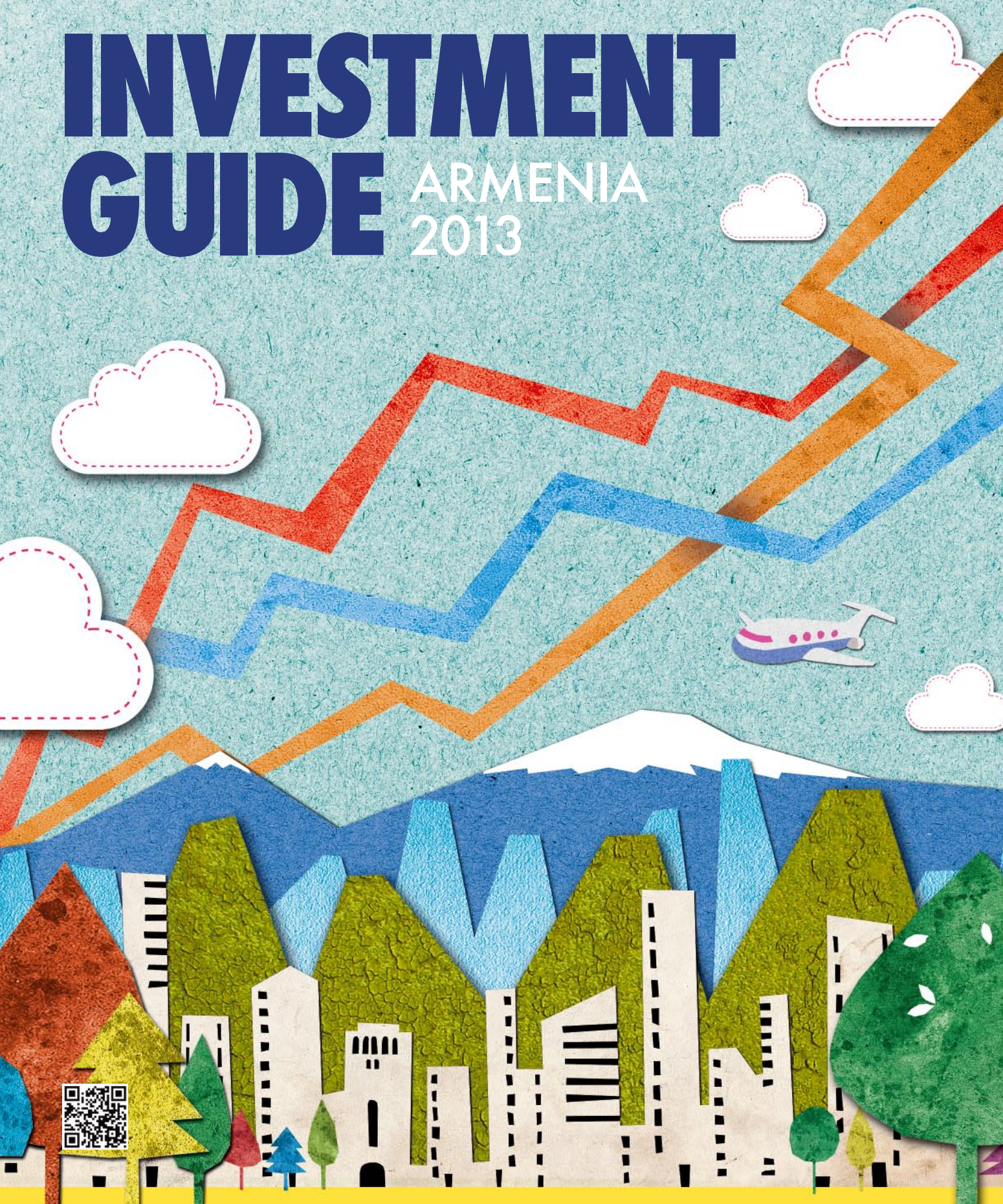


INVESTMENT GUIDE

ARMENIA
2013



INVESTMENT GUIDE ARMENIA 2013



THE MINISTRY OF ECONOMY
OF THE REPUBLIC OF ARMENIA



USAID
FROM THE AMERICAN PEOPLE

EDMC
Enterprise Development &
Market Competitiveness Project

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WHY ARMENIA?

STABLE
MACROECONOMIC
SITUATION

ATTRACTIVE
BUSINESS
ENVIRONMENT

MEMBER
OF WTO
SINCE 2003



EQUAL
TREATMENT
TO LOCAL
AND FOREIGN
INVESTORS



FREE TRADE
AGREEMENTS
WITH CIS
COUNTRIES

GSP REGIMES
WITH SEVERAL
DEVELOPED
COUNTRIES (EU,
USA, CANADA,
JAPAN ETC.)

SIMPLIFIED
EXPORT AND
IMPORT
REGULATIONS

SPECIAL TAX
AND CUSTOM
PRIVILEGES AND
INCENTIVES ARE
AVAILABLE FOR
INVESTMENT
PROJECTS

FREE ECONOMIC
ZONES (TAX
EXEMPTIONS ON
PROFIT, INCOME,
PROPERTY TAXES AND
VAT ARE GRANTED)

FREE
EXPATRIATION
OF CAPITAL



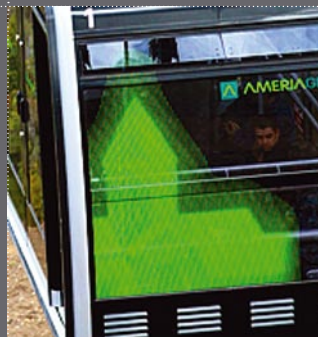
SUSTAINABLE
BANKING SYSTEM
IN LINE WITH
INTERNATIONAL
STANDARDS

FAVORABLE INVESTMENT
LEGISLATION (NO
SPECIFIC APPROVAL/
AUTHORIZATION FOR
MAKING AN INVESTMENT,
FREE REPATRIATION OF
PROFITS, NO LIMITATION
ON FOREIGN OWNERSHIP)

DEVELOPED
INFRASTRUCTURES
(WHOLE TERRITORY
OF THE COUNTRY IS
ELECTRIFIED, SUPPLIED
WITH BOTH GAS AND
WATER)

INTERNET IS
AVAILABLE
ALL OVER THE
COUNTRY THROUGH
3G & 4G SYSTEM

HIGHLY SKILLED
AND WELL
EDUCATED
WORKFORCE



COUNTRY
WITH HIGH
HOSPITALITY
AND SAFETY

**TIGRAN
DAVTYAN
MINISTER OF
ECONOMY OF
THE REPUBLIC
ARMENIA**

DEAR INVESTOR,

The purpose of this document is to guide you through the process of doing business in Armenia. I sincerely hope that you will find it helpful in discovering business opportunities in Armenia, making the right investment decisions, and in conducting your business with us.

Our “open door” policy aimed at investment promotion is a top policy priority in our country. Foreign investments are regulated and protected by the law “On Foreign Investments”. Armenia has one of the most open investment regimes among CIS countries, having bilateral investment promotion and protection treaties in place with 40 countries; as well as free trade agreements with our sister CIS countries which serve 250 million people.

Available here for you are attractive investment conditions and simplified procedures for doing business, equal treatment for local and foreign investors, free expatriation of capital, no limitation on foreign ownership, no export duties, a highly skilled and inexpensive labour force, free economic zones, and many other attractive enabling environment features and favorable investment opportunities.

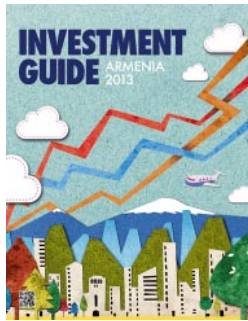
I assure you of our Government’s commitment and purpose in the implementation of comprehensive reforms aimed at the improvement of the business enabling environment and investment climate.

Welcome to Armenia!

**YOURS SINCERELY,
TIGRAN DAVTYAN**

MINISTER OF ECONOMY OF THE REPUBLIC ARMENIA





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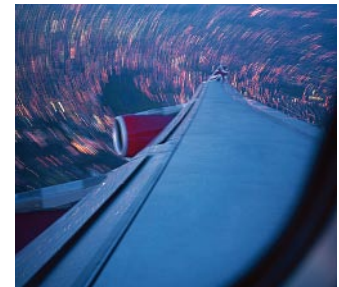
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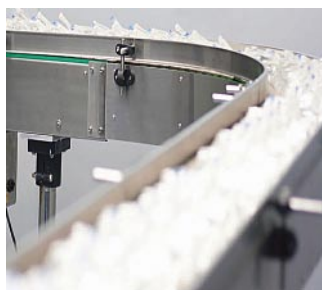
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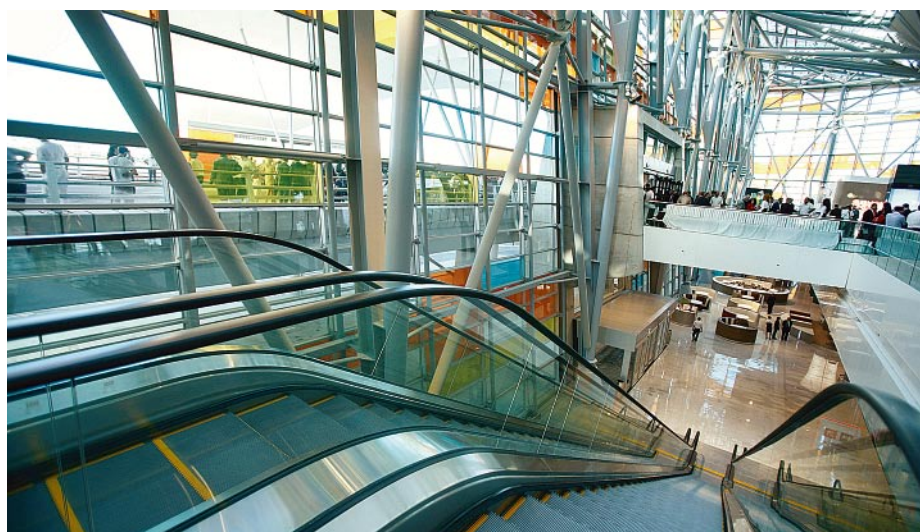
Armenian Development Agency
Small and Medium
Entrepreneurship Development
National Center of Armenia
Industrial Council
National Competitiveness Foundation

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ABBREVIATIONS







OVERVIEW

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ANCIENT AND RECENT HISTORY



Armenia's origins are colorfully illustrated in legend. One tells of Hayk, the great-great grandson of Noah, whose ark grounded on Mt. Ararat after the Great Flood. Ever since, Armenians have referred to their country as Hayastan.

By the 9th century B.C. local tribes united in the state of Urartu, which grew in one of the most powerful kingdoms in the Middle East. Erebuni was one of the oldest cities in Urartu. The year of Erebuni's founding, 782 B.C. is also celebrated as the year of Yerevan's birth. With nearly 2,800 years of history, Yerevan is one of the oldest continuously operating capitals in the world – 29 years older than Rome!

In the 1st century B.C., Armenian territory grew to its largest extent under Tigran II's reign. But war with Rome resulted in territorial loss, and by 387 A.D., Armenia was divided between the empires of Rome and Persia.

The adoption of Christianity as a state religion in 301 A.D. and the creation of an Armenian alphabet in 405 A.D. were the chief milestones that helped Armenia to maintain its statehood and fortify its language and culture. These achievements saved Armenians from assimilation during this period, and in upcoming centuries from continuing efforts by other powers to dominate the country.



THE MOST ANCIENT
LEATHER FOOTWEAR IN
THE WORLD DISCOVERED
DURING THE EXCAVATIONS
IN ARENI, ARMENIA

In 1080, after the destruction of the Bagratid Kingdom, the Kingdom of Cilicia (Lesser Armenia) was established. The failed Third Crusade and other historical events left Armenia as the only significant Christian country in the region. Its location on the Mediterranean coast soon involved Cilician Armenia in international trade between the Western Asia and Europe. The Cilician Kingdom of Armenia prospered for nearly 300 years, and during this period, the Cilician Kingdom finally assumed Armenian identity. ►

IN 1991, ARMENIA PROCLAIMED ITS INDEPENDENCE. AT THE END OF THAT YEAR, THE REPUBLIC OF ARMENIA ENTERED THE COMMONWEALTH OF INDEPENDENT STATES (CIS)





GARNI - HEATHENISH TEMPLE
OF THE GOD MITRA, 1-ST CENTURY, A.D

EREBUNI FORTRESS – AN ANCIENT CITY
OF KINGDOM OF URARTU, THE RUINS
OF WHICH ARE LOCATED IN ARIN BERD
UPTOWN WHAT IS PRESENT-DAY YEREVAN







RUINS OF ZVARTNOTS TEMPLE,
7TH CENTURY



The destruction of the Byzantine Empire led to another period of Armenia's fragmentation and dependence that continued until the end of World War I. It was the disintegration of the Russian Empire that gave Armenians an opportunity for independence. In 1918, the independent Republic of Armenia was formed, only to be annexed by the Soviet Union in 1920.

During World War II, Armenians fought alongside other Soviet nations against fascism. Of the more than 600,000 Armenians who struggled in the conflict,



approximately 200,000 died in battle. Armenia provided 60 generals and five marshals to the Red Army. In addition, 108 Armenians were granted the title Hero of the Soviet Union, its highest award, for heroism and courage.

