

The little details are by far the most important...

INVEST IN ARMENIA

Fast Facts and Highlights, 2019

benefits and attractive sectors of investment

YEREVAN
2019

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ABBREVIATIONS

AMD – Armenian Dram	PE - Private Entrepreneur
AML - Anti-Money Laundering	POA - Power Of Attorney
CIT - Corporate Income Tax	SME - Small and Medium Size Entity
EEAU/ EEU - Eurasian Economic Union	TT – Turnover Tax
FEZ - Free Economic Zone	USD - United State Dollars
GMT - Greenwich Mean Time	UTC - Universal Time Coordinated
JSC - Joint-Stock Company	VAT - Value Added Tax
KYS – Know Your Client	WHT - Withholding Tax
LLC - Limited Liability Company	

ABOUT US

LYUDVIK DAVTYAN Law Office is an Armenian based legal entity, that gathers together highly qualified legal professionals, who offer wide range of legal services.

We apply most flexible and comprehensive solutions for providing the best support to our clients.

We provide services in various fields of law, including but not limited to:

- European and Eurasian Law
- Corporate Law and Commerce
- Investments and Real Estate
- Banking Law and Finance
- Insurance
- Civil and Family Law
- Criminal and Military Law
- Labor Law, Employment
- Immigration and Residence
- Administrative Law, Taxes
- Arbitration and Judicial Disputes
- Trial and Litigation
- Bankruptcy
- Intellectual Property
- IT Law and Data Protection

For providing full package service, we cooperate with foreign law firms, as well as with foreign and domestic accountant offices, auditors, forensic experts, marketing and IT companies and specialists. For any inquiries regarding investment in Armenia, please contact.



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ABOUT ARMENIA

The Republic of Armenia is a country in the South Caucasus region of Eurasia with a **population** of around 2.930.000 people.

Armenia is located between Asia and Europe and occupies a **land area** of about 29,800 square kilometers.

Yerevan (sometimes spelled **Erevan**) is the capital and largest city of Armenia as well as one of the world's oldest continuously inhabited cities.



The **native language** is Armenian. However English and Russian are predominant business languages. French and German are also spoken in the country as foreign languages.

Armenia was the first nation to adopt **Christianity as a state religion**, an event traditionally dated to AD 301. Armenia recognises the Armenian Apostolic Church, the world's oldest national church.

Armenia is a member of the Eurasian Economic Union, the Council of Europe and the Collective Security Treaty Organization.

Armenia **time zone** is GMT/UTC+4.

Armenian **national currency** is Armenian dram (AMD): 1 USD \approx 481 AMD.

Armenia is known as a safe and pleasant place to visit, travel and live, with one of the lowest crime rates. Hospitality is one of the most eminent and deeply engrained values of Armenia and visitors immediately feel welcome and at home.

Armenia is an increasingly welcoming place for business and foreign investment. The Armenian Government officially welcomes foreign investment. The country has achieved respectable rankings on some global indices measuring the business climate.

Many international and foreign companies have established branches or subsidiaries in Armenia to take advantage of the country's pool of qualified specialists and trade preferences with Russia, the Eurasian Economic Union, other partner countries and international organisations.

INTERNATIONAL BUSINESS COOPERATION

In 2015 Armenia formally entered into the **Eurasian Economic Union (EAEU/EEU)** trading bloc, a single economic market of **about 180 million people** between *Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia*. The EEAU introduces the free movement of goods, services, capital, and people, creating a platform for common transport and reduced economic isolation.

In 2017, Armenia signed a Comprehensive and Enhanced Partnership Agreement with the European Union (EU), aimed in part on improving the investment and business climate in Armenia. Although it will not affect customs/tax rates, but it will, over time, align Armenia's regulatory system and standards with that of the EU's.

