

LAW OF THE REPUBLIC OF ARMENIA

“ON VALUE ADDED TAX”

SECTION 1. GENERAL PROVISIONS

Article 1. Value added tax (hereafter referred as VAT) is an indirect tax, which shall be transferred to the budget and shall be levied on all economic agents, in all stages of imports of goods, their production and turnover in the Republic of Armenia, and provision of services.

Article 2. Taxpayers shall be all legal and physical entities, enterprises without legal entity status (hereinafter persons) carrying out their own economic activity, within the framework of the legislation, and within the scope of the activities subject to taxation, as defined in Article 6 of this Law.

Entrepreneurship is a regular economic activity with the purpose of deriving income (profit). Economic activity is the activity that is performed against any compensation.

Physical entities which carry out activities in accordance with working, or other legal contracts, and at the same time do not conduct any economic activity on their own (as defined in Items 1st, 2nd and 4th, Article 6) shall not be considered as taxpayers, and shall not be liable to registration, unless envisaged otherwise by this Law.

Physical entities become taxpayers and VAT is charged from them according to this Law and customs legislation of the Republic of Armenia in case of importing goods to the Republic of Armenia if the quantity or value of the imports exceeds the amounts established by customs legislation.

Article 3. Those entities, performing transactions (operations) pursuant to only clauses 1 and 2 of Article 6 of this law whose gross receipts from said transaction is less than 2 million dram during three quarters prior to the current quarter, shall be considered as tax payers from the moment when by any transaction in said quarter and during three previous quarters the cumulative amount of gross receipts from those transactions exceeds 2 million dram. Since that moment VAT shall be calculated and paid for the amount exceeding 2 million dram.

Regardless provisions of the first part of this Article VAT can be calculated and paid voluntarily based on the report (application) to be submitted to the respective tax administration bodies.

Receipts is treated as the gross result of the economic (entrepreneurial) activity of the persons conducting such activity – not taking into account the deductions for expenditures made (including the cost of good acquired). In the trade sector receipts is equal to sales.

Article 4. More than one person may act as a single – centralized taxpayer. The list of such centralized taxpayers shall be defined by the Government of Armenia.

SECTION 2. OBJECT OF TAXATION AND TAXED TURNOVER

Article 5. The object of VAT taxation shall be the total value (turnover) of all taxed transactions (activities) as defined in Article of this law conducted by the taxpayers within the domestic territory of the Republic of Armenia, unless envisaged otherwise by Law.

Article 6. The following transactions (operations) shall be taxed by VAT:

1. Delivery (supply) of goods - a transaction that is performed by transferring ownership right of goods (including products and real estate) to other entity against compensation.

Alienation of personal property of physical entities in cases other than as described in this Law shall not be considered as delivery of goods.

2. Delivery of services - a transaction other than the delivery of goods, including liquidation (transfer) of intangible assets, which is performed for any form of compensation. Lease and rental of real estate and goods shall be also considered as delivery of services.

3. Free or partially free consumption - free delivery of goods and services by VAT tax payer persons to said entities or other entities, or delivery of goods and services at significantly lower prices for such transactions than the market prices, except cases specified by the law or decrees of the Government of the Republic of Armenia.

4. Import of goods unless otherwise provided by the law.

VAT shall be calculated and collected on the border of the Republic of Armenia by Customs Department for goods imported into the territory of the Republic of Armenia except:

- a) for the goods imported into the territory of the Republic of Armenia by legal entities, enterprises without status of legal entity and private entrepreneurs for which the rate of customs duty is set 0% by the law, and which are not subject to excise tax
- b) for the goods imported into the territory of the Republic of Armenia which are exempt from VAT according to parts 19 and 20 of Article 15.