As part of the Soviet Union, Armenia was transformed from a largely agricultural economy to an important scientific and manufacturing center, focused on metalworking, machinery, chemical and light industry, production of food and beverages, as well as engineering, jewelry and production of construction materials production. Its industrial output was distributed to all Union republics. In return, Armenia received raw materials and energy.

After nearly seventy years of Soviet domination, Armenia chose to embrace democratic ideals and political structure. In 1991, Armenia proclaimed its independence. At the end of that year, the Republic of Armenia entered the Commonwealth of Independent States (CIS). Since independence, the Republic of Armenia has pursued a policy of establishing friendly relations with all countries. ■

**ARMENIANS WERE THE FIRST
TO ACCEPT CHRISTIANITY AS
A STATE RELIGION IN 301 AD**



MONASTERY OF TATEV, FOUNDED
IN THE 9-TH CENTURY, SYUNIK PROVINCE



CULTURE AND HOLIDAYS



Armenia's cultural traditions are extraordinarily rich and diverse. In fact the country is often called an "open air museum" owing to more than 4,000 historical monuments representing various periods of the country's history throughout the countrywide. Some of the best-known include:

- the cathedral and churches of Echmiatsin (IV-V century) and the archaeological site of Zvartnots (VII century);
- the monasteries of Haghpat and Sanahin (X-XIII century); and
- the monastery of Geghard and the Upper Azat Valley (IV century).

Since Armenia is one of the oldest countries in the world, it is not surprising that some of the artifacts found here date back more than 5,000 years. One recent find is a 5,500-year-old leather shoe, which is now displayed at the History Museum of Armenia. Among the most important monuments of Hellenistic art in Armenia is Garni temple (first

century B.C.), which is unique as a wholly preserved monument of this type in the CIS. Armenians were the first people to accept Christianity as a state religion in the year 301, and many wonderful and valuable architectural monuments were built as a result. Symbols of Christianity's triumph – khachkars – are scattered all over Armenia, and are perfect pieces of sculptural art, emphasizing extraordinary stone working skills.

The creation of the Armenian alphabet in the year 405 stimulated progress in all creative endeavors. Evidence of this is a collection of 14,000 manuscripts, fragments and miniatures, which are preserved in Yerevan's Matenadaran (Institute of Ancient Manuscripts).

In Yerevan, Armenia's capital, are more than 40 art museums and galleries.

Armenian culture is on display at the State History Museum, the National Gallery, the Museum of Folk-Art of Armenia, the Wood Carving Museum, the Sergei Parajanov Museum, and a number of home-museums of famous Armenian painters, poets and composers. An impressive historical monument in Yerevan is the Erebuni fortress, whose rich history is explained in the museum near the fortress.

In large part because of its colorful and deep history, Armenia has become a renowned tourist destination. In 2011, about 760,000 tourists visited the country. ►





INTERIOR OF ETCHMIADZIN CATHEDRAL
OF ARMENIAN APOSTOLIC CHURCH,
RESIDENCE OF CATHOLICS OF ALL ARMENIANS

OVERVIEW

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ARMENIAN ALPHABET MONUMENT,
NEAR THE TOWN ARTASHAVAN,
ON THE EASTERN FLANK OF MT. ARAGATS

HERE IS THE LIST OF ARMENIAN NATIONAL
HOLIDAYS AND MEMORIAL DAYS:

DECEMBER 31 - JANUARY 6
New Year and Christmas
Holidays Day-off

JANUARY 7
All Souls' Day Day-off

JANUARY 28
National Army Day Day-off

FEBRUARY 21
Armenian Language Day

FEBRUARY 28
Memorial Day for the Victims
of Organized Massacres
in Azerbaijan SSR and the
Protection Day of the Rights
of the Deported Armenian
Population

MARCH 8
Women's Day Day-off

APRIL 7
Maternity and Beauty Day

APRIL 24
Memorial Day for Genocide
Victims Day-off

MAY 1
Labour Day Day-off

MAY 8
Yerkrapah's Day (War-
Volunteers' Day)









Armenia celebrates its rich cultural diversity with an annual calendar of events:

- An annual festival in July devoted to Armenian national cuisine and another in October to celebrate the national wine-feast.
- The summer “Golden Apricot” annual national cinema festival has become a traditional cultural event, bringing together local and foreign moviemakers.
- The High Fest International Performing Arts Festival, with participants from nearly 30 countries, usually takes place every year in early October. The Armenian theater has a history dating back more than 2,000 years. The largest drama theater in Armenia is the G. Sundukyan Theater in Yerevan. Plays are also performed at the Stanislavski State Russian Drama Theater, the State Theater of Musical Comedy, the National Academic Opera and Ballet Theater, the Chamber Theater. the Yerevan

State Theater of the Young Spectator, and the State Puppet Theater for younger generations to enjoy art

- “One Nation, One Culture” is a biennial festival that is aimed at strengthening spiritual and cultural links among Armenians all over the world. Armenia also boasts rich musical traditions. Sayat Nova, Komitas, Aram Khachaturian and Armen Tigranyan are among Armenia's best-known musicians and composers in the world. Aram Khachaturian's “Sabre Dance”, the ballet “Spartacus”, and Armen Tigranyan's “Anush” opera all have been presented far beyond the borders of Armenia, and have been successfully preformed on international stages. Modern music in Armenia is mainly characterized by pop, rock and jazz. Rock and jazz music festivals in Yerevan have become annual traditions. All museums, theaters and cinemas are accessible at affordable prices. ■

MAY 9

Victory and Peace Day Day-off

MAY 15

Family Day

MAY 28

Republic Day Day-off

JUNE 1

Children's Rights Protection Day

JUNE 14

Memorial Day of Victims of Political Repressions

JULY 5

Constitution Day Day-off

SEPTEMBER 1

Knowledge Day

SEPTEMBER 21

Independence Day Day-off

OCTOBER 5

Teachers' Day

2-ND SATURDAY OF OCTOBER

**Tarkmanchats Day
(Translators' Day)**

NOVEMBER 10

Day of Local Government

DECEMBER 7

**Memorial Day
for Earthquake Victims**

8 WEEKS BEFORE EASTER DAY, ON THURSDAY

**St. Vardanants Day
(Good Deeds Day)**

64 DAYS AFTER EASTER DAY, ON SUNDAY

Holy Echmiadzin Day

**ARMENIAN THEATER HAS
A HISTORY DATING BACK
MORE THAN 2,000 YEARS**

THE STAGING OF THE BALLET "SPARTACUS"
BY ARAM KHACHATURYAN IN OPERA AND
BALLET NATIONAL ACADEMIC THEATRE
AFTER ALEXANDER SPENDIARIAN





GOVERNMENT



THE REPUBLIC OF ARMENIA IS A SOVEREIGN, DEMOCRATIC, WELFARE STATE, GOVERNED BY THE RULE OF LAW, AND FOUNDED ON THE PRINCIPLES OF SEPARATION AND BALANCE OF POWERS AMONG THE LEGISLATIVE, EXECUTIVE AND JUDICIAL BRANCHES OF GOVERNMENT

The Republic of Armenia is a sovereign, democratic, welfare state, governed by the rule of law, and founded on the principles of separation and balance of powers among the legislative, executive and judicial branches of government. The President is the head of state, elected for a term of five years.

The legislative branch is embodied by the National Assembly, comprised of 131 parliamentarians. The National Assembly is also elected for a five-year term, elections being most recently held in May 2012. Executive power is in the hands of the Government of the Republic of Armenia, which consists of the Prime Minister and

the body of 18 Ministers. In addition, there are seven state agencies adjunct to the Government. At the provincial level, Government policy is implemented by the governors (marzpets).

Communities are self-governing. All powers of government administration not claimed by subnational levels revert to the Government.

The judicial branch is composed of the Courts of First Instance, Courts of Appeal, and the Supreme Court. The highest authority, outside of constitutional questions, is the Supreme Court, whose role is to ensure the uniform application of law. ■

POLITICAL PARTIES AND CIVIL SOCIETY



Political parties are well-established in Armenia, and their relative strengths may be gauged by election results. At the National Assembly of Armenia election held in May 2012, the ruling Republican Party gained a majority of the Parliament seats. The Prosperous Armenia Party came in second with about one fourth of the seats, while the Armenian National Congress, Heritage, Armenian Revolutionary Federation, and OEK Rule of Law parties won less than 10% each. The National Assembly is comprised of 131 deputies, 90 elected by a proportional and 41 elected by a majority system of voting. Civil society institutions in the country

are diverse and vibrant. There are more than a thousand nongovernmental organizations in the spheres of human rights and public policy, youth issues, humanitarian assistance, women issues, community development, children and family issues, health, education, national heritage, agriculture, national minorities, refugee issues, international relations and others. The law "On Public Organizations" emphasizes the importance of civil society, and sets forth the rights of persons to form public associations in Armenia as well as the formation, activities, re-organization and dissolution of public organizations. ■

CIVIL SOCIETY INSTITUTIONS IN THE COUNTRY ARE DIVERSE AND VIBRANT



THE PRESIDENT OF ARMENIA
SERZH SARGSYAN AND
PRIME MINISTER TIGRAN SARGSYAN

INTERNATIONAL ORGANIZATIONS



HERE IS THE LIST
OF INTERNATIONAL
ORGANIZATIONS
OF WHICH ARMENIA
IS A MEMBER:

ADB

Asian Development
Bank

BSEC

Organization of the
Black Sea Economic
Cooperation

CE

Council of Europe

CIS

Commonwealth of
Independent States

CSTO

Collective Security
Treaty Organization

EAEC (OBSERVER)

East Asia Economic
Caucus

Since independence in 1991, Armenia has become a member of more than 40 international organizations. These include the United Nations, the Council of Europe, the Organization for Security and Cooperation in Europe (OSCE), the Commonwealth of Independent States, the World Trade Organization, the World Customs

Organizations, the Organization of the Black Sea Economic Cooperation, International Organization of La Francophonie and others. Since 1994, Armenia has also participated in NATO's Partnership for Peace program. Armenia has been included under the EU endorsed European Neighborhood Policy since 2004. ■

EURASEC (OBSERVER)

Eurasian Economic
Community

EAPC

Euro-Atlantic
Partnership Council

EBRD

European Bank for
Reconstruction and
Development

FAO

Food and Agriculture
Organization of UN

GCTU

General
Confederation of
Trade Unions

IAEA

International Atomic
Energy Agency

ICAO

International Civil
Aviation Organization

IFAD

International Fund
for Agriculture
Development

IFRC

International
Federation of Red

Cross and Red
Crescent Societies

ILO

International Labour
Organization

IMF

International
Monetary Fund

INTERPOL

Interpol

IOC

International Olympic
Committee

IOM

International Organi-
zation for Migration

ISO

International Organi-
zation for Standardization

ITSO

International
Telecommunications
Satellite Organization

ITU

International Telecom-
munication Union

NAM (OBSERVER)

Non-Aligned
Movement

OAS (OBSERVER)

Organization of
American States

OPCW

Organization for
the Prohibition of
Chemical Weapons

OSCE

Organization
for security and
cooperation in Europe

PEP

Partnership
for Peace

TRACECA

Transport
Corridor Europe –
Caucasus – Asia
Intergovernmental
Commission

UN

United Nations
Organization

UNCTAD

Conference on Trade
and Development

UNESCO

United Nations
Educational,
Scientific and
Cultural Organization

UNIDO

United Nations
Industrial Development
Organization

UNWTO

World Tourism
Organization

UPU

Universal Postal Union

WB GROUP

World Bank Group

WCO

World Customs
Organization

WFTU

World Federation
of Trade Unions

WHO

World Health
Organization

WIPO

World Intellectual
Property Organization

WMO

World Meteorological
Organization

WTO

World Trade
Organization

SINCE PROCLAIMING ITS
INDEPENDENCE IN 1991
ARMENIA HAS BECOME
A MEMBER OF MORE THAN 40
INTERNATIONAL ORGANIZATIONS

Armenia's 3.3 million population breaks down ethnically as Armenian 97.9%, Yezidi 1.3%, Russian 0.5%, other 0.3% (2001 census, NSS). The official language is Armenian, spoken by about 97.7% of the population. Yezidi is spoken by 1%, Russian by 0.9%, and other languages by 0.4% (2001 census). The religion is predominantly Christian.

