



THE LAW OF THE REPUBLIC OF ARMENIA

ON TAXES

14.04.1997

Non official translation

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CHAPTER 1. GENERAL PROVISIONS

Article 1.

This Law shall define the concept of a tax and types of taxes, the procedure on solving the disputes about taxes in the Republic of Armenia, responsibilities for the violation of the tax legislation of the Republic of Armenia (hereinafter - tax legislation), and other legal acts regulating tax relations, as well as the principles on which the tax legislation of the Republic of Armenia and other acts regulating tax relations are based.

Article 2.

The tax relations in the Republic of Armenia shall be regulated by:

- a) the tax legislation consisting of this Law and other Laws on different types of taxes;
- b) decisions of the Government of the Republic of Armenia - in cases and within the limits determined by the tax legislation;
- c) acts adopted by the Tax Inspectorate of the Republic of Armenia (hereinafter - Tax Inspectorate), as well as (in cases defined by the Law) by other state administration bodies in cases and within the limits established by the tax legislation or the decisions of the Government of the Republic of Armenia.

If the legislative provisions (and those designed by other acts) regulating tax relations in the Republic of Armenia contain contradictions, ambiguities or may be misinterpreted, they shall be interpreted in favor of the taxpayer for taxation purposes.

Article 3.

Tax is an obligatory and non-refundable payment levied on physical and legal persons (including non-resident physical persons, institutions of foreign legal entities, branches and representative offices of foreign legal entities), institutions, local government bodies for the purposes of state and public needs, in accordance with the procedure, rates and terms established by the tax legislation.

Article 4.

Taxes defined by this Law shall be paid to the state and /or community budgets of the Republic of Armenia.

Article 5.

A unified taxation system shall operate in the Republic of Armenia. Physical and legal persons (including non-resident physical persons, institutions of foreign legal entities, branches and representative offices of foreign legal entities), institutions, local government bodies (hereinafter - taxpayers) in the Republic of Armenia must pay taxes, unless otherwise provided by the tax legislation.

Article 6.

In cases defined by the Laws of the Republic of Armenia on certain types of taxes, the tax liability may be assigned to a tax agent.

The tax agent is the legal person (including institution, branch or representative office of a foreign legal entity), individual entrepreneur, institution, local municipal entity making payments (disbursements or in kind supply) to taxpayers that is obliged by law to calculate, withhold, (collect) and pay to the RA and community budgets the taxes (including indirect) of the taxpayers from their incomes, while making payments (disbursements or in kind supply) to them.

Article 7.

The Government of the Republic of Armenia shall establish the procedure on registration of the taxpayers. The Tax Inspectorate shall perform the registration of the taxpayers.

Article 8.

The change of the tax rate, introduction or abolition of the tax shall be performed only from the beginning of a fiscal year (in case of the approval of the state budget in the course of the reporting fiscal year - from the moment of the approval), unless otherwise provided by the Law on a certain type of tax.

Article 9.

One and the same tax may be levied on the same object of taxation only once within the reporting period.

Article 10.

Taxes shall be paid in Armenian Drams according to the procedure established by the tax legislation.

Article 11.

The amount of the income (profit) received by the taxpayers of the Republic of Armenia outside the latter, the value of the property belonging to them by the ownership right shall be included in the total amount of the income (profit), total value of the property subject to taxation in the Republic of Armenia, and shall be taken into account when determining tax rates, unless otherwise provided by the tax legislation.

Taxes levied in the Republic of Armenia on the amount of the income (profit) of the taxpayers, and on the value of the property belonging to them by the ownership right shall be reduced in the amount of taxes levied on the taxpayers of the Republic of Armenia in foreign countries in accordance with their tax legislation. Along with this, the reduced amounts may not exceed the amount of tax subject to pay in the Republic of Armenia from the income (profit) received in foreign countries, or from the value of the property located in these countries.

Article 11.1.

For the purposes of taxation interrelated persons are considered individuals and legal entities that can impact the entrepreneurial activity of individuals and legal entities.

For a legal entity an interrelated person shall be:

- a member of the managerial board, as well as the sole manager;
- one of the individuals who owns the legal entity;
- individuals that are entitled to dispose of more than 20 per cent of the charter capital or the voting shares of

the organization;

- a legal entity having the right to dispose of more than 20 per cent of the charter capital or voting shares of the given organization; and
- a legal entity, including an individual or group of individuals, disposing of more than 20 per cent of the voting shares and at the same time disposing of more than 20 per cent of the voting shares of the given organization.