Article 7. The following is not taxed by VAT (is not treated as taxable object):

1. services for provision of which state duty is charged,
2. the equipment and other techniques of production use according to the list as defined by the Government of the Republic of Armenia, transferred for formation, and bolstering of the statutory capital in accordance with the legislation,
3. the transfer of products and services between the subsidiaries of the legal entity or the enterprise not having the status of legal entity (internal circulation),
4. transactions of the exchange of title of ownership (including privatization) for the legal entity or the enterprise not having the status of legal entity,
5. transactions on reorganization of the legal entity or the enterprise not having the status of legal entity as in accordance with the Law,
6. rental and leasehold of leasehold enterprises, created on the basis of state enterprises,
7. transactions on sales of assets of the legal entity or the enterprise not having the status of legal entity or individual entrepreneur declared bankrupt through the court award as in accordance with the Law,
8. transactions on sales of confiscated assets (including collateral) as in accordance with the Law,
9. the sales of property confiscated, ownerless, inherited to the state, or bought by the state.
10. financial assistance provided in cash or dividends,
11. delivery of goods and services by budgetary institution to the extent the income is accrued to the budget
12. Import of goods by physical entities for personal needs as specified by law,
13. Import of personal items by physical entities entering the country for permanent residence.

Article 8. The turnover from transactions subject to VAT shall be determined by the following way:

1. Taxed turnover from goods and services is the monetary equivalent of the value of these goods and services (including all the fees and payments made), without VAT, paid as an indemnity by a buyer to the seller. The price of multiple use bottles, boxes, containers etc, shall not be taxed by VAT unless it is sold directly by the producer
2. Taxed turnover of the goods imported to Armenia at the moment of import is the sum of their customs value determined in accordance with legislation of the Republic of Armenia and the excise tax.
3. Taxed turnover of the goods imported to Armenia, which have been earlier exported for the purpose of processing, or repair, is the price of processing, or repair due to foreign legal or physical persons as indemnity, or, in case it is impossible to define the latter, the difference between the customs value at export and import.
4. In case VAT taxpayers participate in provision of goods and services conducted by foreign entities not registered as taxpayers in Armenia and act on behalf of the latter, (including for commissioning, sales of collateral, or auction sale), they shall be considered as suppliers of such goods and services and are liable for paying the tax on behalf of those entities. Therefore, taxed turnover of such goods and services is their value in monetary terms (including all the fees and payments made) on VAT exclusive basis.
5. Taxed turnover for mediator services is the amount of fee (toll, bonus, etc.), paid for these services on VAT exclusive basis, unless envisaged otherwise by the law or other legal acts.
6. Taxed turnover for provision of goods and services on a free of charge basis, or with a partial indemnity (payment) envisaged, is their current reliable market value (price) on VAT exclusive basis.
7. Taxed turnover for barter transactions is defined in accordance with the procedure set for provision of goods and services, on the basis of the current market prices on VAT exclusive basis.
8. In case of delivery of good subject to excise tax the VAT taxable turnover includes the amount of excise tax.

SECTION 3. TAX RATES

Article 9. VAT shall be estimated as 20% of taxable turnover of goods and services.

Within the amount of total indemnity of goods and services (including 20% rate), VAT shall be estimated at a rate of 16.67%.

Article 10. VAT shall be equal to 0 (zero) for the taxable turnover of goods and services defined in Article 16 of this Law.

Article 11. VAT may be replaced by presumptive tax for separate taxpayers, categories of taxpayers, or transactions.

SECTION 4. PLACE OF SUPPLY OF GOODS AND PROVISION OF SERVICES

Article 12. Place of supply shall be the place where goods are located where they are to be delivered from. Place of supply shall be considered as Armenia, if

- a) the goods were delivered to the customers within the territory of the Republic of Armenia,
- b) goods were exported from Armenia.

The goods imported are considered to be delivered in the Republic of Armenia from the moment of import.

Article 13. Services are considered as provided in Armenia if the place of supply of services is within the territory of Armenia.

Place of supply of services is the place where service provider performs entrepreneurial activity, and if such place does not exist or is impossible to determine – the place of location of such person (legal address, or place of residence, except the cases provided in Article 14 of this law).

Article 14. Place of supply for transactions and services with real property, including rent, brokerage, construction, projecting, exploration, supervision, and the like shall be the place where real property is located (placed), or the place where it is planned to build.

Place of supply for transport services shall be the place from where the transportation of goods and services starts. The place of supply of transportation of goods, post, passengers supported with adequate international documentation with a route beginning but not interrupted in the territory of the Republic of Armenia (hereinafter – international transportation) shall be considered as outside Armenia.