The population is relatively young, concentrated in cities. The urban population represents 64% of the total, with a full 34% of the total residing in Yerevan. The average age of the population is 35, with about 20% of the population 15 and under. Life expectancy is 71 years for men and 77 for women. ■

DEMOGRAPHY



HOUSEHOLDS



Household incomes, expenditures, and basic food consumption in Armenian households during the 2008-10 period are shown in Figure 1 below. These results emerge from Integrated Household Surveys, illustrating household income by source. We

have included the 1st and 10th deciles of the population for comparison purposes. Total consumption expenditures are defined as expenditures on food products, and all services. The structure of consumption expenditures in 2010

FIGURE 1. MONETARY INCOME FOR HOUSEHOLDS OF THE 1ST AND THE 10TH DECILE GROUPS, 2010

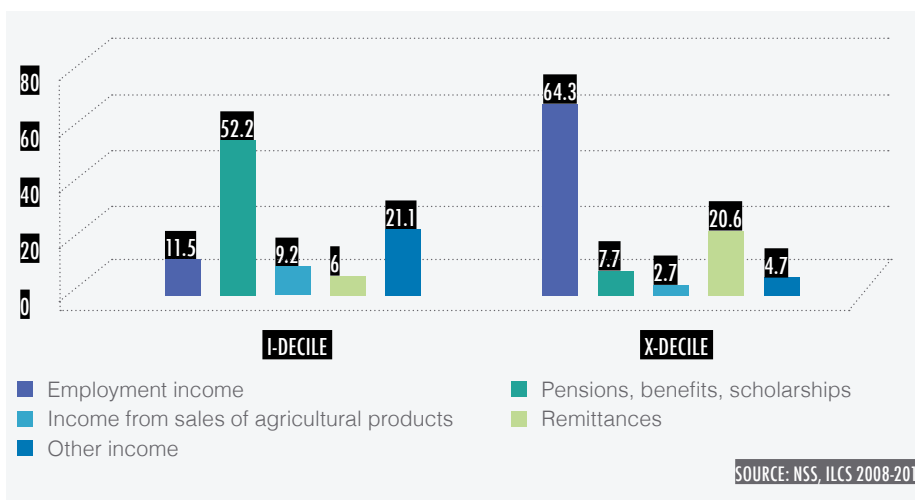
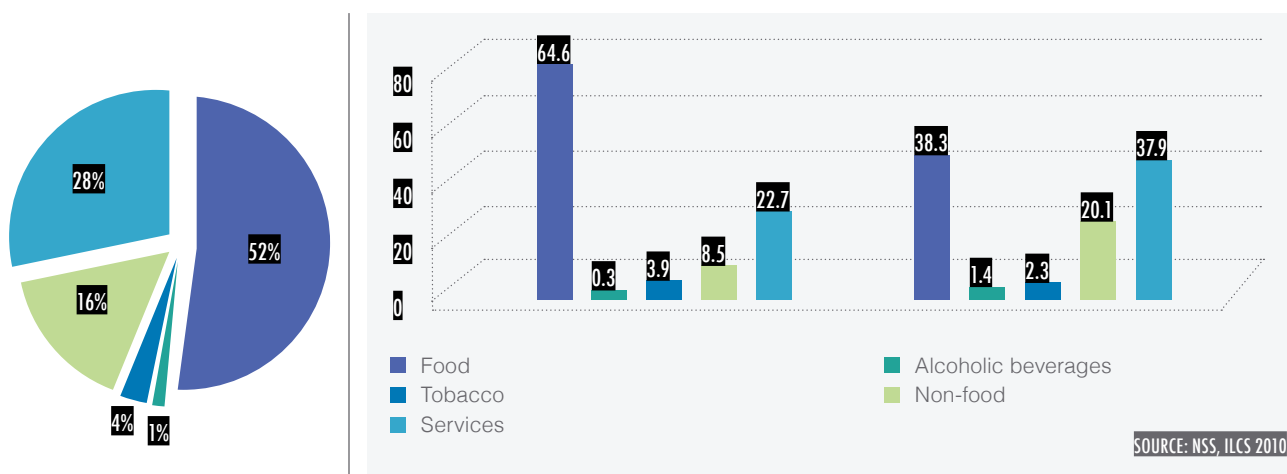






FIGURE 2. HOUSEHOLD CONSUMPTION EXPENDITURES OVERALL, AND OF THE 1-ST AND THE 10-TH DECILE GROUPS, 2010



is presented in Figure 2. Available data suggest that food constitutes approximately 52% of consumption spending. As we might expect, and as illustrated in the figures, the total percentage of food expenditures was

greater for 1st-decile households than for 10th-decile households. Also as might be expected, households in the 10th decile used more services and purchased more non-food products compared to households in the 1st decile. ■

Armenia, traditionally a way station along the Great Silk Road, is located at the historic crossroads of Asia and Europe. The country is engaged in the construction of a number of large infrastructure projects to restore its importance as a commercial link between the continents.

ROADS

Armenia's road network extends nearly 7,749 km as of 2011. The construction of the new North-South highway will enable safe and fast transportation of goods between the Persian Gulf countries and Europe. Upon its completion this road, about 556 km in length, will facilitate the traffic from Armenia's southern border to the Georgian border, and beyond to the ports of the Black Sea.

RAILROADS

The railroad network currently extends for about 707.4 km, with 69 operating train stations along the way. The modern railroad network is operated by Southern Caucasus Railway (a fully owned subsidiary of Russian Railways/RZD) under 30-year concession agreement. Railroad provides access to Black Sea ports, principally Batumi and Poti. A new rail link to Iran is in the planning stages.

SUBWAY

Yerevan's Metro system consists of a single line and a shuttle branch. There are ten stations and the system covers 12 km. Trains run every five minutes from 6:30 am to 11 pm. The system is used by 60,000 passengers per day. The system runs north-south through underground stations and continues west and south on ground level to stations into the industrial suburbs. Plans are afoot to extend the Metro to Zvartnots International Airport.

TELEPHONE SERVICE

Armenia's telephone system is equipped for both landline and mobile service. There are more than 600,000 landline subscribers with country code 374. Three mobile operators function in the country: Beeline, VivaCell-MTS and Orange, which offer high-quality connections meeting international standards. Mobile subscribers in 2011 numbered 3.8 million.

INTERNET

Reliable Internet service is available throughout the country. The Internet service had 380,000 subscribers in 2011. It is available via DSL, fiber optic, WiMAX, and other technologies. Mobile operators provide quality Internet connections via 3G and 4G systems, which are available in all regions of the country. Armenia is connected with fiber optic cables through Iran and Georgia. Currently the country has seven international portals five in the North and two in the South, which makes the connection highly sustainable. Armenia's Internet code is .am. For more information on transportation and communication in the country, please visit www.mtc.am.

MEDIA

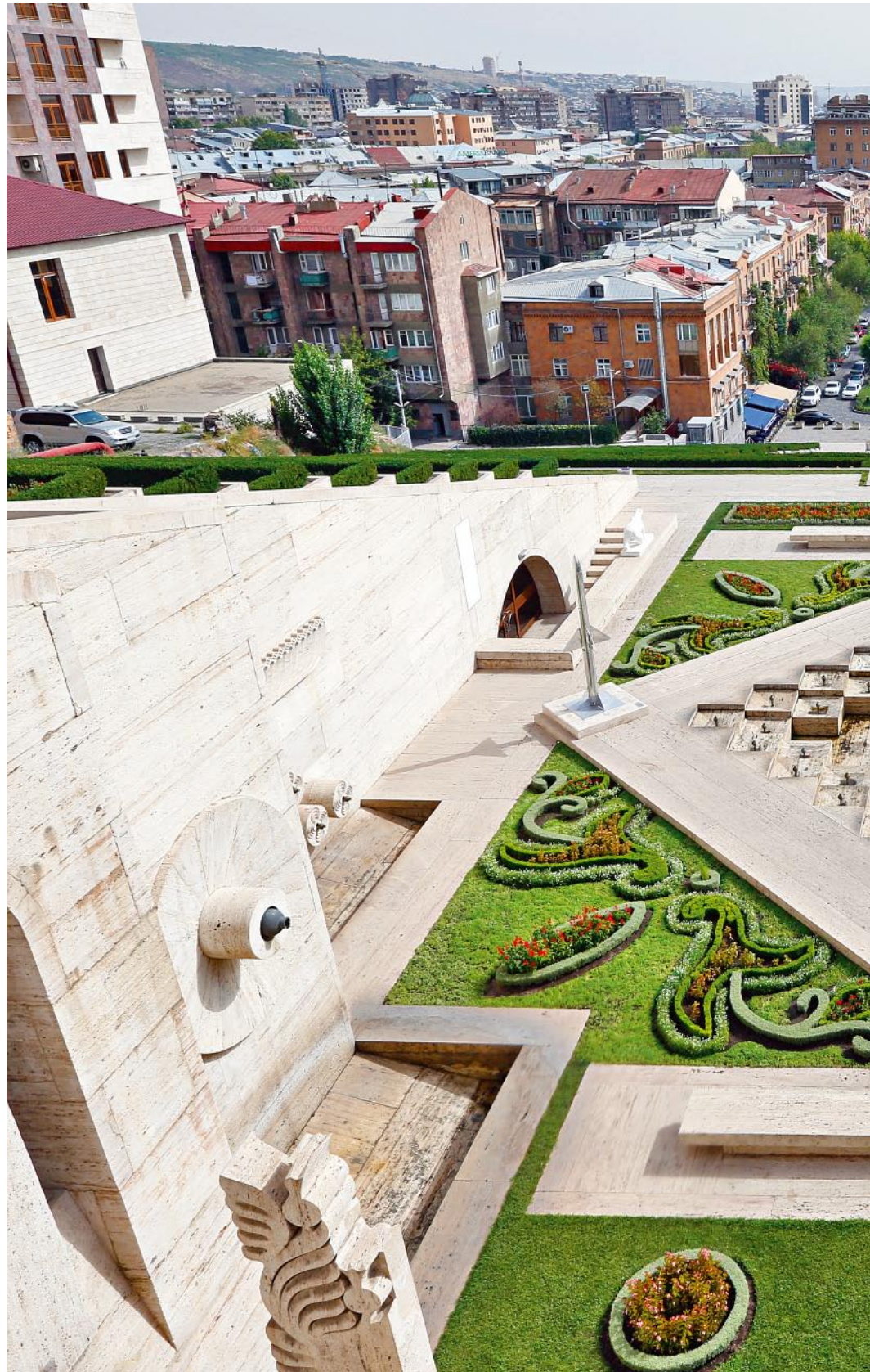
Armenia has two public television networks and 36 privately-owned broadcast television stations with local and nationwide coverage. Public Radio of Armenia is a national, state-run broadcast network that operates alongside 20 privately-owned radio stations. Several major international broadcasts are also available to Armenians. For more information on public TV and radio please visit www.tvradio.am. ▶

INFRASTRUCTURE



RELIABLE INTERNET SERVICE IS AVAILABLE THROUGHOUT THE COUNTRY. THE INTERNET SERVICE HAD 380,000 SUBSCRIBERS IN 2011. IT IS AVAILABLE VIA DSL, FIBEROPTIC, WIMAX, AND OTHER TECHNOLOGIES. MOBILE OPERATORS PROVIDE QUALITY INTERNET CONNECTIONS VIA 3G AND 4G SYSTEMS, WHICH ARE AVAILABLE IN ALL REGIONS OF THE COUNTRY









ENERGY INFRASTRUCTURE

Armenia is amply supplied with gas, electricity and water. Gas subscribers number 625,000. The country has a nuclear power plant, two thermal power stations, and more than a hundred hydroelectric operations. Energy prices in Armenia are low and stable.

WATER SUPPLY AND SANITATION

The water supply and sanitation system has been significantly upgraded. Numerous projects co-financed by international donor agencies are aimed at providing better access to safe, reliable and sustainable water supplies to both urban and rural communities.

AIRPORTS

Armenia's two principal airports are "Zvartnots" International Airport in Yerevan, and "Shirak" International Airport in Gyumri, both operated by "Armenian International Airports" CJSC (AIA). Zvartnots International is the main gateway to Armenia. It is located 12 km from the center of the city.

