

# Opening business in Armenia



GRATA International Law Firm  
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# Why Armenia?



Strategic geographical location (i.e. a door to Russia and the Eurasian Economic Union, a single market of 183 million people, as well as to China and to Central Asia) and ease of travel to Europe and East Asia with direct flights to major destinations;



With a range of free trade agreements, Eurasian Union membership and agreement with the EU, Armenia has access to 1.5 billion market with 0% customs duties;



Open-door policy towards foreign investments, providing for full property ownership;



A stable and growing economy with competitive cost for operating business. In 2019 the economy grew 7.6 percent, the highest recorded since 2008, the gross domestic product (GDP) amounted to 13.7 billion U.S. dollars) in 2019. Total foreign trade volume of Armenia reached 8.15 billion dollars in 2019, a year-on-year increase of 10.4 percent. Foreign trade, exports totaled 2.64 billion dollars while imports amounted to 5.51 billion dollars, increasing by 9.4 percent and 10.8 percent, respectively;



# Why Armenia?



Well-skilled and cost-efficient multilingual workforce;



Armenia is one of the least tax-burden countries in the world offering flexible taxation scheme for small, medium and large- scale investments;



The five-year grandfather clause, protecting foreign investors against investment-related legislation changes;



Unimpeded access to any sector with no restriction for personnel recruitment, free and unlimited repatriation of profits, unlimited currency exchange on market rates, and guarantees against nationalization;



Well developed international banking system.

# Legal entities for doing business in Armenia

- **Individual entrepreneur (IE)** is a natural person who has the right to implement activities, independently on his/her behalf and at his own risk, without forming a legal entity, the main purpose of which is to gain profit (income) from using property, selling goods, performing works or delivering services. Individual entrepreneurs can be the citizens of the Republic of Armenia and foreign citizens with capability, as well as those persons without citizenship, whose right of being engaged in entrepreneurial activities is not limited by law. Individual entrepreneur shall have property by the title and shall be liable for his obligations with that property;
- **Limited Liability Company (LLC)** is a Company founded by one or several persons with a Charter Capital divided into shares in amounts as determined by the company's charter shall be considered as a Limited Liability Company. A Company is a commercial organization with status of a legal person. Limited Liability Companies are the most widely used forms of legal entities;
- A Company shall have a separate property in ownership and shall be liable for its obligations with this property. The participants in a Company shall not be liable for the obligations of the Company and shall bear the risk of losses related with the activity of the Company within the value of their contributions. The number of Company participants shall not exceed 49, otherwise the company shall be subject to reorganization into Joint Stock Company within one year;
- **Joint Stock Company (JSC)** is a business company, a commercial organization, the equity of which is split into a certain number of shares certifying the responsible right of shareholders in relation to the Company. There may be two types of joint-stock companies: open joint-stock company and closed joint-stock company. Joint-stock company is deemed an open company if its shareholders have the right to alienate their shares without the consent of the other shareholders. Joint-stock company of this type may have an open subscription for and sell shares under the conditions defined by laws and other legal acts.
- ***Foreign citizens are free to establish legal entities and hold stakes in the companies without restrictions.***

# Taxation and Customs

## **Two taxation regimes : General and Special**

In the framework of general taxation, the companies pay Value added tax and Profit tax.

The special taxation regimes are Turnover tax regime and Micro entities regime.

There is a tax privilege stated by the tax legislation for the entities operating in the sphere of Information technologies.

### **Vat and profit tax**

If the company's total turnover exceeds the threshold of AMD 115 mln 20 %, VAT should be applied to the sales value as well as 18% profit tax should be calculated on the Net annual profit of the company.

### **Turnover tax**

If the company's total turnover does not exceed the threshold of AMD 115 mln it can operate in the regime of Turnover tax. 5% Turnover tax shall be applied to the total sales amount in case of IT services.

## **Employee salary taxes**

In case of VAT and Turnover tax regimes personal income tax should be paid for each employee. The flat rate for PIT is 21% calculated on the gross income of the employee (including salaries, vacation and severance payments, bonuses and other benefits). The stamp duty is calculated on gross salary or salary equivalents of the employee at the rates of AMD 1500 to AMD 15 000.

## **Micro entities' taxation**

The companies can be considered subject of Micro entities' tax regime if the company's total annual turnover does not exceed AMD 24 mln.

## **The companies that are considered Micro entities do not pay any taxes except the below taxes:**

- PIT at amount of AMD 5000 monthly for each employee, taxes and custom payments for the import of goods;
- social security fund contributions and Stamp fees at regular rates.

## **Tax privileges for the certified companies in the sphere of Information technology**

The certified companies are exempt from Profit tax. The Personal Income tax rate is 10% for each employee. The rest of the taxes (VAT, social security payment, stamp fee) remain at regular rates.

# Currency regulations / Banking

- The official currency of the Republic of Armenia is **Armenian Dram**. Prices for sale of goods (property), provision of services, payment of salaries and payments equivalent to salary, assessment of property and execution of works and use of property within the Republic of Armenia shall be quoted in dram of the Republic of Armenia.
- Prices in contracts signed between resident legal person or private entrepreneur and nonresident legal person or private entrepreneur, providing for payment through banking transfer may be quoted in foreign currency.
- The cash exchange is possible all over the country not only in commercial bank offices but also in so called exchange points, the activity of which is also being regulated by the Central Bank of Armenia. The CBA publishes the average market exchange rate on its official website on daily basis.
- The banking system of the Republic of Armenia includes the Central Bank of the Republic of Armenia, the banks operating in the territory of the Republic of Armenia (including subsidiaries), branches thereof, representations, functional offices (terminals), as well as the branches and representations of foreign banks operating in the territory of the Republic of Armenia. Among those there are 17 commercial banks in Armenia. There are banks with Russian, UK, Swiss, Lebanese and Iranian capital. Most commercial banks have their mobile applications as well as internet banking.
- As per the official information shared by the most banks it is possible to open a bank account not only for foreign legal entities but also for foreign individuals, and even via online banking tools. For the locally registered PE as well as trade organizations such as limited liability company, it is possible to open bank accounts as well get online/mobile banking activation.
- The following types of internationally recognized bank system cards are operating and/or issued in Armenia: VISA, MasterCard, UnionPay, JCB, American Express, Mir, Diners Club International. Most of Armenian banks (15) are united under the **ArCa National payments system and issue ArCa payment cards**.



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