The place of supply of services in the areas of culture, art, sport, science, education, and health care (including the services needed for their organization), supporting transport services (loading, unloading, handling, storage, etc.) and services of assessment, repair, placement, etc., of moveable property shall be considered the place where these services are actually provided.

In case of transfer of patents, licenses, copyrights, trademarks, and other similar rights, advertisements, consulting, engineering, legal, accounting, expert, translating, and other similar services, as well as services on data processing and information exchange, banking, financial, insurance services (except lease of fireproof safes), lease of personal property (except vehicles of any kind) supplied by the persons registered in the Republic of Armenia to foreign entities (or vice versa), their place of supply shall be considered the place, where the person which receives the services conducts entrepreneurial activity, or has a resident office to which these services are provided, or in the absence of these, the place where he has permanent address, or resides.

Place of supply for lease of vehicles shall be the place where the lessor conducts entrepreneurial activity, or in the absence of such place, the place of his permanent legal address, or residence.

For the postal and electronic mail services provided from the territory of the Republic of Armenia to the territory of a foreign country the place of supply is considered to be the territory of the foreign country. For the postal and electronic mail services provided from the territory of a foreign country to the territory of the Republic of Armenia the place of supply is considered to be the territory of the Republic of Armenia.

SECTION 5. PRIVILEGES AND ZERO RATE TAXATION

Article 15. The exemption from VAT is considered not calculation of it for the taxable turnover. The following transactions and operations as described in points 1, 2 and 3 of Article 6 of this law shall be exempt from VAT:

1. services of passengers' transportation by the passenger electrical transport (trolley buses, trams, metro, and cable railway),
2. schools and other high and medium educational institutions – to the extent of the fee for education,
3. notebooks and music sheets for schools, albums for painting, children's' and school literature, sales of school educational publications, sales of scientific and educational literature published by higher

- educational institutions, specialized scientific organizations and National Academy of Sciences of the Republic of Armenia
4. scientific-research works
 5. sales of child food
 6. sales of veterinary pharmaceuticals, sales of chemicals, fertilizers, agricultural plants used in agricultural production to the producers of agricultural production.
 7. Sales of agricultural products, produced in the Republic of Armenia, by the producer.
 8. Services related to the care of children in preschool institutions, care of persons in institutions caring for disabled or elderly persons, as well as the sales of goods prepared and services carried in such places.
 9. Radio broadcasting and TV-broadcasting not compensated by the users, including the receipt of means from other entities for the purpose of such broadcasting.
 10. Sales of newspapers and magazines.
 11. Services of funeral bureaus and cemeteries, as well as services related to the funeral and the sales of respective items.
 12. Religious ceremonies, provision of religious items to the religious organizations as well as the sales of such items by the religious organizations.
 13. Sales of postal services, postal stamps, stamped postcards and envelopes at a face value.
 14. Sales of lottery tickets at a face value.
 15. Insurance and reinsurance operations, including the services related to them and provided by the insurance mediators and agents.
 16. Operations related to pension insurance, including the services related to them and provided by the insurance mediators and agents.
 17. The following financial operations and transactions:
 - operations on registration, keeping and serving banking accounts and deposits,
 - provision of loans and credits, including the financing of commercial transactions, other factoring operations,
 - provision of guarantees, opening of letters of credit,
 - issuance, purchase, sale of securities, including the purchase for resale or other purpose,
 - issuance, purchase, discount, transfer or service of notes, checks, other payment securities, payment documents, cards and other instruments,
 - purchase, sale and resale of foreign exchange (notes and coins, except the coins and banking notes having coin-science use), the performance of futures, options and other such transactions with Armenian dram and foreign exchange,
 - the services of provision of cash,
 - the provision of financial agent's (representative's) services by bank,
 - management of other persons investments by trustee management or other means,
 - purchase, sale, resale of the precious metals bullion, opening of accounts based on them, and the transactions conducted by them,
 - financial leasing,
 - brokerage and other mediator services,
 - acceptance by the bank of keeping precious metals, stones, jewelry items, other values and documents,
 - sales of collateral remained under the management of the bank,
 - services of acceptance of money (receipts, obligatory, housing, and other payments), as well as of the payment of salaries, pensions, allowances, insurance and other payments, according to the agreements signed.
- Provision of payment documents, provision of information, preparation of securities, checks, payment documents, cards, notes, coins, banking gold, fax services and other operations not linked directly to the services envisaged under this paragraph are not exempt from VAT.
18. The lease and rental of state and local apartments, the service fee charged from the owners of privatized apartments, the fee for living in hostels, the services provided by the condominiums and building cooperatives to their members.
 19. Sales of donor blood, infant milk, pharmaceuticals, orthopedic items, medical techniques and items, medical care services, the sales of goods prepared and services conducted by the patients in prophylactic enterprises and organizations and related with the healing and within the framework of medical assistance.
 20. Goods and services provided by foreign countries, international organizations, public, religious organizations, individuals, provided within the framework of humanitarian assistance, as well as goods and services provided by taxpayers of Armenia within the framework of such programs. If legislation of Armenia (including international agreements) does not definitely indicate the character of a program as humanitarian assistance, goods and services exempt from tax shall be determined by the Authorized body of the Government of the Republic of Armenia in the field of Humanitarian Assistance.
 21. Delivery of goods and services on the account of project preparation facilities of credit and grant programs of international financial organizations
 22. Free (or with partial compensation) by the social (including benevolent) organizations and one-time sales of goods and services during the year.
 23. Operations related to the receiving and handling patents, copyrights, licenses.
 24. Sales of bread.