Both have been modernized extensively since 2002. At Zvartnots, covering 52,000 square meters, a new state-of-the-art passenger terminal has been built, new safety information and check-in systems installed, a new underground parking garage built accommodating more than 800 cars. Zvartnots International is considered the best airport in the South Caucasus, and AIA plans to make it a regional center. Total passenger traffic in 2011 was more than 1.5 million passengers. Currently, 34 international airlines fly direct connections between Yerevan and more than 60 large cities including Paris, London, Frankfurt, Vienna, Dubai, Munich, Amsterdam, Beirut, Istanbul, Moscow and Prague. Shirak International in Gyumri provides services to about 46,000 passengers annually, and features regular flights to Moscow, Rostov-on-don and Sochi. It was recently refurbished and is equipped with a state-of-the-art navigation system, new runways and lights, and other modern improvements. ■

**"ZVARTNOTS" INTERNATIONAL
AIRPORT IS CONSIDERED THE BEST
AIRPORT IN SOUTH CAUCASUS**

**CURRENTLY, 34 INTERNATIONAL
AIRLINES FLY DIRECT
CONNECTIONS BETWEEN YEREVAN
AND MORE THAN 60 LARGE CITIES**



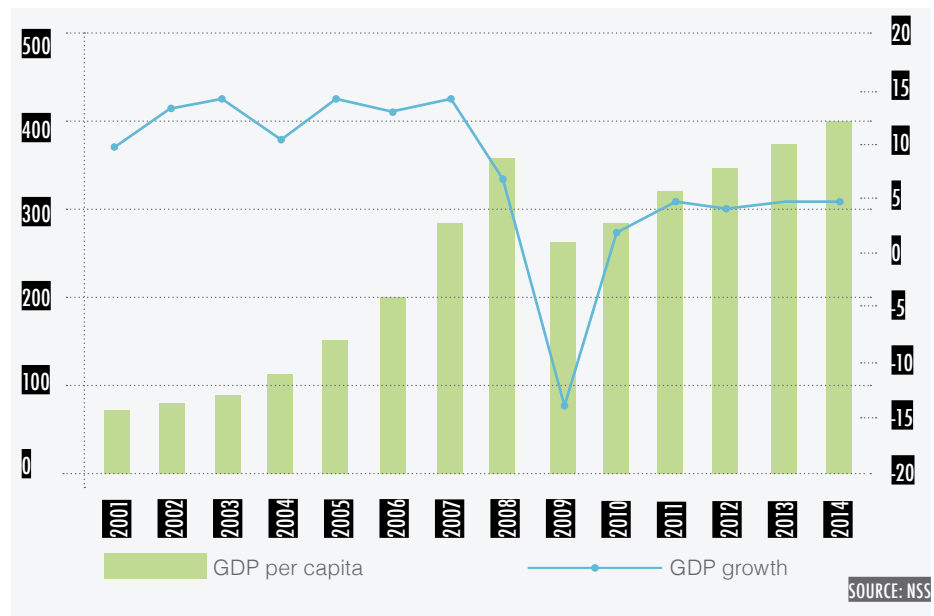
MACROECONOMIC OVERVIEW



Armenia was ranked first among CIS and CEE countries in GDP per-capita growth rates from 2000 to 2008. Growth slowed at the end of 2008, and actually declined in 2009, primarily due to the effects of the global economic crisis. But in 2010-2011, the economy experienced renewed growth. The industrial structure of the economy has become more diversified

in recent years as well: services and industry now make up 60 percent of GDP, versus 40 percent prior to the crisis. During the post-crisis period the industrial sector has demonstrated the highest growth rates (15.3%) compared to other sectors. Inflation from 2000 to 2008 was relatively low (see Figure 5), but increased in 2010 because of higher

FIGURE 3. GDP GROWTH (%) AND GDP PER CAPITA (US DOLLARS), 2001-2014



SINCE 2010, THE ECONOMY HAS EXPERIENCED RENEWED GROWTH. THE INDUSTRIAL STRUCTURE OF THE ECONOMY HAS BECOME MORE DIVERSIFIED IN RECENT YEARS AS WELL

TOTAL INVESTMENT GREW BY 16.2% IN 2011, WITH STRONG GROWTH IN THE TELECOMMUNICATIONS, MINING, FOOD PROCESSING, IT AND R&D, TOURISM, AIRPORT INFRASTRUCTURE, ENERGY GENERATION AND DISTRIBUTION SECTORS

FIGURE 4. GDP BY SECTORS OF ECONOMY, 2011

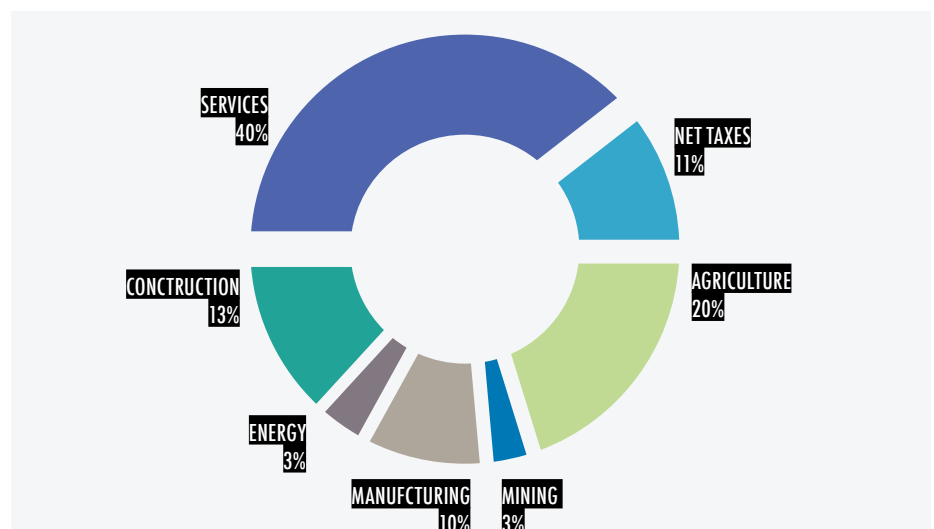
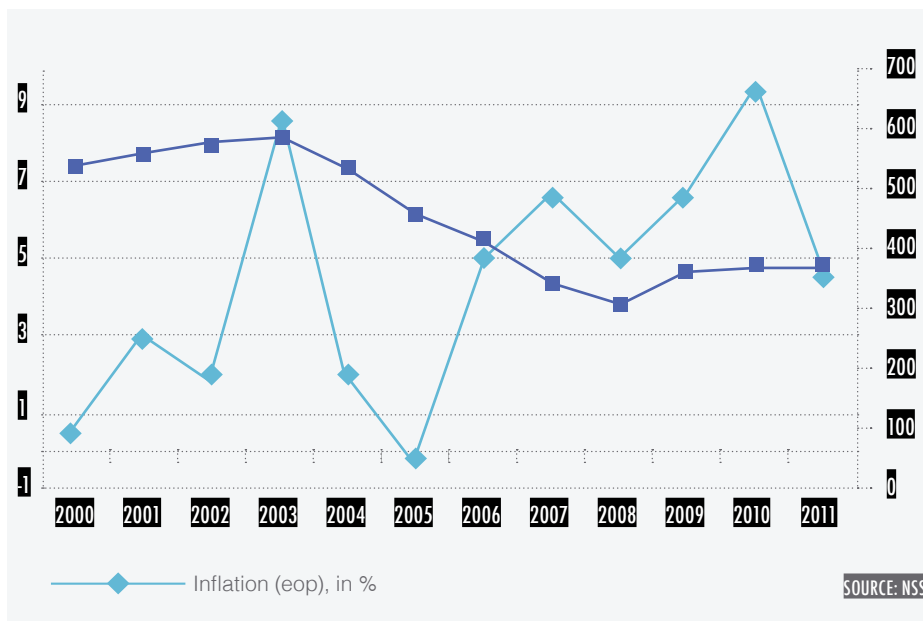


FIGURE 5. INFLATION AND EXCHANGE RATE, 2000-2011



food prices in international markets, and a decline in local agricultural production. Monetary tightening stabilized price levels in 2011.

Total investment grew by 16.2% in 2011, with strong growth in the telecommunications, mining, food processing, IT and R&D, tourism, airport infrastructure, energy generation and distribution sectors. Foreign direct investment (FDI) flows to the

Armenian economy mainly originated from Russia, EU member states and the U.S. Armenia's exports are concentrated in base metals (copper, molybdenum, gold), cut diamonds, and food and beverages (canned and fresh food, brandy). The principal import commodities are natural gas, petroleum, tobacco products, foodstuffs, diamonds, machinery and equipment. ►

FIGURE 8. EXPORT AND IMPORT, 2002-2011

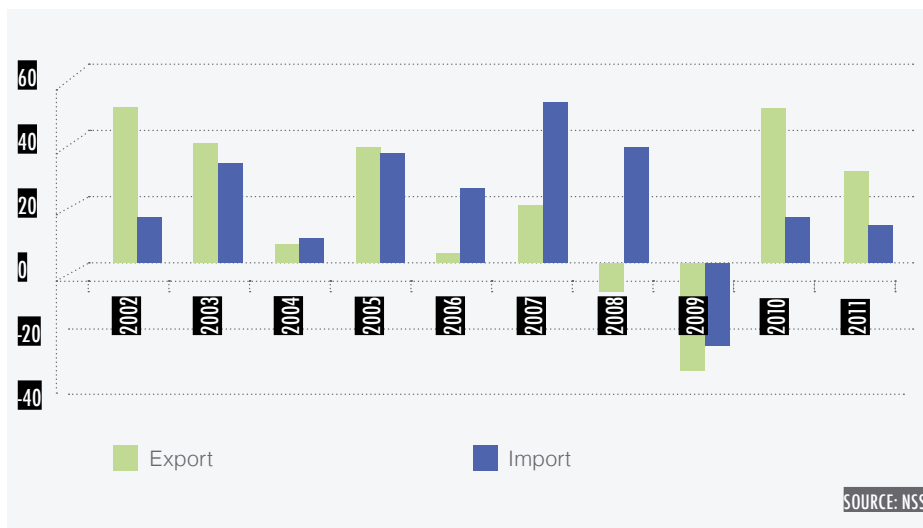


FIGURE 6. INVESTMENTS BY COUNTRIES, 2011

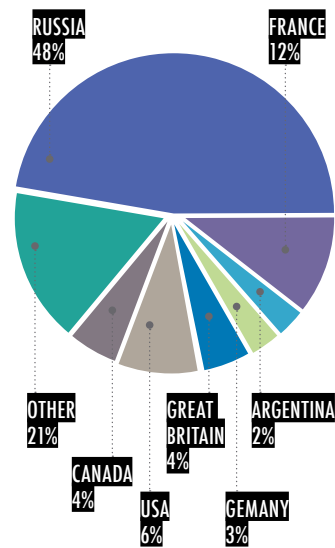
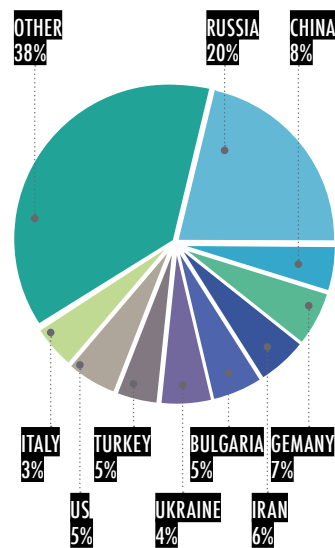


FIGURE 7. MAIN TRADE PARTNERS, 2011



ARMENIA'S EXPORTS ARE CONCENTRATED IN BASE METALS (COPPER, MOLYBDENUM, GOLD), CUT DIAMONDS, AND FOOD AND BEVERAGES (CANNED AND FRESH FOOD, BRANDY)

TABLE 1. MAIN MACROECONOMIC INDICATORS, 2008-2012

	2008	2009	2010	2011	2012*
GDP (USD billion)	11.7	8.7	9.3	10.1	11.3
GDP per capita (USD)	3,606	2,666	2,844	3,102	3,454
GDP real growth, %	6.9	-14.1	2.1	4.7	4.2
<i>Industry</i>	2.1	-6.9	9.2	13.5	6.4
<i>Agriculture</i>	3.3	6.0	-16.0	13.7	4.0
<i>Construction</i>	11.3	-41.6	3.3	-12.5	2.5
<i>Services</i>	4.8	-3.3	4.1	5.0	4.1
Inflation (year-end)	5.2	6.5	9.4	4.7	4.1
Budget balance (% of GDP)	-0.7	-7.6	-5.0	-3.0	-3.1
Officially registered unemployment, % (year-end)	6.3	7.0	7.0	6.2	6.2
Investment (USD million)	1,257.6	935.5	702.6	816.3	-
<i>incl. FDI (USD million)</i>	1,000.9	732.1	483.0	631.4	-
Exports FOB (USD million)	1,057.2	710.2	1,041.1	1,329.5	1,509
Imports CIF (USD million)	4,426.1	3,321.1	3,749.0	4,151.4	4,367
Foreign Exchange Reserves (USD billion)	1.41	2.00	1.87	1.96	-
USD/AMD exchange rate (average)	306.0	363.3	373.7	372.5	-

* Provided figures are preliminary estimation done at the end of 2011. According to recent estimations the real growth of GDP is considered to be 7%.

SOURCE: NSS, MOF RA

SOCIAL SAFETY NETWORK AND SOCIAL PROTECTION SYSTEM



LABOUR CODE

Armenia is a full member of the International Labour Organization. The Labour Code complies with international standards and assures the protection of employer and employee rights, and is constantly updated to reflect dynamic developments in the world. The Labour Code precludes discrimination of any kind. Workers from the age of 16, and in certain cases from the age of 14, receive full legal rights and protections. The retirement age is 63. Armenian law does not prescribe the composition of labour force employed either by Armenian or foreign companies. The most important social insurance benefits are pensions, unemployment insurance coverage, maternity coverage, and childcare benefits for children under two years old. Employment contracts may be open-ended or fixed-term. Employees may terminate the employment relationship at any time by giving early notice. The Labour Code permits employers to terminate employment relationships for such reasons as reorganization, unsuitability of the employee for the position held (from two weeks to two months notice is required

depending on employee's length of service), unsatisfactory results during a probation period, failure to adequately perform duties, and loss of trust. However, care must be taken to ensure that all necessary procedures are properly followed and documented.

An employment contract with a pregnant woman may not be terminated from the day on which the employer receives a medical certificate confirming pregnancy through one month after her maternity leave concludes. Paid maternity leave is required for between 140 and 180 days, depending on the nature of the child delivery. Payment is funded by the Social Security Fund. A mother may also take extended unpaid leave until her child is three years old. Her position must be kept open during this period.

An employee's minimum annual holiday entitlement is 20 working days for those with a five-day working week and 24 working days for those with a six-day working week. Vacation pay should be paid at least three calendar days before the vacation starts, otherwise the employer will be obliged to provide additional



SCHOOLCHILDREN
OF YEREVAN SCHOOL "AYB"



COMPUTER ROOM OF TUMO CENTER
FOR CREATIVE TECHNOLOGIES IN YEREVAN

paid vacation leave. Employees who are engaged in part-time studies may be entitled to additional vacation leave.

