax on advance payments shall be calculated at the rate of 20 percent. The list of offshore zones (countries) shall be determined by the Government of the Republic of Armenia.

2. The amounts withheld (levied) by a tax agent at the mentioned rates shall be deemed to be the final amount of profit tax paid by a non-resident in Armenia except for the case when the non-resident carries out activity in the Republic of Armenia through a place recognised by the subdivision or the tax body and this revenue is the result of the activity of the subdivision or the place of its business.

3. When it is impossible to withhold (levy) the tax at the source of revenue payment (i.e., in case of absence of a tax agent), the non-resident receiving revenues from the Armenian source shall be liable to make profit tax payment to the state budget of the Republic of Armenia in accordance with the procedure and terms defined in Articles 60-63 of this Law based on the rates referred to in point 1 of this Article.

(Article 57 amended, supplemented by HO-243 of 6 July 1998, HO-128 of 26 December 2000, supplemented by HO-286 of 14 December 2001, HO-217-N of 11 October 2007, supplemented by HO-248-N of 26 December 2008, HO-32-N of 26 December 2008, amended by HO-193-N of 27 October 2009, supplemented by HO-301-N of 29 November 2011, amended, supplemented by HO-238-N of 19 December 2012, supplemented by HO-96-N of 10 September 2013)

Article 58. Exemption from withholding profit tax at the source

In case the revenues paid to the non-resident from the Armenian sources are generated from the activity of a subdivision, the subdivision shall submit a statement to the tax agent approved by an appropriate tax inspection body of the Republic of Armenia on the registration at the tax inspection body of the Republic of Armenia and on the availability of a taxpayer's registration number, thus, being exempted from the withholding (levying) of profit tax except at the source for cases when the profit tax is withheld at the source of dividend payment in cases stipulated by this Law.

Article 59. Profit tax advance payments of non-residents

In case the amount of the profit tax of a non-resident carrying out activities through a subdivision exceeds 2 million Armenian drams for the preceding year, the non-resident shall make advance payments of the profit tax in equal part every six months of a year in the amount of ¼-th of the actual amount of the profit tax for the preceding year up to 1 July and 31 December of the reporting year.

Article 60. Calculation on annual revenues

(title edited by HO-189-N of 8 December 2010)

1. A non-resident shall submit a calculation on the annual revenues to the tax inspection bodies — in a format approved by the superior tax authority — not later than 15 April of the year following the reporting year, which shall include all revenues received from the Armenian sources.

2. When the activity of a non-resident is terminated prior to the end of the calendar year, the mentioned documents shall have been submitted within one month beginning from the day of the termination of the activity.

2. When the activity of a non-resident is terminated prior to the end of the calendar year, the mentioned documents shall have been submitted within one month beginning from the day of the termination of the activity.

(Article 60 amended by HO-269 of 28 December 1998, edited by HO-189-N of 8 December 2010)

Article 61. Calculation of the profit tax by a non-resident

1. A non-resident having a subdivision or place of business in the Republic of Armenia shall produce the calculation of the profit tax independently which is reflected in the

calculation of annual revenues taking into account the provisions of this Law and based on the rates defined in Article 33.

2. The amount of profit tax subject to payment in the reporting year shall be determined as the difference between the amount of the annual profit tax received from the activity and the amount of half-year advance payments (in the defined cases also in the amount of the profit tax withheld in the Republic of Armenia).

3. In case a non-resident finds errors in the annual revenues calculations submitted for the previous reporting period, the non-resident may submit an adjusted annual revenues calculation to the tax inspection bodies based on which tax liabilities for the given periods shall be recalculated.

(Article 61 edited by HO-189-N of 08 December 2010)

Article 62. Notification for profit tax payment

(Article repealed by HO-189-N of 8 December 2010)

Article 63. Final settlement

After calculations (final settlement) in a prescribed manner, the profit tax which should be additionally paid to the budget, shall be paid or the overpayment shall be compensated until 25 April (inclusive) following the reporting year in a manner prescribed by the legislation of the Republic of Armenia.

(Article 63 edited by HO-189-N of 8 December 2010)

Article 64. Withholding of the profit tax at the source

In accordance with Article 57 of this Law, the withholding (levying) of the profit tax at the source shall be performed by a tax agent from the total amount of the revenue

(including in cases of cash and non-cash payment, payment by property, offset of receivables and payables, reformulation of the debts or renewal of the debts, as well as assignment of the right by the non-resident to a person, which is not a tax agent to claim the revenues to be received by the Armenian sources in terms of t) paid to a non-resident.