25. Sales of black oil.

Article 16. Taxation at a zero rate is not applying the tax in the country of export to goods and services being exported and in other cases specified in this article, and complete reimbursement to the exporter the VAT sums payable by him.

Zero rate of VAT shall be applied to:

- 1) Taxed turnover of goods supplied (exported) out of the customs territory of the Republic of Armenia, as well as fuel for the airplanes of international flights, and consumption goods for the staff and passengers of international flights during the flight. Foreign citizens, and persons without citizenship shall receive back from customs authorities the VAT paid for goods provided in Armenia, when exporting that goods acquired in the Republic of Armenia, in accordance with the procedure defined by the Government of the Republic of Armenia,
- 2) to the retail trade of goods in places, after passing passport and customs control in airports, in places specially allocated for that purpose, provided that the goods were registered as export, in accordance with customs legislation (duty-free shops).
- 3) to the taxable turnover of services, associated with goods defined in Items 1-2 of this Article (loading, transportation, unloading, storage, etc.).
- 4) to the taxable turnover of international transportation services of passengers, commodities and post to the extent of transportation outside the territory of the Republic of Armenia.
- 5) to the supply, maintenance, repair, and lease services provided to air carriers of the international traffic, to services provided to passengers and the baggage of international flights.
- 6) to services (including mediator, agency), directly related to the provision of services as per Items 4 and 5 of this Article.
- 7) to processing and assembly of ready products, repair and modification of personal property, and other similar services, using materials provided by foreign entities and in accordance with their orders and being exported from Armenia in conformity and within terms defined by the customs legislation of the Republic of Armenia.
- 8) to taxed turnover of the services, with the place of supply as defined by this Law is outside the domestic territory of the Republic of Armenia.
- 9) to taxed turnover of goods and supplies transported through customs border of the Republic of Armenia in accordance with special customs regime as defined by customs regulation of the Republic of Armenia.
- 10) to construction works and related activities (design, research, etc.), which are financed within the humanitarian assistance and benevolent, other social programs provided by Diaspora, foreign and international governmental and non-governmental companies, religious organizations, individuals.
- 11) to goods and services imported, or purchased in Armenia for official purposes, by embassies, consulates international organizations with diplomatic status,
- 12) to transit of foreign freight by the territory of the Republic of Armenia.

In case of performing transactions (operations) taxed at a zero rate, the VAT sums indicated at the tax accounts presented by the suppliers of goods and services related to that transactions to the VAT payers are subject to reimbursement according to the procedure as defined by this Law.

Article 17. Other laws may provide for VAT exemption and other privileges specified by Tax Law of the Republic of Armenia.