For individual entrepreneurs interrelated persons are:

- one of the individuals that is in one group with the individual entrepreneur;
- the legal entity in which the individual entrepreneur has the right to dispose of more than 20 per cent of the charter capital or the voting shares of the legal entity.

Within the context of this article a group of persons is considered a group of individuals/legal entities that comply with any of the following requirements:

- a person or a group of persons who, on a contractual basis (agreed behavior), have the right to dispose (including through sales, authorized management, cooperation contracts, instructions or through other transactions) – directly or indirectly – of more than 50 per cent of the charter capital or voting shares of the legal entity by procedures established by law;
- a person or a group of persons, based on contract or other manner, make it possible to foretell decisions made by other person(s) (including terms for carrying out entrepreneurial activity) or to exercise powers of the executive agency;
- a person who is entitled to assign a sole manager and/or the majority of members of the executive board of the organization and/or the majority of the managerial board members of the organization are assigned upon his/her proposal;
- the individual performs the activities of the organization's executive agency;
- the individuals elected upon nomination of the same legal entity, their spouses, parents, children, brothers, sisters and/or other persons who make the majority of managerial board members of two or more organizations or, upon suggestion of the same legal entity, are elected and make the majority of managerial board of more than one organization;
- the same individuals, their spouses, parents, children, brothers, sisters and/or legal entities who are granted the right to dispose the majority of the voting shares of more than one organization;
- individuals and/or legal entities who have the right to dispose, directly or with the help of their representatives, of more than half of voting shares of the organization's charter capital and, at the same time, the same individuals, their spouses, parents children, brothers, sisters and/or persons nominated by the same legal entity make the majority of the managerial board members of the company; or
- individuals are spouses, parents, children, brothers or sisters.

CHAPTER 2. TYPES OF TAXES AND TAX PRIVILEGES

Article 12.

The following types of taxes shall be determined in the Republic of Armenia:

- Profit Tax;
- Income Tax;
- Excise Tax;
- Value Added Tax;
- Property Tax;
- Land Tax.

The law may specify presumptive payments and simplified taxes as a replacement for taxes mentioned above.

Article 13.

The tax legislation may determine the following types of tax privileges:

- reduction of the object of taxation;
- reduction of the tax rate;
- reduction of a tax;
- deferment of tax calculation;
- deferment of tax payment;
- exemption, reduction, deferred payment of fines and penalties established by the tax legislation, accrued for the violation of the tax legislation and other legal acts regulating tax relations in the Republic of Armenia;
- deferment of penalties and other financial sanctions imposed by a bank or lending organization for failure to perform or inadequate performance of tax liabilities during the period, when the RA Central Bank freezes (declares a moratorium for) the claims of a bank's or lending organization's creditors.

In cases and according to the procedure established by the tax legislation, the amount of the paid (exacted) tax shall be compensated to the taxpayers.

Tax privileges shall be determined by the Law, unless otherwise provided by the Laws on certain types of taxes.

In case of cessation or change of the tax privilege in effect, the procedure on its application shall be established in respect of the taxpayers using such privilege.

CHAPTER 3. RIGHTS AND RESPONSIBILITIES OF TAXPAYERS AND CONTROL OVER THE PAYMENT OF TAXES

Article 14.

A taxpayer shall have the right:

- a) to get acquainted with the acts of audit of his activity;
- b) to submit explanatory notes concerning the calculation and payment of taxes and the results of checks to the Tax Inspectorate;
- c) to appeal against the activities of the Tax Inspectorate officials, according to the procedure established by the Law;
- d) to apply for obtaining a tax privilege in accordance with the established procedure - in cases provided by the Law on a certain type of tax.

Article 15.