HUMAN CAPITAL

The higher education system in Armenia consists of 27 state and 41 private higher education institutions operating in Armenia (including eight foreign ones), enrolling more than 60,000 students annually. Human capital is regarded as the most valuable resource of the country (65% of the population is 17 to 59 years old). The literacy rate is 99.4% for the entire population (male: 99.7% female: 99.2% according to the 2001 census) and school duration (primary to secondary education) is 12 years. According to the UNDP survey of the age group from 13 to 33, over 30% have enough proficiency to conduct business in English, which is the third most common language in Armenia (after Armenian and Russian).

SOCIAL SECURITY

The social security system in Armenia covers pensioners, workers and their dependents for work-related accidents, disability benefits, sickness and maternity benefits, and family allowances. The social

protection system of Armenia plays an important role in providing social support to the population and alleviating the poverty. The current state pension system (PAYG means pay-as you-go) of Armenia is based on the principle of inter-generational solidarity. Essentially employees, employers and sole proprietor pay obligatory social contributions to the State Budget, from which pension payments are made. This system is being improved and a multi-pillar pension system will be implemented by January 2014 as a result of the ongoing pension reforms. The existing PAYG system will be complemented by two new pillars: the mandatory and the voluntary funded components. The voluntary component will come into force in 2013 and the mandatory component will enter into force in 2014. Within the framework of the funded component, employees will make contributions from their salaries, which together with State contributions will be transferred to their pension accounts. Pension savings will be invested in eligible securities instruments according to the investment policy defined by the law regulations as well as Pension Fund rules (www.mss.am, www.epension.am, www.abcfinance.am). ■

THE HIGHER EDUCATION SYSTEM IN ARMENIA CONSISTS OF 27 STATE AND 41 PRIVATE HIGHER EDUCATION INSTITUTIONS (INCLUDING EIGHT FOREIGN ONES), ENROLLING MORE THAN 60,000 STUDENTS ANNUALLY

HUMAN CAPITAL IS REGARDED AS THE MOST VALUABLE RESOURCE OF THE COUNTRY (65% OF THE POPULATION IS 17 TO 59 YEARS OLD). THE LITERACY RATE IS 99.4% FOR THE ENTIRE POPULATION (MALE: 99.7% FEMALE: 99.2% ACCORDING TO THE 2001 CENSUS)

ARMENIA IS A FULL MEMBER OF THE INTERNATIONAL LABOUR ORGANIZATION



HEALTH CARE SYSTEM



Armenia's health care system features three principal components: the national or "republican" service level, which provides tertiary care hospitals and an epidemiological service; the regional service level, which provides hospitals; and the municipal and community service level, which has primary health care providers. The key components of the system are the large private hospitals. Socially vulnerable and special-status social groups are provided with Medicare, including services for the disabled, children under 18 without parental care, victims of political repression, military personnel, expectant mothers, victims of trafficking, and children under age seven, among other groups. These groups also receive free or discounted medicine. The system is undergoing constant improvement and refinement. Heart surgery, therapy, dentistry and other medical specialties are currently being improved in the country. Implementation of a mandatory medical insurance system began in 2012,

which will further boost the development of the healthcare system. During the first stage of the new system, public officials will receive insurance as part of a social package provided by the government.

Armenia's health system has witnessed several notable recent success stories

- The Nork Marash Cardiology Center has become a leading international center for cardio surgery, attracting many patients from CIS and Middle East countries. International assistance (particularly with the involvement of the Armenian Diaspora) and exchanges significantly contribute to the upgrading of skills and introduction of new treatment methods.
- Yerevan Medical University trains the largest number of international students in Armenia. Relatively affordable prices and highly-qualified professionals represent a comparative advantage of the Armenian health care sector, and Armenia has considerable potential to become the leading health care provider in the region. ■

TABLE 2. ARMENIA: HEALTH CARE SYSTEM STATISTICS

Number of physicians of all specialties	13,591
Number of hospital facilities	130
Number of ambulatory-polyclinic facilities	504
Number of medium-level medical personnel	18,649
Number of hospital beds (thousand)	12.2
Physicians density	4.02 physicians/1,000 population
Hospital bed density	3.7 beds/1,000 population

THE NORK MARASH CARDIOLOGY CENTER HAS BECOME A LEADING INTERNATIONAL CENTER FOR CARDIO SURGERY, ATTRACTING MANY PATIENTS FROM CIS AND MIDDLE EAST COUNTRIES

YEREVAN MEDICAL UNIVERSITY TRAINS THE LARGEST NUMBER OF INTERNATIONAL STUDENTS IN ARMENIA





GEOGRAPHY
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REGIONAL POSITION



ARMENIA IS LOCATED IN THE SOUTHWEST CAUCASUS REGION, AT THE CROSSROADS OF EUROPE AND ASIA. IT IS A LANDLOCKED COUNTRY BORDERED BY GEORGIA TO THE NORTH, AZERBAIJAN TO THE EAST, IRAN TO THE SOUTH, AND TURKEY TO THE WEST

ARMENIA'S LAND AREA IS 29,800 SQUARE KILOMETERS (11,505 SQUARE MILES), AND THE POPULATION IS 3.2 MILLION

AUTOMOBILE ROADWAYS AND RAILWAYS VIA GEORGIA AND IRAN ARE THE PRINCIPAL LAND ROUTES TO/FROM THE COUNTRY, AND THE AVIATION SYSTEM FEATURES EXTENSIVE INTERNATIONAL NETWORK COVERAGE. THE NEAREST SEAPORT IS POTI IN GEORGIA, THROUGH WHICH ARMENIA HAS ACCESS TO THE COUNTRIES OF THE BLACK SEA REGION

Armenia is located in the Southwest Caucasus region, at the crossroads of Europe and Asia. It is a landlocked country bordered by Georgia to the north, Azerbaijan to the east, Iran to the south, and Turkey to the west.

Armenia's land area is 29,800 square kilometers (11,505 square miles), and the population is 3.3 million. The maximum distance from north to south is 360 kilometers, and from east to west 200 kilometers. About five percent of the country's territory is covered by lakes, the biggest of which is Lake Sevan. Armenia's borders with Turkey and Azerbaijan have been closed since the 1990s due to the Nagorno-Karabakh

conflict. Automobile roadways and railways via Georgia and Iran are the principal land routes to/from the country, and the aviation system features extensive international network coverage (for more details see the Flight Connectivity section of the Guide). The nearest seaport is Poti in Georgia, through which Armenia has access to the countries of the Black Sea region. The new railroad project connecting Armenia to Iran will provide routes all the way out to the Persian Gulf, providing access to neighboring Central Asia, the Middle East, India and China. Currently the railway network extends northwest to Port Poti in Georgia. Armenia also has a highway with Iran. ■







Armenia has a tremendously diverse climate for a relatively small geographical area, from the sunny Ararat valley with its bountiful fruit gardens, to the snowcapped mountain ranges that serrate the land. Several microclimates exist because of the country's mountainous terrain. A sunny and hot day in the Ararat Valley may at the same time feature quite brisk weather near the windswept mountainous lakes, and snow may fall in the upper regions of Mount Aragats. The rolling hills and high flats seem sculpted especially for rugged cross-

country skiing in the winter, while Lake Sevan in the summertime is a wonderful destination for swimming, sunbathing, and relaxation.

Average temperatures in the country's capital, Yerevan, range from -5°C in winter to 30°C in summer, although the thermometer may fall to -10°C and rise to over 40°C. Average precipitation ranges from less than 12 inches per year in the lower Arax river valley to about 36 inches per year at the highest altitudes. In Armenia, an average of 280 days a year are sunny. ■

CLIMATE



**AN AVERAGE OF 280 DAYS
A YEAR ARE SUNNY**

Armenia is a mountainous country, and therefore rich in mineral resources such as iron, copper, molybdenum, lead, zinc, gold, silver, antimony, aluminum, as well as other scarce and hard-to-find metals. Iron and copper ore, especially, are exported in significant volume. More than 670 solid mineral mines,



including 30 metal mines, are currently registered in the state inventory of mineral resources. About 400 of these are exploited, including 22 metal mines: Seven copper-molybdenum mines, four copper mines (operated in the southern part of the country in Kadjaran, Dastakert and Agarak), 14 gold mines (operated in Sodq and Meghradzor) and gold-poly-metallic mines, two poly-metallic mines, two iron ore mines, and one aluminum mine. Armenia's territory is divided into three zones with metal deposits: Alaverdi-Kapan, Pambak-Zangezur and Sevan-Amasia.

Armenia also possesses some of the world's most diverse non-metallic minerals, including almost all types of mineral rocks. Other resources such as tuff, perlite, pumice-stone, zeolite, scoria, basalts, granites, nephelite syenite, and marble are widely used in construction. Non-metallic mines for minerals such as quartzite, carbonate, zeolite, scoria and pumice-stone, clay, bentonite, diatomite, and gypsum, also comprise a significant part of Armenia's mining sector.

Armenia is rich in mineral water as well. The cities of Jermuk, Dilijan, Bjni, Arzni, Hankavan, and Sevan are well known in the world for both the medicinal and organoleptic qualities of their waters. ■

NATURAL RESOURCES



**ARMENIA IS RICH IN MINERAL
RESOURCES SUCH AS IRON,
COPPER, MOLYBDENUM,
LEAD, ZINC, GOLD, SILVER,
ANTIMONY, ALUMINUM, AS
WELL AS OTHER SCARCE AND
HARD-TO-FIND METALS**

ARMENIA IS RICH IN MINERAL WATER. THE CITIES OF JERMUK, DILIJAN, BJNI, ARZNI, HANKAVAN, AND SEVAN ARE WELL KNOWN IN THE WORLD FOR BOTH THE MEDICINAL AND ORGANOLEPTIC QUALITIES OF THEIR WATERS





REGIONS (MARZES)



Armenia has 11 administrative territorial units or "marzes": Aragatsotn, Ararat, Armavir, Gegharkunik, Lory, Kotayq, Shirak, Syunik, Vayots Dzor, Tavush, and Yerevan.

ARAGATSOTN

Covering 2,753 sq. km, 9% of Armenia's territory, there are three urban and 111 rural communities in the region. The major towns are Ashtarak (Marz center), Talin, and Aparan. The leading economic sectors are industry and agriculture. The geography and climate are favorable for both crops including grain, potatoes, and perennial grass, and for cattle breeding.

ARARAT

Covering 2,096 sq. km, 7% of Armenia's territory, there are four urban and 93 rural communities in the region. The major towns are Artashat (Marz center), Ararat, Vedi, and Masis. The economy is specialized in fruit and vegetable growing and wine production.

ARMAVIR

Covering 1,242 sq. km, 4% of Armenia's territory, there are three urban and 93 rural communities in the region. The major towns are Armavir (Marz center), Metsamor, and Vagharshapat. The

leading economic sectors are agriculture and industry. The geography and climate are favorable for crops such as basic grains and vegetables, and cattle breeding. Industrial production is specialized in food products, soft drinks, beverages and building materials. The Armenian Nuclear Power Plant is also located in the marz, producing about 40% of the country's electricity.

GEGHARKUNIK

Covering 5,348 sq. km, 18% of Armenia's territory, there are five urban and 87 rural communities in the region. Lake Sevan, the largest body of fresh water in the Southern Caucasus, is located in Gegharkunik Marz. The major towns are Gavar (Marz center), Sevan,