SECTION 6. PROCEDURE ON CALCULATION AND PAYMENT OF VAT

Subsection 1. Procedure on Filling Out Calculation Forms.

Article 18. In the case of delivery of goods and services subject to VAT taxpayers shall be obliged to make tax accounts. Tax account shall be considers the document confirming delivery of goods and services and made in accordance with Article 20 of this law.

Article 19. Taxation receipts shall not be made out:

- 1) by persons not being VAT payers,
- 2) for goods and services exempt from tax,
- 3) for transactions (operations) not subject to taxation or subject to zero rate taxation as defined by this law.

In such cases other payment forms shall be made out, as in accordance with the legislation.

Article 20. The following data shall be filled out in a taxation receipt:

- a) receipt number and date,
- b) name of the person which supplies the goods or services, legal address, or place of residence, and taxpayers' identification number (TIN),
- c) name of the physical entity and the place of residence, the name of legal entity and legal address which receives the goods or services,
- d) type and quantity of the goods, or type and volume of the services,

- e) price and value of the goods, or tariffs and total value of the services on VAT exclusive basis,
- f) calculated tax amount (by a separate line),
- g) other information as defined by the Government of the Republic of Armenia,

Invoices provided for goods delivered (services provided) by legal entities conducting business in the sphere of trade and services may also serve as a tax receipt, if they contain information as indicated in points "a" and "b" of this Article, as well as the total value of goods and services and the amount of VAT included in it.

A tax receipt for a retail purchase, as defined in Item 2 of this Article, shall be made out if the purchase is made by a foreign citizen and for the purposes of reimbursement of the VAT paid for them at the moment of export.

Providers of retail goods and services shall be obliged to make out a retail tax receipt, containing the information as defined in this Article, at the request of the buyer.

Article 21. Calculation and charging of the tax by customs authorities for imports of goods to Armenia, shall be carried out on the basis of the declaration filled out during the registration at customs office, and payment documents (payment order, receipt, or other similar document).

Article 22. Persons being taxpayers shall keep all the copies of tax receipts, all the invoices confirming payment of VAT when acquiring goods and services, all customs declarations filled out during imports of goods, and all other documents confirming calculation and payment of VAT in a chronological order for at least three years.

Subsection 2. Procedure of Calculating VAT

Article 23. According to this Law, the taxpayers shall pay to the budget the amount of tax calculated on their taxed activities, for each reporting period, with the deduction of:

- 1) The amount of VAT indicated in tax receipts provided, according to the procedure specified in Subsection 1 of Section 4 of this Law, by the suppliers of goods (including equipment), non-material assets and services acquired in the domestic territory of the Republic of Armenia for production and other commercial purposes. In case of acquisition of capital assets (property, plant and equipment) the tax amounts indicated in tax receipts of suppliers is subject to deduction from the moment of acquisition:
 - a) completely in one-time order, if their purchasing price (VAT-exclusive) does not exceed dram 10 million,
 - b) in equal installments within six months, if their purchasing price (VAT-exclusive) exceeds dram 10 million,
- 2) The amount of VAT charged (or subject to charge) according to the law by customs authorities for goods imported to Armenia, if this law assumes charging VAT at the moment of imports.

Article 24. Production, transportation and sales transaction and operations of natural gas, electric and thermal energy, drinking and irrigation water, water removal services, wire broadcasting services, railway transportation as well as the moment of origination of VAT obligations for delivery of goods and services under the state procurements shall be determined by the moment of payment for such goods and services regardless the methods of determining the amount of proceeds from the sales.

In implementation of this article during the accounting period the amount of VAT shall be paid to the state budget, which (*the amount) is calculated and received from buyers (customers) for taxable turnover of taxable transactions (operations) performed in that period and from which those VAT amounts are deducted that during the same accounting period have been paid:

- 1) to suppliers of goods (including fixed assets), intangible assets and services purchased inside the territory of the republic for industrial or other commercial use in the amount of the VAT separated in tax accounts made in accordance with part VI - I of this law.
- 2) in the amount of VAT collected by customs department, for the goods imported into the Republic of Armenia, according to procedure and amount as described in the law if this law provided for collection of VAT on the moment if importation.