(Article supplemented by HO-238-N of 19 December 2012)

Article 65. Recalculation of revenues received in-kind

In case of paying revenues in-kind (including barter transactions), the tax agent shall recalculate the revenues in Armenian drams and pay the profit tax to the budget according to the procedure and terms stipulated by the legislation of the Republic of Armenia.

Article 66. Term for paying the profit tax amounts withheld by a tax agent and for submitting the calculations

The profit tax amount withheld (levied) in accordance with Article 64 of this Law shall be paid to the budget by a tax agent on the 20th day of the month following the month of paying the revenues to the non-resident. Moreover, once in a year a tax agent shall be obliged to submit summary calculation (report) in an established format to the tax inspection of its place of registration not later than on 20 February of the following year on the revenues paid to a non-resident in the previous quarter and on the amounts of profit tax withheld and paid to the budget (on monthly bases).

In case the tax agent finds errors in the summary calculations submitted for the previous reporting periods independently, the tax agent may submit an adjusted calculation to the tax inspection bodies based on which the tax liabilities for that period shall be recalculated.

(Article 66 edited, supplemented by HO-286 of 14 December 2001, amended, edited by HO-210-N of 22 December 2010)

Article 67. Provision of a statement on paid taxes

Upon the application of a non-resident, the tax inspection body shall issue a respective statement on the paid taxes by a non-resident in the Republic of Armenia in accordance with this Law.

The profit tax amount in the mentioned statement shall include also the amount that was to be paid in the Republic of Armenia, but was not, due to exercising tax privileges defined by this Law.

Article 68. Tax inspections

The tax inspection bodies shall be entitled to check financial, accounting and tax activities of a non-resident carrying out entrepreneurial activity through a subdivision or a place of business and check the accuracy of withholding the profit tax by a tax agent and payment thereof to the budget.

SECTION 3

FINAL PROVISIONS

CHAPTER XII

LIABILITY FOR VIOLATION OF THIS LAW

Article 69. Liabilities of taxpayers and their officials for violation of this Law

The taxpayers and their officials shall bear liability in a manner stipulated by the legislation of the Republic of Armenia for violation of this Law.

(paragraph repealed by HO-238-N of 19 December 2012)

In case of over reporting the losses in the profit tax statement filed to the tax body in a manner prescribed by this Law, a resident taxpayer shall be subject to a penalty in an amount of 20 percent of over reported loss. Residents shall pay the mentioned penalty to the budget within 10 days following the issuance of relevant act by the tax authority.

(Article 69 supplemented by HO-243 of 6 July 1998, HO-286 of 14 December 2001, amended by HO-55-N of 25 December 2003, amended, edited by HO-238-N of 19 December 2012)

Article 70. Liability of a tax agent

In accordance with the provisions of this Law, a tax agent shall bear tax liability (and the penalties calculated in a manner defined by the legislation of the Republic of Armenia for failure to pay the profit tax in defined time) in case of not withholding (levying) the profit tax at the source.

CHAPTER XIII

FINAL PROVISIONS

Article 71. Departmental regulatory acts on application of this Law

The departmental normative acts on for the enforcement of this Law shall be adopted by the State Revenue Committee under the Government of the Republic of Armenia in coordination with the Ministry of Finance of the Republic of Armenia.

(Article 71 edited by HO-238-N of 19 December 2012)

Article 72. Entry into force of this Law

1. This Law shall enter into force from 1 January 1998.

2. The Law of the Republic of Armenia "On profit tax" as of 18 January 1992 shall be repealed with its amendments and additions from the moment this Law enters into force.

3. ***(part repealed by HO-238-N of 19 December 2012)***

(Article 72 amended by HO-269 of 28 December 1998, HO-238-N of 19 December 2012)

CHAPTER XIV

TRANSITIONAL PROVISIONS

Article 73. Application of privileges

1. The deductions defined in Article 25 of this Law shall apply to the losses incurred after 1 January 1997.

2. Temporary privileges effective prior to the entry of this Law into force shall remain valid till the expiration of their validity period.

3. For the newly created enterprises, in case of exercising a tax privilege according to the legislation in force prior to the entry into force of this Law, the term of the privilege defined in Article 39 of this Law for a given taxpayer shall be reduced for a period assigned to that privilege until entry into force of this Law.