Treaties with Investment Provisions of Armenia (TIPs)

<i>Short title</i>	<i>Parties</i>
Armenia - EU CEPA (2017)	EU (European Union)
Eurasian Economic Union - Viet Nam FTA (2015)	Viet Nam
Armenia - United States TIFA (2015)	United States of America
Treaty on Eurasian Economic Union (2014)	
CIS Investor Rights Convention (1997)	Belarus, Kazakhstan, Kyrgyzstan, Moldova, Republic of, Tajikistan
Armenia-EC Cooperation Agreement	EU (European Union)
The Energy Charter Treaty (1994)	

BILATERAL INVESTMENT TREATIES OF ARMENIA

Armenia is a growing market offering promising business opportunities to traders and investors.

Trade agreements signed by Armenia which promote and protect reciprocal investments are among the key attractions of the business and investment environment and economic climate.

List of Bilateral Investment Treaties of Armenia (BITs)

Argentina	India	Romania
Austria	Islamic Republic of Iran	Russian Federation
Belarus	Iraq	Spain
Belgium-Luxembourg Economic Union	Israel	Sweden
Bulgaria	Italy	Switzerland
Canada	Jordan	Syrian Arab Republic
China	Kazakhstan	Tajikistan
Cyprus	Kuwait	Turkmenistan
Egypt	Kyrgyzstan	Ukraine
Finland	Latvia	United Arab Emirates
France	Lebanon	United Kingdom
Georgia	Lithuania	United States of America
Germany	Netherlands	Uruguay
Greece	Qatar	Viet Nam

INVESTMENT ENVIRONMENT / INCENTIVES

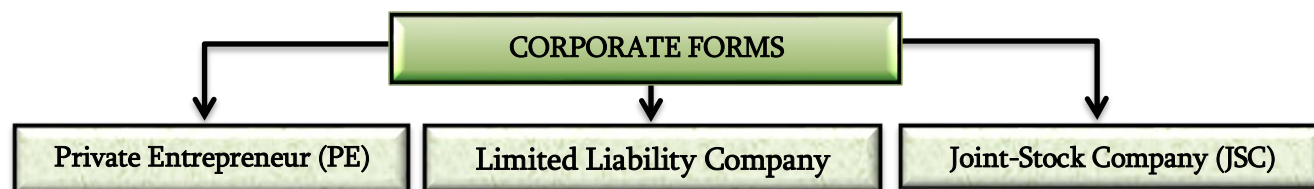
Foreign nationals are free to acquire, establish or dispose of business interests in Armenia. Armenia's investment and trade policy is open, and foreign companies are entitled by law to the same treatment as Armenian companies. Several investment incentives are listed below.

In Armenia 100% ownership of the shares of a company is permitted.
A foreign company is not required to seek investment approval. No specific authorization is required.
Companies registered by a foreigner in Armenia have the right to buy land. Although foreign citizens are not allowed to own land in Armenia, they are offered long-term lease contracts.
Local and foreign companies in Armenia are free to open and maintain bank accounts in foreign currency.
For investment projects, VAT payments for imported goods exceeding 300 million AMD are deferred for three years.
There are no minimum capital requirements for foreign or domestic companies.
There are no limitations on foreign ownership and control of commercial enterprises.
There are no sector specific or geographic restrictions.
There is not any restriction for domestic investors to invest abroad.
There are not export duties or restrictions. VAT export: Zero rating in Armenia applies to goods and services exported under “Free Turnover” and “Re-exportation” customs regimes.
In case of any changes in legislation foreign investors can choose which law to use for up to a five-year term (five-year grandfather clause).
On January 1, 2018, the Armenian Government started to exempt the imports of capital investment-related goods from VAT payments at the border.

Russia, Greece, Cyprus and Germany are the four major investors in Armenia. The main sectors targeted by investment are energy, telecommunications, metallurgy, hotel services and air transportation.