A taxpayer shall have the following responsibilities:

- a) to implement the accounting in accordance with the procedure established by the Government of the Republic of Armenia (in cases provided by the tax legislation or the decisions of the Government of the Republic of Armenia - as well as other registration and (or) records), to draw up reports concerning his financial-economic activity;
- b) to calculate independently the amounts of taxes to be paid according to the results of the reporting period, unless otherwise provided by the tax legislation, and to pay them to the budget;
- c) to submit reports, calculations, other documents and information provided by the tax legislation to the Tax Inspectorate within the set terms;
- d) to pay taxes defined by the Law in due time, as well as to make advance payments in cases specified by the tax legislation, in accordance with the established procedure;
- e) to provide necessary conditions for audits/checks (examinations) implemented by the Tax Inspectorate;

- f) to submit documents verifying his right to enjoy tax privileges;
- g) to make corrections (adjustments) in the accounting documentation (as well as in other documents related to other registration and (or) records - in cases specified by the tax legislation or the decisions of the Government of the Republic of Armenia) in the amount of the concealed or understated object of taxation revealed in the result of audits/checks (examinations) conducted by the Tax Inspectorate;
- h) in case of disagreement with the facts included in the act of the audit/check drawn up by the Tax Inspectorate - to submit a written explanation of the reasons for not signing the act, which constitutes an integral part of the act.

Legal entities, enterprises without a status of a legal entity, individual entrepreneurs must be registered in the Tax Inspectorate and get taxpayer's identification numbers, according to the procedure established by the Government of the Republic of Armenia within a one-month period from the day of registration (obtaining a license), pursuant to the procedure established by the legislation of the Republic of Armenia.

For indirect taxpayers the Government of the RA may define separate registration procedures.

Article 16.

Tax liability shall include the payment of the amounts of taxes (including those intended for the concealed or understated object of taxation), as well as the amounts of fines and penalties set by the tax legislation for the violation of the tax legislation and other legal acts regulating the tax relations in the Republic of Armenia.

Tax liability shall be terminated on its fulfillment, or abolition of a tax, introduction of a privilege for the exemption from the tax, as well as in other cases provided by the tax legislation, and for individuals - also in case of death, unless otherwise provided by the legislation.

In case of reorganization (restructuring) of a legal person, enterprise without a status of a legal person, the outstanding tax liability shall be carried by the successor (successors) thereof.

Competent bodies taking decisions on the liquidation of a legal person, enterprise without a status of a legal person, or on the termination of the activity of an individual entrepreneur, shall inform the Tax Inspectorate bodies in a written form about the decision on liquidation (termination of activity) within a period of seven days.

In case when the tax liabilities have been revealed after the liquidation of a legal person, the court may take a decision based on the suit brought by the Tax Inspectorate to assign them to the owners and (or) members of the administration having the opportunity to influence the decisions of such legal person, - in the amount of tax liabilities subject to pay on the objects of taxation concealed from the Tax Inspectorate in the course of the year preceding the liquidation, provided that the mentioned liabilities had arisen as a result of the actions or inaction of these persons.

In case when tax liabilities have been revealed after the liquidation of an enterprise without a status of a legal person, or after the cessation of activity of an individual entrepreneur, such tax liabilities may be assigned to the owners of the mentioned enterprise or on the individual entrepreneur by the court decree based on the suit brought by the Tax Inspectorate, - in the amount of tax liabilities subject to pay on the objects of taxation concealed from the Tax Inspectorate in the course of the year preceding the liquidation.

Article 17.

Control over the procedure on calculation and payment of taxes shall be carried out by the Tax Inspectorate, or by the Customs of the Republic of Armenia - in cases specified by the tax legislation.

Article 18.

The information about taxpayers obtained during the control over the calculation and imposition of taxes with violations of the Law may not serve as a basis for the calculation and imposition of tax liabilities.

Article 19.

No information may serve as a basis for the calculation and imposition of a tax liability of the taxpayer, unless the latter has had the opportunity to get acquainted with it and to submit the respective explanation.

Article 20.

Legal persons, enterprises without a status of a legal person, and individual entrepreneurs, state administration and local government bodies must inform the Tax Inspectorate about the operations implemented with the taxpayers, as well as about the income paid by them and at their expense to the individuals, and taxes withheld, information necessary for the purposes of taxation, - according to the procedure established by the Laws and other legal acts of the Republic of Armenia.

Information containing banking and official secret shall be submitted to the Tax Inspectorate pursuant to the procedure established by the law.

Authorized bodies implementing the registration (issue of licenses) of legal persons, enterprises without a status of a legal person, and individual entrepreneurs in accordance with the procedure established by the legislation of the Republic of Armenia, shall inform the Tax Inspectorate about the registration (issue of licenses) thereof, as well as about the respective changes related to it - pursuant to the procedure established by the Laws and other legal acts of the Republic of Armenia.

Taxpayers are obliged to submit reports to tax authorities on the production, physical volumes of sales as well as actual prices of goods (including average) included in the list and according to procedures defined by the RA government.