4. With the purpose of this Law, interests and discounted revenue gained from the treasury bonds and other state securities of the Republic of Armenia issued in 1997 shall not be deemed to be revenue.

(Article 73 supplemented by HO-216 of 5 May 1998)

Article 74. Application of amortisation allowances

1. For determining the amount of amortisation allowances defined in Article 12 of this Law in terms of fixed assets as of 1 January 1998, the minimum amortisation (residual) period after 1 January 1998 shall be determined as the product of the coefficient of non-amortisation value and the minimum amortisation period of a respective group referred to in point 2 of Article 12 of this Law:

$$Tm = (V-D) \times T/V$$

Where

Tm is the minimum amortisation (residual) period of the fixed assets acquired prior to 1 January 1998;

V is the book value of the fixed asset as of 1 January 1998;

D is the total depreciation of the fixed asset as of 1 January 1998;

T is the minimum amortisation period of a group of fixed assets defined in Article 12 of this Law.

2. The periods defined in point 2 of Article 12 of this Law shall be deemed to be amortisation period for the fixed assets acquired after 1 January 1998.

3. For the purposes of calculation of amortisation allowances, the book value of the fixed assets acquired as of 1 July 1997 or for the entities submitting annual accounts of the profit tax — as of 1 January 1997 shall be deemed to be the original value of the fixed assets taking into account the accruals on the value of the fixed assets in accordance with Article 13 of this Law.

4. Within the concession agreements for provision of services acting as of 1 January 2011, the amortisation allowances in terms of intangible asset occurred with regard to acquiring the right from the concession grantor to exploitation of the public services infrastructure (including exploitation of assets of infrastructure by the concession operator (operator) owned by the concession grantor (grantor), result of the improvement made on its separate elements or the assets (tangible or intangible) purchased or built by or transferred to the concession grantor (grantor) under the ownership right, separate elements included in their composition) shall be made for the periods following 1 January 2011 from its book (residual) value within the amortisation period. For this purpose, as of 1 January 2011taxpayers shall be obliged to determine the book value of intangible assets and residual amortisation period. The amortisation allowances relating to the periods before 1 January 2011 shall not be deducted from the gross revenue.

5. Amortisation allowances prescribed by part 4 of this Article shall be made only if, within a 90-day period following the entry into force of this Law, the agreements between the concession operator (operator) and the concession grantor are qualified as concession contracts by the authorised body of the Government of the Republic of Armenia in compliance with the standards defined by the Government of the Republic of Armenia.

6. For the purposes of this Law:

(a) concession grantor (grantor) shall mean a state or community body, which provides infrastructures of public services to an operator for a certain period of time for the purpose of the exploitation and/or maintenance of those infrastructures;

(b) concession operator (operator) shall mean a legal resident organisation, which is provided with infrastructures of public services by a grantor for the purpose of and/or improving delivering public services and which exploits and/or maintains those infrastructures for the defined period of time;

7. Recalculations in terms of amortisation allowances made before 1 January 2011 in relation to assets improved, purchased or constructed by the operator but not transferred to the grantor under the ownership right shall not be made.

(Article 74 supplemented by HO-187-N of 25 May 2011)

Article 75. Results of revaluation of foreign currency and other assets and liabilities expressed in foreign currency

Irrespective of the provisions of the second part of Article 8 and point (d) of Article 11 of this Law, the results of revaluation of the Russian rouble and other assets and liabilities expressed in Russian roubles shall be taken into account when determining the taxable profit of a taxpayer for the year of 1998.

(Article 75 supplemented by HO-269 of 28 December 1998)

Article 76. Profit tax for the years of 2008 and 2009 for separate tax payers

The profit tax subject to payment in 2008 that is calculated in a manner stipulated by this Law for taxpayers shifting from simplified taxation to general taxation due to legislative amendments from 1 January 2008 as well as the profit tax subject to payment in 2009 that is calculated in a manner stipulated by this Law for

organisations being non-VAT payers in the course of 2009 may not be less than 2 percent of gross revenue calculated for these years and more than 10 percent of gross revenue. The amounts paid in accordance with this Article shall be deemed to be final amount of profit tax for those years.

(Article 76 supplemented by HO-147-N on 21 August 2008)

President

of the Republic of Armenia **L. Ter-Petrosyan**

Yerevan

27 November 1997

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