

Special microbusiness tax regime for sole individual entrepreneurs and companies

1.1 General Description

Individual entrepreneurs (IEs), limited liability companies (LLCs) or other resident commercial organizations can work under microbusiness tax regime, if:

1. Revenue from sales of goods or services for all types of activities during the previous tax year did not exceed 24,000,000 AMD
2. Do not provide consulting, legal, accounting, auditing, engineering, advertising, design, marketing, translation, expert, medical, dental services, information processing, transmission, research, experimental design, IT services,
3. Do not engage in trade activities (purchase and sale) ¹ in Yerevan or trade activities (purchase and sale) in shopping centers outside Yerevan²;
4. Public Catering (restaurants, cafes, etc) outside Yerevan
5. Are not parties to a joint venture agreement, a contract for the supply of goods or a commission³,
6. Did not commit the third violation of the cash register operation rules during the tax year ⁴
7. 20% or more share of the company's statutory (share) capital does not belong to another company, individual entrepreneur or notary⁵,

¹ By "purchase-sell" we mean the purchase of product X and sale of the same product. You can't operate under microbusiness tax regime in case of purchase and sale in the pavilion of shopping centers in Yerevan or outside Yerevan (for example, in Arinj Mall). But if you buy and sell the X product in your shop/store outside Yerevan, which is not a pavilion in a shopping center, you can be eligible to work under microbusiness tax regime.

At the same time, if, for example, you buy threads and bundles, make bracelets from them, sell bracelets, or buy fruit, dry them, sell the dried fruits, it is not considered trade activities but rather production activities, because you buy one product but sell another product. In this case you can work under microbusiness tax regime irrespective of your operations location.

² The sale should be made exclusively to the population, not to companies.

³ For example, suppose Company A enters into a joint venture agreement with Company B, according to which Company A is engaged in the production of tea, and Company B is engaged in tea packaging, branding and sales. In this case, A and B companies can not work under microbusiness tax regime.

⁴ You should always print the cash register receipt, in case of three violations you will no longer have the opportunity to work under the microbusiness preferential tax regime.

⁵ Suppose you have registered as Jack Nilson Individual Entrepreneur, at the same time you have opened Wood LLC with your friends, where you have 35% of the company. In this case, neither Jack Nilson Individual Entrepreneur nor Wood LLC can operate under microbusiness tax regime. It should be noted that if Jack Nilson IE submits an

8. 20% or more share of the company’s statutory (share) capital does not belong to a natural person who also owns 20% or more share of another company’s statutory (share) capital⁶,

9. Based on the information obtained as a result of operative-investigative actions, the total annual sales in the previous tax year of affiliated organizations or individuals as defined by the Article 30, part 2 of the Tax Code, did not exceed 24,000,000 AMD,

10. Do not act as banks, credit organizations, insurance companies, investment companies, specialized participants in the securities market, pawnshops, foreign exchange trading, dealer-brokers, investment funds, fund managers, payment and settlement organizations, notaries, gambling or casino games implementers.

1.2 [Tax obligations](#)

Businesses operating under microbusiness tax regime are exempt from a range of business taxes.

See the table below for more details:

	Value Added Tax (VAT)	Profit Tax	Personal Income Tax ⁷	Excise Tax
LLC/CJ SC/OJS C	Exempt ⁸	Exempt	In case of having a hired/registered employes, 5000 AMD per month for each registered employee	You will be subject to excise tax if you either produce or import one of the following products: Ethyl Alcohol, Alcoholic beverages, Vodka made from fruits (or) berries, Cognac, brandy and other alcoholic infusions, Whiskey, rum and other alcoholic infusions, Beer, Grape wines, Vermouth or other wines, Other fermented beverages (apple cider, peru (pear cider), honey beverage), except fruit,
IE	Exempt	Exempt	In case of having a hired/registered employee (including the individual entrepreneur personally, if the latter is a registered employee and receives a salary), 5000	

announcement on termination of activity to the tax body, Wood LLC may be considered to work under microbusiness tax regime from the day following the submission of the announcement. The same principle will be applied to Jack Nilson IE in case of termination of Wood LLC.

⁶ Suppose Jack Nilson has a 30% share in ConstructNOW LLC and a 40% share in ProLife LLC, then neither ConstructNOW nor ProLife LLC can work under microbusiness tax regime. The latter will be possible only if one of the companies submits a statement of termination to the tax authority.

⁷ Personal income tax does not refer to the business, but to the employees involved in that business. The economic entity, as a tax agent, is obliged to calculate and pay the personal income tax of its employees.

⁸ Businesses operating under microbusiness tax regime are not released from the obligation to calculate or pay VAT on goods imported to the Republic of Armenia in accordance with the procedure established by the Code.