CHAPTER 4. RESPONSIBILITY FOR THE VIOLATION OF THE TAX LEGISLATION

Article 21.

Violation of the tax legislation shall lead to a responsibility, pursuant to the procedure established by the Laws of the Republic of Armenia.

Article 22.

Taxpayers and their officials (of enterprises, institutions and organizations) specified by the legislation of the Republic of Armenia shall bear responsibility for the accurate calculation, payment of taxes in due time and observance of other requirements of the tax legislation, unless provided otherwise by the tax legislation.

In case when the taxpayer fails to submit the specified accounting documents (in cases provided by the tax legislation or the decrees of the Government of the Republic of Armenia - as well as the documents concerning other calculation and (or) registration) on the objects of taxation or keeps them with gross violations of the established procedure, or enters wittingly false data into the reports, calculations, returns and other documents to be submitted to the Tax Inspectorate, which leads to the impossibility of calculating the tax liability of the taxpayer pursuant to the procedure established by the legislation, the taxable objects and tax liabilities shall be taken into account by the Tax Inspectorate - in accordance with the procedure established by the Government of the Republic of Armenia, based particularly on:

- the assets of the taxpayer;
- the sales turnover of the taxpayer;

- expenses on the production and turnover of the taxpayer;
- information on inventory and time-keeping of the taxpayer;
- information obtained from the third person according to the procedure established by the Law;
- prices and other data used among other entities acting in similar conditions;
- the 25 percent extra charge of revenue, documented data of goods, jobs, fixing of actual prices of services provided and control purchases directed to maintenance of the exploitation rules of cash registers of the given taxpayer.

The results of control purchases designed by this article are applied for the non-documented transactions.

Article 23.

In case of a delay in paying taxes in excess of the set terms, taxpayers (in cases designed by law – tax agents) shall pay fine equal to 0,15 percent of the amount of the tax not paid in time, for each overdue day.

Fines by the day shall be applied at the mentioned rates, unless a lower rate is set by the tax legislation.

The above-mentioned fine shall be applied to the amounts of tax not paid in time (including those not paid by the tax agent - in cases specified by the tax legislation), the amounts of advance payments of taxes, the amount of a tax (reduced) on the object of taxation revealed as a result of a check - for the whole period passed after the payment, but not to exceed 365 days.

Article 24.

In case when the taxpayers delay to submit the calculation (returns) to the Tax Inspectorate for more than two months after the terms defined by the tax legislation, a penalty equal to 5 percent of the total amount of the tax not paid as a result of this delay, but not to exceed the total amount of the tax in question, shall be exacted from the taxpayer for each 15 days.

Article 25.

In case of the failure to keep accounts (in cases provided by the tax legislation and the decrees of the Government of the Republic of Armenia - other calculations and (or) registration) or violations of the established accounting procedure, incorrect drawing-up of accounting reports, calculations, returns and other documents and information provided by the tax legislation, a penalty equal to 10 percent of the amounts of taxes, which are not paid or paid incompletely to the budget in consequence of the mentioned violations, shall be exacted from the taxpayer.

Tax declarations filed to tax entities for the audited period shall not be adjusted during the audit conducted by tax entities.

Article 26.

In cases when carrying out entrepreneurial or any other activity subject to licensing by persons not registered or recorded at tax authorities in due procedure of law; or carrying out such activity without a license or being engaged in the activity outside the locations envisaged for that, a fine shall be imposed in the amount of 50 percent of the sales turnover (gross income) of the illegal activity.

A fine equal to 100 percent of the sales turnover of illegal activity shall be imposed if the person engages in the above-mentioned activities within a year after a fine was imposed for the same offence.

Apart from other sanctions prescribed by the laws, a fine shall be imposed on the persons engaged in the activities prohibited by RA legislation at 100 per cent of the sales turnover related to this activity (gross income) and calculated pursuant to the laws (the article 22 of RA Law on Taxes).

Penalties specified in this article are the final tax liabilities of the taxpayer involved in illegal activity.

In case of illegal commercial activity the sales (total income) and the value of assets are defined by tax authorities, applying in particular the principles of article 22 of this law.

Alienation of the property (including real estate) and personal goods of the citizens shall not be considered business activity in the aspect of the application of the tax legislation.

Article 27.