BUSINESS ESTABLISHMENT AND OPERATION

To maintain business activity in Armenia, it is required to register one of the following corporate forms of entrepreneurship, maintain representative offices/branches in Armenia, or to apply to outsourcing options:



It is a simple and quick procedure to open a company in Armenia. There is not any state fee or charge to register a company. E.g., documents required for registration a LLC are:

- *Copy of passport of founder(s);*
- *Company's charter;*
- *Decision of owners to open a new limited liability company.*

The time limit for registration is **two working** days maximum.

Representative offices or branches

Foreign companies may operate in Armenia without establishing a new legal entity by registering as:

- ❖ a representative office or,
 - ❖ a branch of a foreign legal entity.
- Representative offices and branches do not have the status of an independent legal entity, and they are governed by the rules and regulations of the foreign legal entity.

Outsourcing

The essential factors to apply for outsourcing to Armenian companies are:

- ❖ using of latest software technology trends,
- ❖ hiring of highly qualified, English-speaking professionals,
- ❖ saving of operational cost (office rent, equipment, accounting, legal, etc.),
- ❖ TAX FREE.

Various international and foreign companies apply to legal, financial, marketing and IT outsourcing services from Armenian companies. Especially, IT outsourcing to Armenia has become a booming trend among various countries all over the world, like Canada, Australia, USA, Russia, Germany and many others.

Cyprus and the UAE are big importers of services from Armenia, focusing mostly on outsourcing IT, accounting, banking, and financial services.

TAX REGIME / INCENTIVES

Corporate Income Tax (CIT)	Turnover Tax (TT)	Value Added Tax (VAT)
<p>Armenian-resident entities and non-resident entities doing business in Armenia through a permanent establishment (PE) are liable for CIT.</p> <p>Armenia taxes residents on their worldwide income; non-residents are subject to CIT only on their Armenian-source income.</p> <p>The standard CIT rate is 20%.</p> <p>Taxpayers engaged in agricultural production are exempt from CIT on that income until 2025.</p> <p>Armenian resident companies implementing a business plan approved by the government may deduct the amount of the annual salaries for the newly created jobs from the CIT liability of that year, but not greater than 30% of the actual CIT calculated.</p>	<p>The turnover tax (TT) generally replaces the CIT and VAT obligations for small and medium enterprises (SMEs). The tax rate is differentiated in accordance to the income type (mainly 1,5%-5%).</p> <p>There are certain revenue thresholds that taxpayers should not exceed to be considered as turnover taxpayers (AMD 58.3 million).</p> <p>Businesses producing/importing excisable goods are required to account for VAT on their sales.</p> <p>Certain ownership and inter-relation thresholds are also applicable for entities to be considered as TT taxpayers.</p>	<p>The standard rate of VAT on domestic sales of goods and services and the importation of goods is 20%.</p> <p>Exported goods and related services are zero-rated. <u>Advertising, consulting, marketing, design, engineering, legal, accounting, audit, data processing, and other related services provided to non-residents are zero-rated if the non-resident's place of business is outside Armenia.</u> Various supplies, including most financial and education services, are VAT-exempt. Starting from 1 January 2019, if the taxpayer's revenue exceeds AMD 58.3 million, the taxpayer may not be considered as TT taxpayer and should account for VAT on the excess sales.</p>

The **withholding tax (WHT)** on the income from the alienation of securities is 0%.

Armenia does not have any **transfer taxes**.

Armenia does not have any **stamp taxes**.

Tax residents are allowed to credit foreign taxes paid on income received abroad against their Armenian tax liabilities. The amount of foreign tax credit is limited to the amount of Armenian tax that would arise from the equivalent income in Armenia. **Armenia has double tax treaties (DTTs) with 46 countries.**

FREE ECONOMIC ZONES

Armenia adopted a Law on Free Economic Zones (FEZ) in 2011, and developed several key regulations to attract foreign investments into FEZs. These regulations include exemptions from VAT, profit tax, customs duties, and property tax.

It aims to increase **export-oriented production** in Armenia and to attract more investors.