			AMD per month for each hired employee.	berry and fruit wines and wine material, Fruit or berry wines, Tobacco products, Cigars, Cigarette, Industrial tobacco substitutes, Lubricating oil, Gasoline, petroleum, Diesel fuel, Crude oil petroleum products, Petroleum gases, Compressed natural gas. The amount of the tax is defined by Article 88 of the RA Tax Code: https://bit.ly/38Y2845
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	Social payment	Army Insurance Fund Payments
LLC/CJ SC/OJS C	In case the monthly salary is <500.000 AMD, 3.5% of registered employees monthly salaries, In case the monthly salary is 500.000-1.020.000 AMD, then difference between 10% of the monthly salary and 32.500 AMD In case the monthly salary is >1.020.000 AMD, 69.500 AMD per month per employee ⁹	Depending on the salary amount the army insurance fund payments per month per employee are: In case the monthly salary is <100.000 AMD, then monthly army payment is 1500 AMD, In case the monthly salary is 100.001-200.000 AMD, then monthly army payment is 3000 AMD In case the monthly salary is 200.001-500.000 AMD, then monthly army payment is 5500 AMD In case the monthly salary is 500.001-1.000.000 AMD, then monthly army payment is 8500 AMD In case the monthly salary is >1.000.000, then monthly army payment is 15.000 AMD
IE	In case the monthly salary is <500.000 AMD, 4.5% of registered employees monthly salaries, In case the monthly salary is 500.000-1.020.000 AMD, then difference between 10% of the monthly salary and 32.500 AMD In case the monthly salary is >1.020.000 AMD, 69.500 AMD per month per employee ⁹ IE for him personally is social payment exempt	IE operating under microbusiness tax regime pays for himself annually 18.000 AMD. If IE has hired/registered employees, depending on the salary amount the army insurance fund payments per month per employee are: In case the monthly salary is <100.000 AMD, then monthly army payment is 1500 AMD, In case the monthly salary is 100.001-200.000 AMD, then monthly army payment is 3000 AMD In case the monthly salary is 200.001-500.000 AMD, then monthly army payment is 5500 AMD In case the monthly salary is 500.001-1.000.000 AMD, then monthly army payment is 8500 AMD In case the monthly salary is >1.000.000, then monthly army payment is 15.000 AMD

Important: *The shareholders of the LLC/CJSC/OJSC have an obligation to declare their dividends and pay 5% dividend tax. Suppose the shares of the LLC belongs to you and your wife in a ratio of*

⁹ If born after January 1, 1974. If born until 1974, January 1 no social payment is required.

60% ၎ 40%. Your profit for the month was 50,000 AMD. As an LLC working under microbusiness tax regime you are exempt from profit tax. However, according to your share, 30,000 AMD of profit is distributed to you, 20,000 AMD to your wife. Taxation of 5% dividends refers to these amounts. As an individual, you will need to declare your dividend income and pay 1500 AMD (5% of the 30,000 AMD dividend) to the state budget, and your wife 1000 AMD (5% of the 20,000 AMD dividend). Payment is made annually and only in case of actual distribution.

1.3 [Application procedure for the given tax regime](#)

To work under the microbusiness tax regime, one needs to fill in and submit «257. Application to be considered to work under microbusiness tax regime» in the Section of «Reports» of the State Revenue Committee electronic platform here: <https://file-online.taxservice.am> . The latter must be done within 20 days after registration. If more than 20 days have passed since the registration, it will not be possible to appear in microbusiness tax regime for the given year. The application must be submitted in the period from January 1 to February 20 of each year, regardless of the fact that it was previously registered in that system.

1.4 [Tax Reporting and Deadlines of Tax Payments](#)

Tax Reporting in Armenia is available only online through the State Revenue Committee Electronic platform: <https://file-online.taxservice.am> . Once registered in the system, in case your business operates under microbusiness tax regime, there is a range of tax reports you need to submit from the section “Reports”.

Name	Deadline
205. Report on sales turnover for all types of activities during the previous tax year ¹⁰	Until February 1 st of the year following the tax year
189. Personal income tax calculations	Until the 20th of the month following each reporting month

¹⁰ In the second part of this report you must fill in the code of your activity type, section, group, class and subclass. To understand the latter, you need to download the following document: <http://www.arlis.am/Annexes/4/GT30.1-13page1730-2124ink1392.doc>

In case you are a excise tax¹¹ payer, then by the 20th of the month following each reporting month, you must submit “203. Value Added Tax - Unified Calculation of Excise Tax ” report, completing only Section 2 of the report.

Tax payments must be made following the following schedule:

Name	Deadline	Account Number
Personal Income Tax payment	Until the 20th of the month following each reporting month	900008000490
Social payment for employees		
Army Insurance Fund monthly payments per employee	Until the 20th of the month following each reporting month	9000050011186
In case of being lindividual entrepreneur annual 18.000 AMD Army linsurance Fund payment for yourself	Until February 1 st of the year following the tax year	

In case of being excise tax payer, the payments and respective account numbers vary depending on the goods type:

Product	Account Number
Beer produced in Armenia	900005003026
Grape and other wines produced in Armenia	900005003166
Sparkling wine and wine materials produced in Armenia	900005003174
Vermouth and other grape wines produced in Armenia containing aromatic extracts	900005003182
Other fermented beverages produced in Armenia (apple cider, peru (pear cider), honey drink	900005003190

¹¹ One will be subject to excise tax if he either produce or import one of the following products: Ethyl Alcohol, Alcoholic beverages, Vodka made from fruits (or) berries, Cognac, brandy and other alcoholic infusions, Whiskey, rum and other alcoholic infusions, Beer, Grape wines, Vermouth or other wines, Other fermented beverages (apple cider, peru (pear cider), honey beverage), except fruit, berry and fruit wines and wine material, Fruit or berry wines, Tobacco products, Cigars, Cigarette, Industrial tobacco substitutes, Lubricating oil, Gasoline, petroleum, Diesel fuel, Crude oil petroleum products, Petroleum gases, Compressed natural gas. The amount of the tax is defined by Article 88 of the RA Tax Code: <https://bit.ly/38Y2845>

Ethylene alcohol produced in Armenia	900005003208
Alcoholic beverages produced in Armenia	900005003216
Infusions obtained from the distillation of grape wine produced in Armenia, brandy	900005003224
Vodka produced in Armenia	900005003232
Liqueurs and fruit vodka produced in Armenia	900005003240
Champagne produced in Armenia	900005032819
Industrial tobacco substitutes produced in Armenia	900005003257
Engine oils produced in Armenia	900005032918
Other excise goods produced in Armenia	900005003018
Goods imported from Eurasian Economic Union (EEU) member states	900008000490
Goods imported from non-EEU countries	It is specified during the import of goods at the customs check point