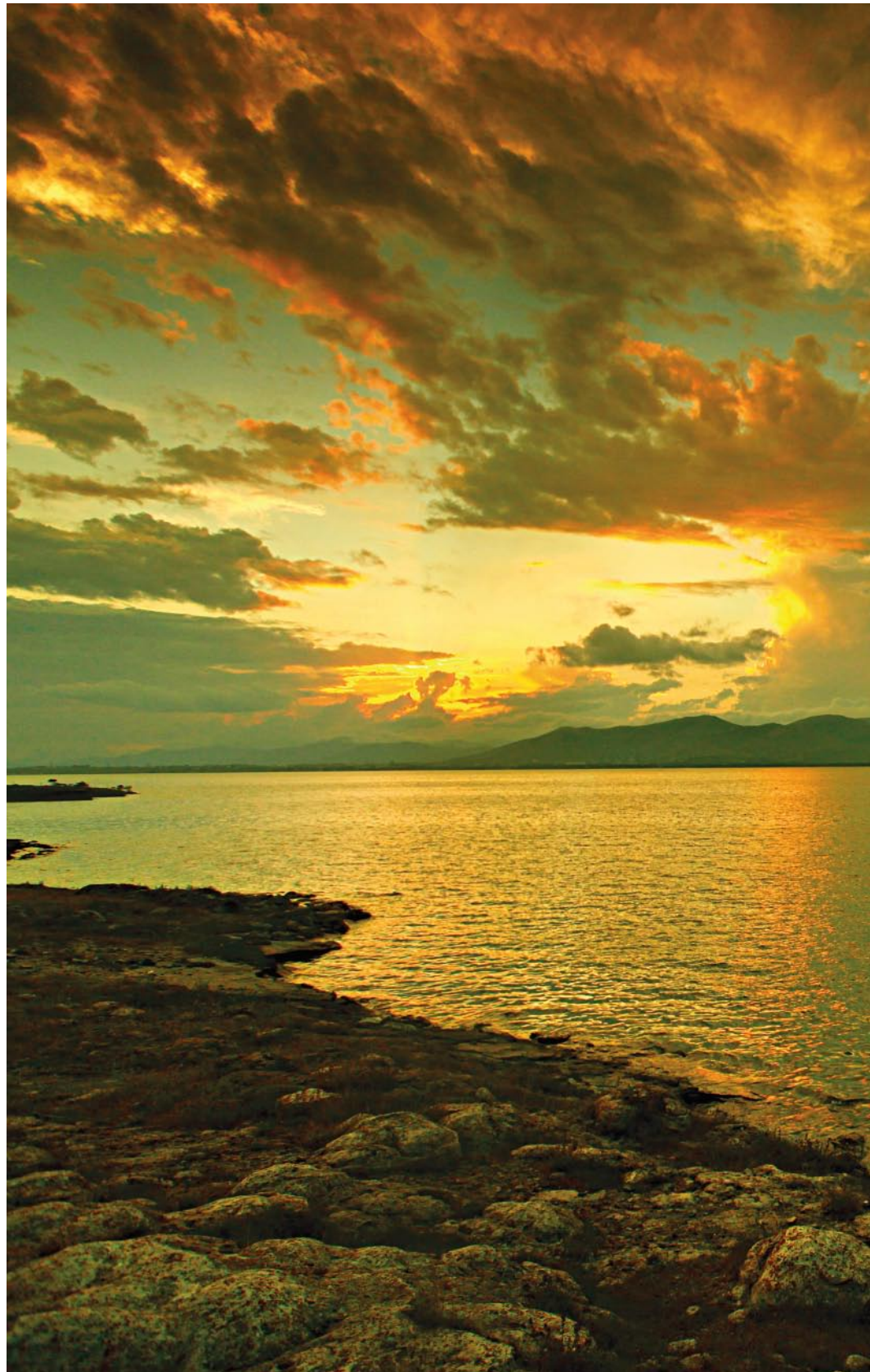
Martuni, and Vardenis. The principal economic sectors are agriculture, particularly grain, potatoes and vegetables; mining of gold, dolomite, basalt, sand, volcanic tuff, and fishing. Gegharkunik it is the main supplier of fresh fish to the country's population.

LORI

Covering 3,789 sq. km, 13% of Armenia's territory, there are eight urban and 105 rural communities in the region. The major towns are Vanadzor (Marz center), Spitak, Tashir, and Alaverdi. The leading economic sectors are agriculture and metallurgy. The agriculture industry is founded on grain, potatoes and vegetables, and animal husbandry products. ►



MEDZAMOR NUCLEAR POWER PLANT







KOTAYK

Covering 2,089 sq. km, 7% of Armenia's territory, there are seven urban and 60 rural communities in the region. The major towns are Hrazdan (Marz center), Abovyan, and Charencavan. The region is rich with mineral waters, found in Bjni and Arzni. Industry is specialized in food and beverage production, non-metal mineral production (glass and cement), metallurgy and metal products (steel and iron casting), and furniture. The region also has three large poultry farms, and two large electricity plants, giving it a strong role in Armenia's energy sector.

SHIRAK

Covering 2,681 sq. km, 9% of Armenia's territory, there are three urban and 116 rural communities in the region. The major towns are Gyumri (Marz center), Artik, and Maralik. The territory contains the main railway and automobile highway connecting Armenia with Georgia, and the railway and road networks of Armenia and Turkey are connected here. The leading economic activities are food and beverage production, and non-metal mineral products such as tufa and pumice of artik.



SYUNIK

Covering 4,506 sq. km, 15% of Armenia's territory, there are seven urban and 102 rural communities in the region. The major towns are Kapan (Marz center), Goris, Sisian, and Meghri. Leading economic sectors are the mining industry and electricity production. Agriculture is specialized in crops and animal husbandry. ►





VOROTAN RIVER CANYON



TAVUSH

Covering 2,704 sq. km, 9% of Armenia's territory, there are five urban and 57 rural communities in the region. The major towns are Ijevan (Marz center), Tavush, Noyemberyan, and Ayrum. The leading economic sectors are manufacturing and agriculture. Food, wine, mineral waters, stone and wood products are exported to external markets.

VAYOTS DZOR

Covering 2,308 sq. km, 8% of Armenia's territory, there are three urban and 41 rural communities in the region. The major towns are Eghegnadzor (Marz center), Jermuk, and Vayk. The leading economic sector is agriculture – viniculture, fruit and vegetables. The territory is famous for Jermuk mineral water and the Jermuk resort town.

YEREVAN

Yerevan is located on the edge of the Ararat Valley on both banks of the river Hrazdan, at an altitude of 900-1200 meter above sea level. The climate is acutely continental, with hot and dry summers and relatively severe winters.

Yerevan covers 227 sq. km, 1% of Armenia's territory. It is the capital of Armenia, and the residence of the President of Armenia.



The National Assembly, Government, all ministries and main departments, public and other organizations, unions, foundations, commissions, legal bodies, financial institutions, offices of international organizations, and diplomatic institutions of Armenia are all situated here. Yerevan is the largest economic and financial center of the Republic of Armenia. The main industries are food and alcoholic beverage production, chemicals and metallurgy. ■

**YEREVAN IS THE LARGEST
ECONOMIC AND FINANCIAL
CENTER OF THE REPUBLIC
OF ARMENIA**





**INVESTMENT
ENVIRONMENT
59-72**

INVESTMENT INCENTIVES



**THE REPUBLIC OF ARMENIA
HAS ONE OF THE MOST OPEN
INVESTMENT REGIMES AMONG
THE EMERGING COUNTRIES**

**THE LAWS APPLIED TO FOREIGN
INVESTMENTS CANNOT BE LESS
FAVORABLE THAN THE LAWS
GOVERNING THE PROPERTY
RIGHTS AND INVESTMENT
ACTIVITIES OF CITIZENS AND
LEGAL ENTITIES OF ARMENIA**

**ARMENIA IS A SIGNATORY TO THE
INTERNATIONAL CONVENTION
ON INVESTMENT DISPUTES**

**NO RESTRICTIONS ON THE
CONVERSION AND TRANSFER OF
MONEY OR THE REPATRIATION
OF CAPITAL, EARNINGS,
DIVIDENDS, INTEREST,
ROYALTIES, OR MANAGEMENT
OR TECHNICAL SERVICE FEES**

The promotion of investment is one of the key foci of Armenian economic policy. The key objectives are to provide incentives to foreign investors with the goals of increasing the country's exports and stimulating employment, creating a favorable investment and business environment, increasing the transparency of the regulatory framework, and ensuring sustainable economic growth in Armenia. Armenia has declared an "open door" investment policy, which is defined in the law "On Foreign Investments" and in the Investment Policy of Armenia. The Republic of Armenia has one of the most open investment regimes among emerging market countries.

The law "On Foreign Investments" protects foreign investors against nationalization or expropriation of property, except in extreme cases of natural or state emergency, determined in accordance with a judicial decision, and with full and mandatory compensation. The Armenian constitution goes as far as to require that the compensation for expropriated property be paid in advance, before the property is taken from the owner. Foreign investors are also entitled to compensation for damages and losses (including lost profit) resulting from unlawful acts of State authorities or State officials or improper performance of their duties.

The law "On Foreign Investments" provides guarantees for national treatment and non-discrimination for foreign investors. The laws applied to foreign investments cannot be less favorable than the laws governing the property rights and investment activities of citizens and legal entities of Armenia. There are no restrictions on the participation of foreign investors in any economic activity in Armenia or on the percentage of ownership of a local business that foreign investors can acquire. The only exception is that foreign citizens and persons without citizenship have no right to own land in Armenia. However, foreigners are allowed to use land through long-term lease contracts. Furthermore, foreigners have the right to own structures built on Armenian land, and to exploit renewable and non-renewable natural resources through concession contracts granted by the Government.

The law "On Foreign Investments" contains a "grandfathering" clause. In case of any change in the legislation on foreign investment, the law in force at the time the investment was made can, upon the request of a foreign investor, continue to be applied for a maximum of five years from the date of the investment.

The law also stipulates that investment-related disputes in which the State is a party shall be settled in Armenian courts. All other disputes to which the State is not a party can be considered by the Armenian courts or any other bodies resolving economic disputes or, upon the agreement of the parties, in arbitration tribunals. Armenia is a signatory to the International Convention on Investment Disputes, which allows dispute resolution by the International Centre for the Settlement of Investment Disputes (ICSID).

Under current legislation there are no restrictions on the conversion and transfer of money or the repatriation of capital, earnings, dividends, interest, royalties, or management or technical service fees. Foreign investors and employees are guaranteed the right to freely repatriate their property, profits or other assets that result from their investment after payment of all due taxes.

Armenia has a liberal exchange system, and in general, there are no restrictions on converting or transferring funds associated with an investment into freely usable currency, and at a legal, market-clearing rate. Foreign exchange is widely available, and the local currency, the Armenian dram (AMD), is freely convertible. Maintaining foreign currency accounts in Armenia is also permitted.

Surveys suggest that Armenia is a relatively easy country in which to do business. The World Bank study, Doing Business 2012, ranked Armenia as the 55th (compared to 61st in 2011) easiest country to do business out of 183 countries surveyed.

Armenia's cumulative rating according to the Heritage Foundation "Index of Economic Freedom" is 68.8, "Moderately Free", making its economy the 39th freest economy in the 2012 index. Armenia is

ranked 19th freest among the 43 countries in Europe, and its score puts it above the world average.

According to the United Nations Development Programme's annual report on "Human Potential Development Index" for 2011, Armenia is classified among countries with a "high level" of human development potential.

INVESTMENT INCENTIVES

Foreign investors can benefit from the following investment incentives:

1. Ownership: 100% ownership permitted.

2. Admission: There is no screening and no specific authorization required for making an investment.

3. Land ownership: 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.

4. Import: For investment projects, VAT payments for imported goods exceeding 300 million AMD are deferred for three years.

5. Export duties and restrictions: None.

6. Export VAT. Zero rating in Armenia applies to goods and services exported under "Free Turnover" and "Re-exportation" customs regimes.

7. Investment guarantees. 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)

8. Free Economic Zones. Companies operating in free economic zones are fully relieved from income tax, property tax, profit tax, and custom duties, as well as VAT for services delivered to the organizer and operator and products in the territory of the free economic zone. In determining the taxable income of a taxpayer who is a free economic zone operator for a full year, aggregate income is reduced by the amount of income received from activities conducted in the free economic zone.

9. Exchange Control. Free exchange of foreign currencies.

10. Remittance. No restrictions on remittances.

11. Profit. Free repatriation of profit.

12. Staff Recruitment. No restrictions.

13. Location. No sector-specific or geographic restrictions on investments. In addition to the specific investment incentives described above, the following factors make Armenia attractive for Foreign Direct Investment:

A. STABLE MACROECONOMIC SITUATION

Armenia has a prudent macroeconomic policy framework in place and is characterized by a stable overall macroeconomic environment, as recognized by major international organizations. Economic legislation and regulations comply with international standards and WTO requirements.

B. SUSTAINABLE BANKING SYSTEM IN LINE WITH INTERNATIONAL STANDARDS

Armenia's banking system operates in accordance with core Basel II standards. Free operation of foreign currency accounts is available. No restrictions on remittances exist. The organizer of the stock market is NASDAQ OMX Armenia OJSC, which is part of the NASDAQ OMX Group, Inc. international group. NASDAQ OMX Armenia is a member of the Federation of Euro-Asian Stock Exchanges (FEAS) and the International Association of Exchanges of the Commonwealth of Independent States (IAEx of CIS).

C. HIGH EXPERIENCED, CREATIVE, COST EFFICIENT AND WELL EDUCATED WORKFORCE

The quality of Armenia's highly trained and skilled workforce is widely recognized by established foreign investors. The local workforce is relatively inexpensive and provides a clear comparative and competitive advantage for Armenia.

D. ARMENIAN DIASPORA

Armenia has a very sizeable Diaspora living abroad of about 6 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.