In case of concealment of the object of taxation or its reduction, the amount of a tax provided (calculated by the Tax Inspectorate) for the concealed or understated object of taxation, as well as a penalty equal to 50 percent of the mentioned amount shall be exacted from the taxpayers according to the procedure established by this Law, and in case of a repeated concealment or reduction of the object of taxation on the same type of tax in the course of one year after the registration of a violation by the Tax Inspectorate - a penalty equal to the total amount of the tax shall be exacted, unless provided otherwise by the tax legislation.

Concealment or reduction of the object of taxation means the concealment, reduction of the object of taxation in the calculations (returns) submitted to the Tax Inspectorate on the given type of tax, or submission of false information on the non-implementation of activity (non-existence of the objects of taxation).

The application on the suspension of activity, as well as on the non-existence of the property subject to taxation, shall be the general form of calculation (returns) to be submitted to the Tax Inspectorate.

Article 28.

In case of non-registration of the objects of business activity, that is non-registration of the supplied or provided, transported, or sold products, goods, as well as the works done and services rendered, in accordance with the procedure established by the Government of the Republic of Armenia, a penalty equal to 25 percent of the total value of non-registered objects of business activity, including in the part of sales, expressed (calculated) at the sales prices shall be exacted from the taxpayers. A taxpayer shall pay the penalty within 30 days starting from the day when the fact of violation is revealed by the Tax Inspectorate. In case of the failure to pay the penalty in time it shall be doubled.

In case of a repeated non-registration of the objects of business activity within the year after the Tax Inspectorate revealed the fact of violation, a penalty amounting to 50 percent of the total value of non-registered objects of business activity, including in the part of sales, at the sales prices shall be exacted from the taxpayer. The taxpayer shall pay the penalty within 10 days starting from the day when the fact of a repeated violation was revealed by the Tax Inspectorate. In case of the failure to pay the penalty in time it shall be doubled.

In case of the sales of the objects of business activity at prices exceeding those fixed in accordance with the procedure established by the Government of the Republic of Armenia, a penalty equal to 25 percent of the amount of the difference shall be exacted from a taxpayer, as well as for the remains of the not sold (not realized) objects of business activity. The taxpayer shall pay the penalty within 10 days starting from the day when the fact of violation was revealed by the Tax Inspectorate. In case of the failure to pay the penalty in time, the latter shall be doubled.

In case of a repeated sales of the objects of business activity at prices exceeding those fixed in accordance with the procedure established by the Government of the Republic of Armenia, a penalty equal to 50 percent of the amount of the difference, as well as for the remains of not sold (not realized) objects of business activity, shall be exacted from the taxpayer within a year after the Tax Inspectorate revealed the fact of violation. The

taxpayer shall pay the penalty within 10 days starting from the day when the Tax Inspectorate revealed the repeated violation. In case of the failure to pay the penalty in time, the latter shall be doubled.

The penalties provided by this article shall not be applied, if the violations were committed during the reporting period, at which the taxpayer submitted accounting reports (returns) pursuant to the established procedure, or other documents indicating the tax liabilities coming out of the turnover (gross income), which are provided by the tax legislation and other legal acts regulating the tax relations.

In case of revealing the violations defined in this article (including the reporting periods, for which the accounting reports (returns) or other documents provided by the tax legislation and other legal acts regulating the tax relations had already been submitted, which indicate the tax liabilities coming out of the turnover (gross income)), the Tax Inspectorate may exercise the right defined by the second part of article 22 of this Law.

Application of penalties provided by this article shall not exempt the taxpayer from the fulfillment of the established tax liabilities.

In case, upon demand of the purchaser, the individual entrepreneur or an organization fails to provide calculation paper (including documents supporting income and expenses or tax calculation paper) for supplied goods, services rendered and performed works a fine in the amount of 150 thousand drams shall be imposed if the transaction amount is up to 1 million drams and in the amount of 25 per cent of the compensation if the transaction amount is one million drams or more.

Article 28.1.

In case if operation of cash registers is mandatory, the money settlement without application of cash registers as well as with violation of rules of application of cash registers shall be punished by penalty equal to one hundred fifty thousand drams.

In case of repeating the violation specified in the first part of this article within one year after being assigned the above-mentioned penalty, taxpayer shall pay penalty equal to three hundred thousand drams.

Penalties designed for making financial settlements with violations of exploitation rules of cash registers do not apply for taxpayers conducting activities taxable by presumptive payments.

Article 28.2.