Article 25. The difference (excess amount) between the VAT amounts calculated on the taxable turnover in accordance with Articles 23 and 24 of this Law and the VAT amounts subject to deduction (including the case of zero-rate taxation), shall be deducted from the amount of VAT (or other tax liabilities) to be paid in next reporting periods, or shall be returned on the basis of quarterly reporting to the taxpayers within 30 days upon submission of the application and the document proving the amount.

Article 26. In cases described in Articles 23 and 24 of this law VAT amounts indicated in tax receipts of suppliers (in case of imports – in customs declarations) shall not be deducted:

- 1) by entities who are not VAT payers,
- 2) for transactions (operations) that are not subject to taxation as per Article 7 or are VAT exempted as per Article 15 of this law. In cases as described in this point the VAT amounts indicated in tax receipts of suppliers (in case of imports – in customs declarations) shall be added to the cost of acquisition of goods or to the cost of production and turnover.

The procedure as described in this point shall be applied to purchasers of multiple use containers (bottles, boxes etc.) directly from the producers to the extent of said containers, as well as to the entities making presumptive tax payments instead of VAT pursuant to provisions of the law.

- 3) for goods and services acquired for non-production (non-commercial) use, except the cases of free (or with partial compensation) provision of goods and services..

In cases as described above VAT amounts indicated in tax receipts (in case of imports – in customs declarations) shall be accounted to the financial results (income-loss).

In case of sale (provision) of goods produced or acquired in the Republic of Armenia as well as services at a price lower than the cost or acquisition cost, negative balance between the VAT amounts indicated in tax receipts of the suppliers and the amount of VAT calculated for the taxable turnover shall be accounted to the profit (income) of the VAT payer and in not subject to reimbursement or return.

In case of sale (provision) of goods imported to the Republic of Armenia at a price lower than the acquisition cost (including the excise tax amount charged by customs bodies) negative balance between the VAT amounts charged (subject to charge) by customs bodies and the amount of VAT calculated for the taxable turnover shall be deducted to the extent of the difference between the amount of the tax determined on the acquisition cost of the goods and the one charged (subject to charge) by customs bodies. The negative difference between the tax amount calculated on the taxable turnover of goods and the one calculated on the acquisition cost of the goods is accounted to the profit (income) of the VAT payer and in not subject to reimbursement or return.

In case of sale (provision) of goods imported to the Republic of Armenia, and not subject to taxation at the moment of import, at a price lower than the acquisition cost the calculation of VAT is based on the VAT amount determined based on the acquisition cost of the goods. The negative balance between the VAT amount calculated for the taxable turnover and the amount determined based on the calculations as described above shall be accounted to the profit (income) of the VAT payer.

Article 27. If the person who is a taxpayer, as in accordance with this Law, performs transactions (operations) part of which is not subject to taxation (or exempt from VAT), he may deduct (net) from his tax liabilities only the amounts paid (including the ones charged by customs bodies) for goods and services acquired for performing transactions subject to taxation. For this reason, taxpayers shall log separately the transactions (operations) subject to taxation and not subject to taxation (as well as exempt from VAT), as well as goods and services purchased for performing them. If it is not possible to keep a separate register as described above, then for each reporting period the amount due to deduction (netting) shall be calculated on the basis of the share of each transaction in the total turnover (VAT-exclusive). Such a calculation shall be carried out by the end of each quarter of the fiscal year. By the end of the fiscal year, a final reconciliation shall be carried out based on ratios of the transactions (operations) subject to taxation and not subject to taxation defined according to the procedures, if it is not possible to distinguish them directly or in another, more precise way. The statement of the final recalculation shall be rendered to tax authorities, attached to the annual report, as in conformity with the procedure defined in Subsection 3 of Section 6 of this Law. Tax authorities shall be empowered to scrutinize the final recalculation, as well as the amounts to be reimbursed as presented by the taxpayers in cases as defined in Article 25 of this Law, for the purpose of verification.