E. HOSPITALITY AND SAFETY

Armenia is a country with a strong tradition of hospitality and is a very safe country to visit and travel in. ■

ARMENIA HAS A LIBERAL EXCHANGE SYSTEM, AND IN GENERAL, THERE ARE NO RESTRICTIONS ON CONVERTING OR TRANSFERRING FUNDS ASSOCIATED WITH AN INVESTMENT INTO FREELY USABLE CURRENCY, AND AT LEGAL, MARKET-CLEARING RATE

"DOING BUSINESS 2012", RANKED ARMENIA AS THE 55TH (COMPARED TO 61ST IN 2011) EASIEST COUNTRY TO DO BUSINESS OUT OF 183 COUNTRIES SURVEYED

FOR INVESTMENT PROJECTS VAT PAYMENTS FOR IMPORTED GOODS EXCEEDING 300 MILLION AMD ARE DEFERRED FOR THREE YEARS

NO SECTOR-SPECIFIC OR GEOGRAPHIC RESTRICTIONS ON INVESTMENTS

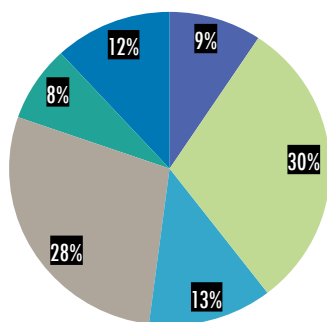
ARMENIA'S HIGHLY TRAINED AND SKILLED WORKFORCE IS WIDELY RECOGNIZED BY ESTABLISHED FOREIGN INVESTORS

ARMENIA IS A COUNTRY WITH A STRONG TRADITION OF HOSPITALITY AND IS A VERY SAFE COUNTRY TO VISIT AND TRAVEL IN

FOREIGN DIRECT INVESTMENT



FIGURE 9. FOREIGN DIRECT INVESTMENT BY SECTORS (AS OF THE END OF 2011)



- Mining
- Processing industry
- Electricity and Gaz
- Telecommunication
- Real Estate
- Other

THE INFLOW OF FOREIGN INVESTMENTS IN 2011 INCREASED TO \$816M USD, OF WHICH \$631M USD REPRESENTED FOREIGN DIRECT INVESTMENTS

RUSSIA, FRANCE AND THE USA WERE THE THREE BIGGEST INVESTORS IN ARMENIA IN 2011

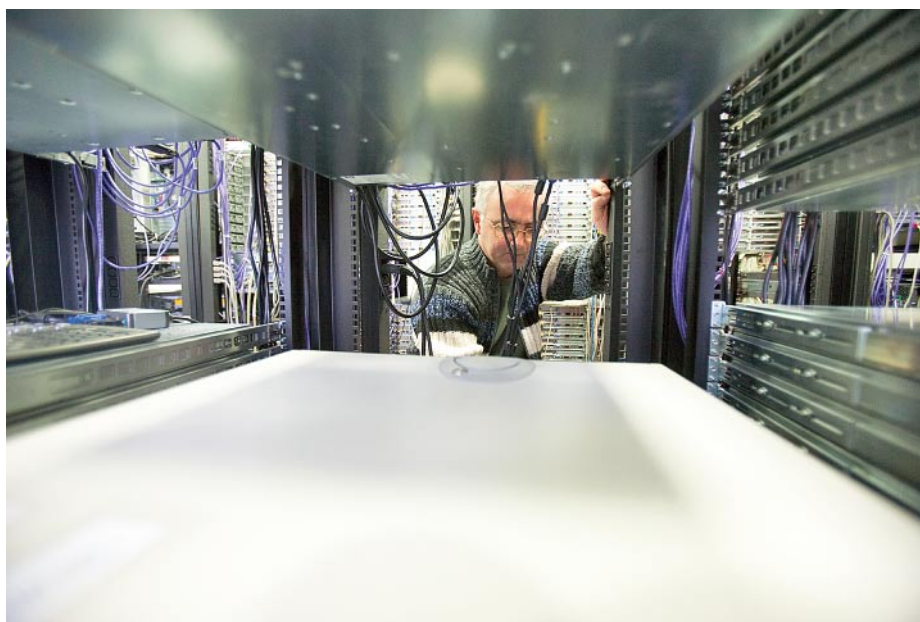
Armenia, a country that largely depends on foreign trade, is making significant efforts to attract foreign direct investment. The Government has adopted an “open door” policy, with Most Favored Nation (MFN) and National Treatment regimes in place, and thorough-going legal protection to promote foreign investment. The law “On Foreign Investments” ensures a highly favorable business environment for foreign investors. It also allows unlimited participation of foreign capital in Armenian enterprises and ensures its protection.

Foreign investors are entitled to implement investments through:

- Establishment of a fully foreign-owned company (including representatives, affiliates and branches), or the purchase of an existing company;
- Establishment of a new joint venture company with the participation of Armenian companies or citizens, or the purchase of shares in an existing company;
- Purchase of different types of securities;
- Procurement of permits to use the land, or a concession agreement for the use of Armenian natural resources with participation of Armenian companies or citizens; or

• Procurement of other property rights. According to the National Statistical Service of Armenia, foreign direct investment in Armenia rocketed from \$70 million USD in 2001 to \$1 billion USD in 2008. Although a decline in investments was observed immediately subsequent to the international financial crisis in 2009-2010, the inflow of foreign investments in 2011 increased to \$816m USD, of which \$631m USD represented foreign direct investments.

Major sources of investment in the Armenian economy include the Russian Federation (\$3,170 million USD), followed by France (\$727 million USD), Greece (\$479 million USD), United States (\$378 million USD), Lebanon (\$365 million USD), Germany (\$357 million USD) and Argentina (\$334 million USD). Russia, France and the United States were the three biggest investors in Armenia in 2011. The three most important sectors where foreign investments were directed in 2011 included the processing industry (\$246 million USD), telecommunications (\$231 million USD), and electricity and gas (\$101 million USD). The information technology sector has major investment potential as well. ■



Free economic zones (FEZs) in Armenia offer a unique opportunity for entrepreneurs to establish businesses in strategic sectors of the economy and to process, produce and export goods with a reduced tax burden. FEZs allow the export of goods without any restrictions to international markets with more than 500 million consumers. The law "On Free Economic Zones" and tax legislation grant exemptions from profit tax, income tax, property taxes, VAT and customs duty payment obligations to companies operating within FEZs.

The law on FEZs grants the following incentives to FEZ operators and organizers:

- **NO VAT** for delivering services and supplying goods in FEZ territory;
- **Tax-free profit** to legal entities and **NO income tax** for sole proprietor acting as operators or organizers of FEZs;
- **NO property taxes** on public and industrial buildings and structures owned or leased within FEZs;
- **NO customs charges and non-tariff regulation measures** applied to the export of goods released under the customs regime "Imports into Free Economic Zones", or to other goods

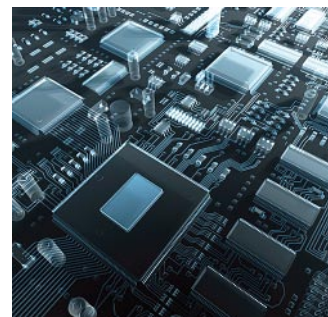
produced due to the use of such goods within the territory of FEZs;

- Freely convertible currency is **ALLOWED** as a medium of exchange while trading within FEZs, unlike the entire territory of the Republic of Armenia, where trade is allowed only through use of the national currency.

The services rendered by the State bodies in FEZs are implemented on a simplified, "one stop shop" basis.

Two FEZs will soon be operational in Armenia. One of them will be in the agricultural sector, in the area adjacent to "Zvartnots" International Airport. This FEZ will focus on the storage, grading, deep freezing and packaging of fresh fruit and vegetables. The second FEZ, which is established in the territory of RAO Mars Closed Joint-Stock Company and Yerevan Research Institute of Mathematical Machines, will specialize in the production and export of innovative technologies in the areas of electronics, precision engineering, pharmaceuticals and biotechnology, information technologies, alternative energy, industrial design and telecommunication (design and production of technological equipment, systems and materials for data/information transfer). ■

FREE ECONOMIC ZONES



THE SERVICES RENDERED BY THE STATE BODIES IN THE FEZ ARE IMPLEMENTED BASED ON A SIMPLIFIED ("ONE STOP SHOP") PRINCIPLE

Armenia's foreign trade policy aims to attract foreign direct investments and liberalize trade regimes. As a member of the World Trade Organization since 2003, Armenia has worked to reduce customs burdens and reform the existing customs system. Examples include an on-line customs declaration system (e-declaration); a traffic light system for inspection of goods entering Armenia; and a reduction in the number of import documents from nine to three. Today Armenia offers a liberal trade and investment regime. The average applied tariff, at 2.7%, is among the lowest of WTO Members. As the WTO member Armenia benefits from Most Favored Nation (MFN) treatment and has an MFN

regime in place with all WTO member countries. In its turn it grants MFN and National Treatment regimes to foreign investors, which are present in almost every economic sector.

Armenia's customs policy is administered by the State Revenue Committee. Customs regimes and procedures are defined by the Customs Code of the Republic of Armenia and other legal acts, which comply with rules defined by WTO agreements and other international treaties.

Armenia is a member of the World Customs Organization (WCO) and applies the Harmonized System for tariff classification, in compliance with the 1984 International Convention on Harmonized

IMPORT AND EXPORT REGIME



Commodity Description and Coding System. Only two tariff rates apply on imports of goods to Armenia: 0% or 10%. The 0% tariff applies to imports of capital goods, and the 10% tariff to imports of consumer products. All imports are subject to the payment of a VAT of 20% and alcoholic beverages, tobacco products, and fuels are also subject to an excise tax. There are no tariff quotas, licensing requirements or quantitative restrictions on imports. Nor does Armenia maintain a system of minimum import prices. Armenia does not tax exports and does not have any licensing requirements for exporting. There are neither export duties nor VAT payment obligations or limitations. The volume of foreign trade in Armenia in 2011 was 2,044.2 billion AMD or \$5,481.0 million USD, of which exports were 495.8 billion AMD or \$1,329.5 million USD, and imports were 1,548.4 billion AMD or \$4,151.5 million USD (See table 3 and figure 10).

IMPORT REGULATIONS

Armenian legislation requires all goods and vehicles imported through the border of Armenia to be subject to declaration in the Regional Customs House where the importing organization or sole proprietor operates, with the exception of Yerevan Zvartnots Customs House, TIR Customs House and the Automobile Customs Point.

There are nine customs houses (five regional and four specialized) and six customs points. Seven of these work around-the-clock:

- Zvartnots customs-house,
- Meghri customs point,
- Bavra customs point,
- Shirak airport customs-house,
- Bagratashen customs point,
- Ajrum-Jilizia customs point, and
- Gogavan-Privolnoye customs point.

Customs clearance is not obligatory at the border, but may be carried out by the importer or by a licensed customs broker.

THE AVERAGE APPLIED TARIFF, AT 2.7%, IS AMONG THE LOWEST OF WTO MEMBERS

ARMENIA IS A MEMBER OF THE WORLD CUSTOMS ORGANIZATION (WCO) AND USES THE HARMONIZED COMMODITY DESCRIPTION AND CODING SYSTEM FOR TARIFF CLASSIFICATION

THERE ARE ONLY TWO TARIFF RATES APPLIED ON IMPORTS OF GOODS TO ARMENIA: 0% OR 10%

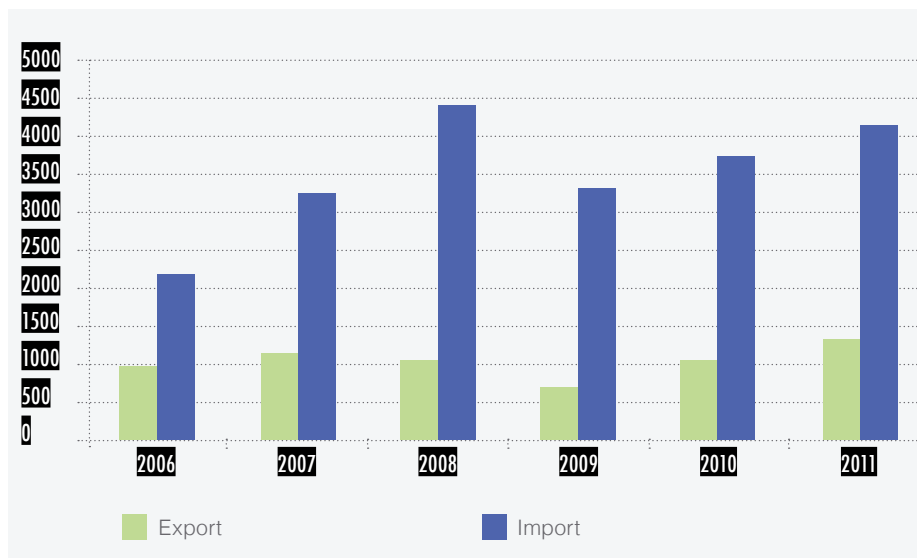
THE ON-LINE CUSTOMS DECLARATION SYSTEM (E-DECLARATION) WILL REPLACE THE FUNCTIONS PREVIOUSLY PERFORMED ONLY ON PAPER

TABLE 3. THE VOLUME OF EXPORT AND IMPORT TO ARMENIA PER YEAR (MILLION USD)

	2006	2007	2008	2009	2010	2011
Export	985,1	1152,3	1057,2	710,2	1041,1	1329,5
Import	2191,6	3267,8	4426,1	3321,1	3748,9	4151,5

SOURCE: NSS

FIGURE 10. THE VOLUME OF EXPORT AND IMPORT TO ARMENIA PER YEAR



All goods imported commercially must be declared to customs within ten days after arrival in the Armenian customs territory, and they remain under customs control during this period (although not necessarily under physical control).

Though not yet compulsory, the on-line customs declaration system (e-declaration) will replace many functions previously done on paper, such as management of custom cards and production of customs declarations. This greatly reduces the time required for completion of customs procedures. The electronic card system combines a number of functions related to customs payments, so any necessary procedures can be carried out from an office computer. The release of customs declarations for which payment was made electronically is sent through TWM system. The upgraded electronic system includes a traffic light (channel) system at the border. Goods passing through the green channel cross the border without any verification. If the red channel is selected, the import is subject to documentary verification and physical examination. For the yellow channel, only documentary verification is necessary. According to studies by the World Bank, it took on average only two days to complete the customs clearance procedure in 2011. Only three documents needed be presented at customs clearance. After the reforms were implemented, the Customs Code introduced post-clearance controls, through which the State Revenue Committee may review customs declarations submitted during the last three years.