In cases of sale of goods subject to stamping but not stamped or stamped by illegally acquired stamps as well as in case of sale of goods included in the list defined by the Government under illegal activities stated in the article 26 of this Law, these goods are subject to destruction (exclusion from turnover as such) by tax entities by order defined by the Government of the RA.

Article 29.

The amount of a tax for the concealed or understated object of taxation, as well as the fines and penalties accrued in accordance with articles 23-281 of this Law, shall be paid by the taxpayers to the budget in a period of 10 days after the presentation of the respective act by the Tax Inspectorate.

Article 30.

In case of a delay in payment of the amounts of tax liabilities in excess of the set terms, the Tax Inspectorate shall have the right to bring a suit to the court for the transfer of the exaction to the property of the taxpayer, pursuant to the established procedure.

In case of delay of tax payments, the tax entity, with exception of cases designed by the Government of the Republic of Armenia, shall apply to court with a claim of acknowledging the taxpayer as bankrupt by order

defined for tax payments within 183 days since the payment deadline. Note, that the tax entity may not turn down the claim as long as tax liabilities are uncovered.

In case if the outstanding tax liability makes 1 million drams and more, the head of the tax entity is entitled to freeze the taxpayer's property of an equivalent value by the time court decision is passed, except for the property defined by law that may not be seized or the maintenance deadline of which does not exceed 30 days.

The freezing designed by this law applies first on the bank accounts, then on the real estate and then on other assets of the taxpayer.

After the court decision is passed, the tax entity ensures the sale of the confiscated property by order defined by Government of the RA.

Taxpayer's property is considered released from freezing if the court decision is not secured within 30 days after the freezing of the taxpayer's property.

The information about taxpayers that have declared tax losses and have accumulated tax arrears as to the results of the reporting year shall be published by tax entities by July 1 of the following year by order defined by the Government of the RA.

Article 30.1.

In case of revealing the violations of the tax legislation, tax liabilities may not arise, provided the given violation is revealed after three years directly succeeding the year of its execution.

The period of limitation, specified by the first clause of this article, shall be suspended, in case when the attempt of the tax bodies to check or calculate otherwise the tax liabilities of the taxpayer was prevented in consequence of the absence of his officials, or other preventing actions, - from the moment when the fact of prevention was confirmed by the respective tax body official in accordance with the procedure established by the Government of the Republic of Armenia. After the cessation of the basis of suspension specified by this clause the period of limitation shall continue, if the tax body or its respective official knew or could know about the cessation of the basis of suspension.

Article 31.

In case when the Tax Inspectorate has the evidence that taxpayers having outstanding tax liabilities liquidate their objects giving income (profit) or conceal their income (profit), thus making it impossible to impose the taxes defined by the tax legislation, the Tax Inspectorate may take measures for the imposition of taxes prior to the reporting period. In such cases the Tax Inspectorate may require accounting reports for the reporting period, calculations, returns and other documents, provided by the tax legislation, prior to the expiration of the terms set by the tax legislation.

From the day of publication of the list of persons submitting tax calculations or other calculation documents without supplying goods or rendering services, calculation documents of those persons shall not serve as the basis for tax calculations and/or crediting. The above-referred list is publicized by the head of the tax authority in the procedure established by RA Government.

Article 32.

In case of the violation of the tax legislation other types and amounts of penalties, procedure on their calculation and payment (exaction) other than the one specified by this Law shall be imposed on the certain taxpayers or a group of taxpayers, as well as on a certain type of tax, in cases when it is provided by the Law on a certain type of tax.

CHAPTER 5. PROCEDURE ON REFUNDING THE AMOUNTS PAID TO THE BUDGET IN EXCESS OF TAX LIABILITIES TO THE TAX PAYER

Article 33.

Amounts paid in excess on any tax liabilities calculated according to the procedure established by the tax legislation (overpaid amounts) shall be calculated by the Tax Inspectorate on account of other tax liabilities of the taxpayer or shall be subject to refund not later than in 30 days after receiving the application of the taxpayer on the refund.

Amounts paid in excess of the determined tax liabilities shall be credited on account of the calculated fines, penalties, and then amounts of taxes of the taxpayer.

The refund of the amounts paid in excess of the defined rate of the calculated tax liabilities shall be refunded in case when the taxpayer has fulfilled the tax liabilities mentioned in article 16 of this Law, unless provided otherwise by the tax legislation.