Article 28. If a physical entity registered as a taxpayer conducts entrepreneur activities in his place of residence parallel to his personal consumption and has paid VAT for the goods and services acquired, then only the tax amounts paid for the goods and services acquired for the purposes of this activities shall be subject to deduction (netting).

Article 29. In case of violation of the rules established in Article 19 and thus providing a tax receipt the VAT payer shall pay the VAT amount indicated in the tax receipt to the budget, at the same time deducting the VAT amounts indicated in tax receipts of their suppliers and in the customs documentation. The amounts calculated excessively (wrongly), as a result of mistakes in the tax receipts provided to the customers, shall not be subject to indemnity.

Subsection 3. Terms and Procedure of Paying Taxes and Submitting Estimations

Article 30. For the goods imported to Armenia, VAT shall be paid in accordance with terms and procedure, as defined by the Government of the Republic of Armenia, within 10 days after importation. If the customs regime previously declared (according to which VAT is not charged at the moment of importation) is replaced by the regime of free circulation, then the taxpayers (or other persons liable for making the payments as defined by customs legislation) shall pay the amounts of VAT not charged within 10 days after the date of re-declaration or when it was known.

Article 31. In case of conducting transactions (operations) subject to taxation the moment of provision of goods and services, free (or with partial compensation) consumption, as well as the moment when related tax liability arises (the calculation of VAT is due) is considered the moment when one of the following occurs:

1. the goods are provided or supplied to buyers, or services are provided to customers,
2. an indemnity is received against the tax receipt, made out for goods or services provided, as in accordance with Article 24,
3. implementation of free (or with partial compensation) consumption occurs (including for the taxpayers in accordance with the provisions of Article 24).

Article 32. Payments of VAT amounts calculated in accordance with the Articles 23 and 24 shall be made to the state budget on a quarterly basis, prior to the 25-th day of the month following the quarter. Payments for a fiscal year shall be made prior to February 25 of the following year.

Article 33. Taxpayers shall submit to local tax bodies calculations of the taxes due to the state budget, in accordance with forms developed by the Tax Inspectorate of the Republic of Armenia.

SECTION 7. SPECIAL RULES FOR CALCULATION OF VAT

Article 34. Tax turnover for persons providing tourism services (hereafter referred as agencies), which sell travel tickets (services) on behalf of other organizations shall be the difference between the whole amount paid by the tourists and the value of the services provided by other persons (particularly – the amount paid for the registration of documents and other similar costs).

If the goods related to tourism are delivered and services are provided completely outside the territory of the Republic of Armenia, zero tax rate shall be applied on the services provided by the agency according to Article 16 of this law. If that services are provided in the territory of the Republic of Armenia as well outside the territory, the zero rate taxation applies to the services to the extent of transactions (operations) conducted outside the domestic territory.

Article 35. Taxed turnover for a commission sale of personal goods of a citizen shall be the commission fee, provided that the accounting of these goods is carried out separately from the accounting of new goods, maintaining the rules of commission trade.

Article 36. Taxed turnover for auction sale of goods shall be the fee (bonus, interest, etc.), paid by the owners of the goods, unless envisaged otherwise by the law.

Article 37. The taxed turnover for provision of communication services shall be their current price, based on the tariffs defined..

The amounts payable to persons rendering communication services by International Electronic Net member countries for communication services between the Republic of Armenia and other International Electronic Net member countries after mutual settlements, as well as amounts payable to persons rendering postal services by World Postal Union member countries for postal services between the Republic of Armenia and other World Postal Union member countries after mutual settlements, are considered as compensation for services exported and zero rate taxation applies to them..

Article 38. Except the case indicated in Item 8, Article 7 of this Law, the following shall be the treated as taxable turnover for collateral operations:

- 1) in case of sales of collateral (including the pledge of real estate) composed of the goods currently in circulation – taxable turnover as defined by Item 1 of Article 8.
- 2) in case of sales of collateral composed of the goods out of circulation – the difference between the price of sales and expenses on maintaining and selling the collateral, or received reimbursement including interest, fines paid for the delay in fulfilling the contractual obligations,

In cases specified in this Article:.