<p>The Alliance FEZ (opened in 2013) currently has thirteen businesses taking advantage of its facilities. The focus of Alliance FEZ is on high tech industries which include information and communication technologies, electronics, pharmaceuticals/ biotechnology, architecture and engineering, industrial design and alternative energy.</p>	<p>The Meridian FEZ (opened in 2015 in Yerevan) focused on jewelry production, watch-making, and diamond-cutting, with seven businesses operating in it. It's mission is to become a driving force in boosting the economic strength of Armenia by developing the jewelry field and increasing export volume.</p>	<p>The Meghri FEZ was opened in 2017 at the border with Iran to enlarge Armenia's export opportunities especially to European Union, Eurasian Economic Union and Iran. This FEZ allows the export of any kind of goods, without restrictions, to international market</p>
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BANKING SYSTEM AND MONEY TRANSFER

The banking system in Armenia is safe, sound and well-regulated. There are **no restrictions for foreign citizens and companies to open bank accounts** in Armenian banks. Also, foreign banks and branches are allowed to establish operations in the country, being subjected to the same prudential measures and regulations as local banks.

Foreign companies are permitted to open their bank accounts in Armenian banks through their authorized representatives in Armenia, based on **Power of Attorney (POA)**.

There are several options **to use bank services without personally being in Armenia**, to make deposits in the company's account, to make transfers from it or to it using **QR code or Token systems**. Each bank requires its terms and conditions of bank account opening procedures. Fees and tariffs for transactions and account maintenance are also different by bank to bank.

Armenia does not limit the conversion and transfer of money or the repatriation of capital and earnings, including branch profits, dividends, interest, royalties, and management or technical service fees. Most banks can transfer funds internationally within **two to four days**. Armenia maintains the Armenian dram (AMD) as a freely convertible currency under a managed float.

RESIDENCE, PERFORMANCE AND DATA LOCALIZATION

The processes for obtaining visas, residence or work permits are quite simple.

There are no government imposed conditions on permission to invest, including tariff and non-tariff barriers.

Foreigners investing in the Armenian economy may qualify for one of the following residence permits:

- ✓ *Temporary residence permit, issued in the form of a card and valid for 1 year*
- ✓ *Permanent residence permit, issued in the form of a card and valid for 5 years*
- ✓ *Special residence permit, issued in the form of a passport and valid for 10 years*

There are no performance requirements for investment in terms of mandating local employment.

Armenia does not follow any policy which would force foreign investors to use domestic content in goods and technology. There are no requirements for foreign IT providers to turn over source code or provide keys for encryption. There are also no requirements to store data within the country. However, Armenian legislation set requirements on personal data protection.

HUMAN CAPITAL

Armenia has strong human capital and a well-educated population, particularly in the Science, Technology, Engineering and Math (STEM) fields. The high-tech and information technology sectors have particularly attracted foreign investment.

Much of the new foreign investment in Armenia has occurred in the **high-tech sector**. High-tech companies have established branches or subsidiaries in Armenia to take advantage of the country's pool of qualified specialists in electrical and computer engineering, optical engineering, and software design. Armenia's human capital is one of its strongest resources. The labor force is generally well educated and fluent of foreign languages.

The local workforce is relatively inexpensive and provides a clear comparative and competitive advantage for Armenia. The quality to price ratio is significantly high.

Armenia has a very sizeable Diaspora living abroad of about 7 million – primarily in the Middle East, the United States, the Russian Federation and Western Europe – which forms a vibrant potential pool of investors looking for opportunities to invest capital in their home country.

ATTRACTIVE INVESTMENT SECTORS IN ARMENIA

Tourism



Construction



Textile Industry



Production of E-devices



Agriculture



Brandy and Wine Industry



Solar Panel Production



Pharmaceuticals



NOTICE

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.



We are open to assist foreign investors establish and expand their businesses.

Don't hesitate to contact us,
if you are considering business expansion in Armenia.

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