Amounts paid in excess of the defined rate of the calculated tax liabilities shall be refunded to the taxpayer by the Ministry of Finance of the Republic of Armenia.

The negative difference, rising between tax amounts calculated against taxable turnover in terms of indirect taxes (VAT, excise tax) and the tax amounts subject to crediting (deduction or reimbursement), shall be credited (deducted or reimbursed) by order defined by the laws regulating those taxes.

The negative difference between annual prepayments in terms of direct taxes (profit tax, income tax), as well as between the minimum income tax amount and the final tax liability is credited (deducted) according to the procedure provided in this article unless otherwise stipulated in the mentioned laws.

Article 34.

In case when the employers have not withheld (imposed) the amounts of the tax from the employees working by the labor contract (hired workers) in time, the amounts in question shall be withheld (imposed) from the hired workers, but not more than for the three preceding months from the moment of discovery, and the remaining tax liabilities shall be imposed on the employer.

Amounts paid in excess of the defined tax rate shall be refunded to the hired workers during one month beginning from the day of discovery for the period of the three years following the day of withholding in excess of the defined rate. The application of the taxpayer for the refund of the amounts paid in excess of the defined rate shall cease the course of the mentioned terms.

Article 35.

Losses (including lost income) incurred by the taxpayers in the result of improper fulfillment of responsibilities by the Tax Inspectorate shall be reimbursed in accordance with the procedure established by the legislation of the Republic of Armenia.

CHAPTER 6. APPEALS AGAINST THE ACTIVITIES OF THE TAX INSPECTORATE OFFICIALS

Article 36.

Activities of the Tax Inspectorate officials may be appealed within 30 days to the Tax Inspectorate body, to which they are directly subordinate. The appeals shall be considered and the decisions on them shall be taken by the Tax Inspectorate body not later than within 30 days after receiving the appeal. The decisions may be

appealed to the higher body of the Tax Inspectorate or to the court within one month after the day when the appealing person receives a copy of the decision.

The taxpayer and (or) his representative may participate in the consideration of the appeal.

Appeals against the activities of the Tax Inspectorate officials related to the imposition of administrative exaction shall be executed in accordance with the legislation of the Republic of Armenia on administrative offense.

Article 37.

Appeals against the activities of the Tax Inspectorate officials shall not suspend the exaction of taxes. The tax body, which considers the appeal, shall have the right (in agreement with the higher body of the tax Inspectorate) to suspend the imposition of a tax till the solution of the appeal.

CHAPTER 7. APPLICATION OF INTERNATIONAL AGREEMENTS

Article 38.

In case when international agreements concluded and ratified on behalf of the Republic of Armenia establish norms different from those provided by this Law, the norms of international agreements shall be applied.

CHAPTER 8. TRANSITIONAL PROVISIONS

Article 39.

The Law of the Republic of Armenia "On Taxes and Duties in the Republic of Armenia" dated April 19, 1992 shall be declared void, including the amendments and supplements thereto, from the moment of the entry of this Law into force.

Article 40.

The provisions of article 8 of this Law shall not be effective during 1997 and shall not be applied while introducing or abolishing tax privileges.

Article 41.

The provisions of article 11 of this Law shall also refer to the land tax.

Article 42.

Fines defined in article 23 of this Law shall be applied and their term shall start from the first day of the month following the entry of this Law into force. Prior to that, the formerly established procedure shall be effective.

Article 43.

In case of a delay in paying taxes over the terms defined by the tax legislation, these amounts shall be compulsory exacted by the Tax Inspectorate from the bank accounts of legal persons during 1997.

Appeals against the activities of the Tax Inspectorate officials mentioned in the first clause of this article related to the compulsory exaction of the amounts from the bank accounts of legal persons shall be executed in accordance with the procedure established in articles 36 and 37 of this Law or pursuant to the court order.

Article 44.

The provisions of article 38 of this Law shall be effective in regard to international agreements concluded by the Republic of Armenia after the entry of this Law into force, and for the international agreements concluded prior to that the formerly established procedure shall be effective.

Article 45.

The period provided by the forth clause of article 23 of this Law shall be effective (shall be considered the beginning of the term) from July 1, 1997.

Article 30.1 of this law shall enter into effect from January 1, 1998.

President of the Republic of Armenia

Levon Ter-Petrosyan

12 May 1997

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29.12.2000

06.11.2001

11.12.2002

25.12.2003

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