- a) The pledger shall be responsible for calculating and paying VAT if:
 - he is registered as a taxpayer
 - the collateral is sold by the pledger being a taxpayer, with the consent of the pledgee, or is sold by the pledgee, however the taxed turnover for the collateral is reflected in the accounting of the pledger.
- b) The pledgee shall be responsible for calculating and paying VAT if he is registered as a tax payer, and, at the same time, one of the following provisions applies:
 - the pledger is not registered as a taxpayer,
 - collateral becomes the property of the pledgee, and its sales (alienation) is reflected in his accounting statements.

Article 39. For the purposes of application of the exemption as indicated in Item 20 of Article 15 of this law, those implementing humanitarian assistance and benevolent programs shall make relevant notes in the contracts with the suppliers located in the Republic of Armenia. If the income gained on the sales of supplies goods, or goods and services received (on VAT-exclusive basis) are used not on purpose, the qualification of the program as humanitarian assistance of benevolent may be changed or suspended by the decision of the authorized body of the Government of the Republic of Armenia coordinating humanitarian assistance, which is followed by the canceling of such exemptions or their suspension.

Article 40. The alienation of property by legal entities, enterprises not having the status of legal entity in the process of their liquidation, or by individual entrepreneurs in the process of ceasing their operation, is subject to taxation by VAT by the order as defined by this law. In such cases those persons shall render to

local tax authorities the final calculations of VAT due, and make the payment of tax amount to the budget prior to signing the liquidation act.

SECTION 8. RESPONSIBILITY FOR THE BREACH OF LAW

Article 41. Taxpayers and their respective officials shall bear responsibility for violating this Law, in accordance with the laws.

Article 42. A fine amounting to 10% of the calculated tax shall be imposed for the incorrect preparation of tax accounts, defined in Article 20 of this Law.

Article 43. If the taxed turnover is concealed, or shown incompletely, as well as in cases when the VAT amounts due to the budget are concealed, or shown incompletely because of making deductions by the VAT amounts, paid for goods and services, and made with a violation of the procedures as set forth in this law, the taxpayer shall pay the total amount due, and a fine equaling to 30% of that amount. A fine of the equal magnitude shall be imposed, if the inspection carried out by tax authorities reveals that there are no amounts due to the budget, as a result of the fact that the amounts calculated as subject to deduction (netting) exceed the amounts calculated as due to payment.

Article 44. (Withdrawn)

Article 45. If persons conducting sovereign entrepreneur activities were obliged, but failed to pay VAT in accordance with Article 3 of this Law, by conducting transactions (operations) subject to taxation, they shall bear the responsibilities as defined by the Law.

SECTION 9. FINAL AND TRANSITORY PROVISIONS

Article 46. Comments, and Directives relating to the provisions of this Law shall be confirmed by the Tax Inspectorate of the Republic of Armenia, in coordination with the Ministry of Finance and Economy of the Republic of Armenia, and:

- The Ministry of Education and Science of the Republic of Armenia – on Items 14.15, Article 15,
- The Ministry of Agriculture of the Republic of Armenia, and the Standards Department of the Republic of Armenia – on Items 20-21, Article 15,
- The Ministry of Social Insurance of the Republic of Armenia – on Item 4, Article 15,
- The Ministry of Communications of the Republic of Armenia – on Item 8, Article 15;
- The Ministry of Urban Development of the Republic of Armenia – on item 22, Article 15,
- The Ministry of Health of the Republic of Armenia – on Item 17, Article 15.

Instructions on the implementation of the provisions relating to the calculation and payment of VAT levied at the import of goods and services by customs authorities, or any clarifications shall be introduced and confirmed by the Customs Department of the Republic of Armenia, and agreed with the Ministry of Finance and Economy of the Republic of Armenia and Tax Inspectorate of the Republic of Armenia.

Article 47. The priority shall be given to the international agreements signed by the Republic of Armenia, if they contain rules, different from this Law.

Article 48. This Law shall enter into effect from July 1,1997.

Item 24 of Article 15 of this law is valid up to December 31st, 1997.

Item 25 of Article 15 of this law is valid up to December 31st, 1998.

After this Law enters into effect, the Law of the Republic of Armenia "On the Value Added Tax", of June 30,1993 shall be declared void.