While most imports are free of prohibitions, quotas or licensing requirements, there are restrictions for health, security or environmental reasons. These restrictions include requiring authorization for pharmaceutical products and medicines, phytoprotection chemicals, weapons, components used in the production of weapons, explosives, nuclear materials, poison, drugs, strong psychotropic substances, devices for use in opium smoking, and pornographic materials. The transit through Armenian territory

of any nuclear material, nuclear-related equipment or substances emitting ionizing radiation is prohibited.

The import of medicines must be authorized by the Ministry of Health, and the import of agricultural chemicals by the Ministry of Agriculture.

There are compulsory health, hygiene, and consumer rights standards for a range of foodstuffs, electrical goods, alcoholic and non-alcoholic beverages, tobacco products, and children's clothes, among other imports.

The Republic of Armenia's customs legislation contains the following compulsory customs payments levied by the customs bodies:

1. CUSTOMS DUTIES

The customs duty rates are provided by article 102 of the Republic of Armenia Customs Code. Customs duty rates for imported goods are 0% and 10%.

2. CUSTOMS PAYMENT

Besides tariffs, imports are subject to: a customs formalities fee of 3,500 AMD (\$9 USD), a customs inspection and recording fee of 1,000 AMD (\$3 USD) for each cargo weighing less than one ton, and 300 AMD (\$1 USD) for each additional ton of cargo.

When customs formalities and/or inspections are carried out elsewhere than in places determined by the Customs Authorities or during non-working days, the customs fees are doubled. Importers also have to pay 1,000 AMD (\$3 USD) for each document (form) provided by the Customs Authorities.

In addition, importers may incur other customs user fees depending on the services supplied by Customs, such as accompaniment of transit shipment and warehousing services.

3. VALUE ADDED TAX

A 20% VAT is levied on all economic activities, including the importation of goods and services, with the exception of those subject to simplified taxation (i.e. companies with taxable turnover of less than 58.4 million AMD or \$146,000 US) in a calendar year). The taxable base is

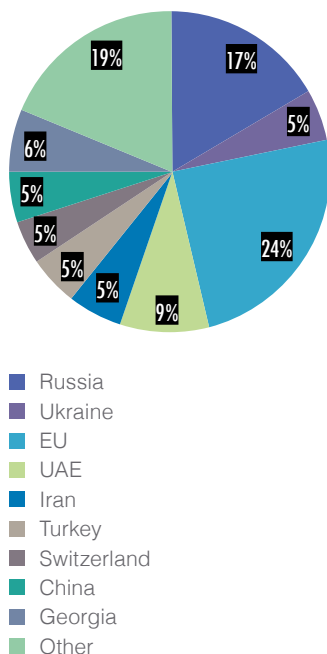
IT TOOK ON AVERAGE ONLY TWO DAYS TO COMPLETE IMPORT THE CUSTOMS CLEARANCE PROCEDURE IN 2011. ONLY THREE DOCUMENTS MUST BE PRESENTED AT CUSTOMS CLEARANCE

THE EUROPEAN UNION IS THE BIGGEST PARTNER FOR ARMENIAN TRADE IMPORTS

ALL EXPORTS OF GOODS FROM ARMENIA ARE SUBJECT TO A SIMPLE CUSTOMS DECLARATION SYSTEM

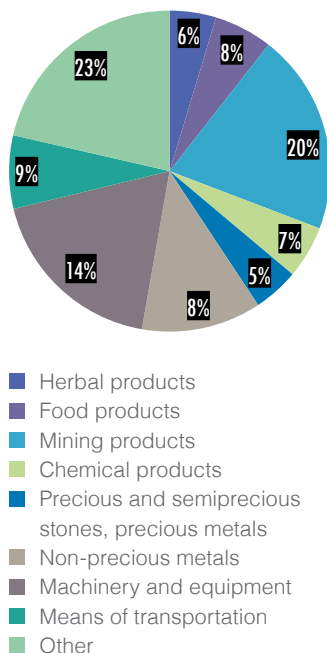
THERE ARE NO EXPORT RESTRICTIONS AND EXPORT TAXES IN ARMENIA, AND THERE IS NO SYSTEM OF MINIMUM EXPORT PRICES. EXPORTED GOODS AND ANCILLARY SERVICES ARE ZERO RATED FOR VAT PURPOSES

FIGURE 11. THE VOLUME OF IMPORT TO ARMENIA BY COUNTRY (AS OF THE END OF 2011)



SOURCE: NSS

FIGURE 12. THE VOLUME OF IMPORT TO ARMENIA BY GROUP OF PRODUCTS (AS OF THE END OF 2011)



the customs value of the goods, plus the amount of any import duties and excise tax levied at the time of importation (if any). VAT must be paid within ten days of importation.

4. EXCISE TAX

Excise tax is an indirect tax levied on domestically-produced and imported alcoholic beverages, tobacco products, petrol, and diesel fuels. The tax rate varies according to the product (for more information on customs fees please visit www.customs.am).

The European Union is the biggest exporter to Armenia. According to 2011 figures, EU countries account for 24% of total imports by Armenia, followed by Russia (17%) and UAE (9%) (See figure 11).

Major imports include mining products, petroleum, oil products, natural gas, machinery and equipment.

EXPORT REGULATIONS

According to the Customs Code of Armenia, all goods exported from Armenia are subject to customs declarations. Goods must be declared at the regional customs office closest to the exporter's location, with the exception of goods exported via Yerevan International Airport, which must be declared at the airport customs office. Goods and vehicles with TIR Carnets exported by legal persons are declared in the TIR Customs House in Yerevan. There are no registration requirements for exporters, and all exports of goods from Armenia are subject to a simple customs declaration system. A declaration form is submitted to the customs official, who is responsible for verifying its completeness as well as the validity of the supporting documentation.

There are no export restrictions and export taxes in Armenia, and there is no system of minimum export prices. Exported goods and ancillary services are zero rated for VAT purposes.



As is the case for most imports, the vast majority of export products are free of any prohibitions or quotas. The export restrictions that do exist are imposed for health, security, and environmental reasons. Armenia has no export licensing regime; however for some products exporters need to obtain prior State permission for export operations. These are weapons, nuclear materials, pharmaceuticals, rare animals and plants, rare objects or artifacts considered part of the national patrimony. Armenia applies only those trade embargoes imposed by United Nations Security Council Resolutions.

Export of dual-use goods is regulated by the law "On Controlling Export of Dual-Use Commodities Items, their Transit through the territory of the Republic of Armenia as well as Transfer of Dual-Use Information and Products of Intellectual Activity". The export of controlled items is done via permission granted by the Ministry of Economy.

According to the World Bank's Doing Business Report 2012, in Armenia it takes one day to complete export customs clearance procedures. Only three documents are required.

The European Union is the biggest partner for Armenian exports. According to 2011 figures, the EU accounts for 46% of exports from Armenia, followed by Russia (17%) and the United States (8%) (See figure 13).

Major export items include mining products, precious and semiprecious stones, precious metals, non-precious metals, and food products (see figure 14).

DOCUMENTATION

The list of documents necessary for customs control:

1. For goods and transport facilities imported by organizations and sole proprietor:
 - a) Customs declaration, and in cases specified in Customs Legislation, CD 1 form of customs value declaration;
 - b) Goods acquisition invoice or contract, or the document proving the request for payment via Internet, or other corresponding substitute document; and

c) The document establishing the goods' transport arrangement (goods-transport consignment note).

2. For goods and transport facilities exported by organizations and sole proprietor:

- a) Customs declaration;
- b) The invoice or the contract of acquisition, or other corresponding substitute document; and
- c) The document establishing the goods' transport arrangement (goods-transport consignment note).

3. For goods and transport facilities imported and received in person:

- a) Customs declaration, and in cases specified in Customs Legislation, CD 1 form of customs value declaration; and
- b) Goods acquisition invoice or contract, or the document proving the request for payment via Internet, or other corresponding substitute document.

4. For goods and transport facilities exported and sent in person:

- a) Customs declaration in the cases specified in Customs Legislation.
- Other documents can be required by legislation while transporting separate goods by customs frontier; in particular, the original documents required for non-tariff regulation purposes – permission, conclusion, license, certificate, and certification while transporting separate goods by customs frontier by organizations, individual entrepreneurs and physical persons.

CUSTOMS REGIMES

The following customs regimes are defined by Legislation for Implementation of Customs Procedures:

- Import for free circulation
- Re-import
- Transit shipment
- Import into Customs warehouse
- Import to duty free shop
- Temporary import for processing
- Temporary import
- Temporary export
- Import into free customs warehouse
- Temporary export for processing
- Export for free circulation
- Re-export
- Renunciation of the ownership right to State benefits ►

FIGURE 13. THE VOLUME OF EXPORT OF ARMENIA BY COUNTRY (AS OF THE END OF 2011)

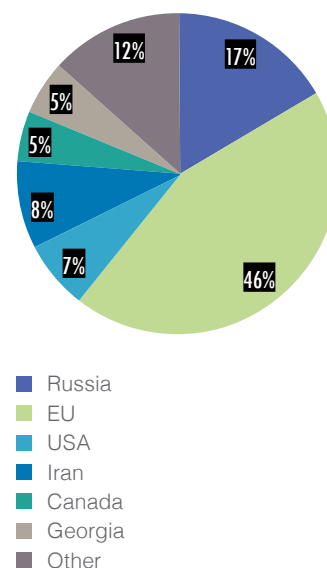
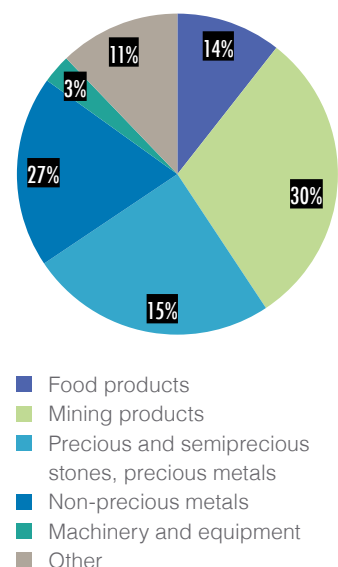


FIGURE 14. THE VOLUME OF EXPORT OF ARMENIA BY GROUP OF PRODUCTS (AS OF THE END OF 2011)



ACCORDING TO THE WORLD BANK'S DOING BUSINESS REPORT 2011, IT TAKES ONE DAY TO COMPLETE EXPORT CUSTOMS CLEARANCE PROCEDURES. THE NUMBER OF DOCUMENTS REQUIRED IS THREE

ARMENIA'S REGULATIONS ON CUSTOMS VALUATION ARE GENERALLY IN LINE WITH THE AGREEMENT ON IMPLEMENTATION OF ARTICLE VII OF GATT - 1994

ARMENIA HAS INTRODUCED A "ONE-STOP SHOP" PROCESS TO PROVIDE RULES OF ORIGIN CERTIFICATES

- Import into free economic zone
Non-Armenian nationals may be able to bring personal effects into the country tax-free and duty-free under the temporary importation rules, but this may also involve re-exporting the effects within one year. The authorities will also check off items re-exported against effects brought into Armenia.

CUSTOMS VALUATION

Armenia's regulations on customs valuation are in line with the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade (GATT) of 1994. The customs value of imported or exported goods is determined by the declarant, or in the absence of required documents by the customs bodies, based on GATT Article VII. The principal method prescribed by the Customs Code of Armenia for the calculation of the customs value of imported goods is based upon the transaction price of the imported goods (the price paid or payable for the goods for export to Armenia). If it is not possible to determine the transaction price of the imported goods, or the customs office has doubts about the data provided by the importer, the following alternate valuation methods will be applied:

- Defining customs value by the transaction price of the same goods
- Defining customs value by the transaction price of similar goods
- Defining customs value of goods transported by the RA customs frontier according to the sale price of the goods in the RA internal market
- Defining customs value by the calculation value method
- Defining customs value by the reserve method.

The Customs Code of Armenia grants the importer the right to demand a written explanation of the valuation decision and the method used by customs authorities, and requires a response within five working days of submission of the written request. It also gives importers the right to appeal the decision to a superior customs bodies or to the court.

RULES OF ORIGIN

Armenia has introduced a "one-stop shop" process to provide rules of origin certificates. To receive the certificate, the proprietor needs to apply to Ekspertiza Limited Liability Company of the Chamber of Commerce and Industry of Armenia. The practice is to apply preferential rules of origin under all free trade agreements that are in force, including those with the following countries: Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russian Federation, Tajikistan, Turkmenistan, and Ukraine.

OTHER PROVISIONS

Imports of plants and plant materials must be accompanied by phytosanitary certificates from the country of origin. Clearance at the border is only provisional. Imported plant materials must then be taken to an authorized customs clearing site near Yerevan for final inspection and sampling before full clearance is given.

All imports of animals require veterinary certificates. This certificate requires a corresponding certificate from an officially recognized veterinarian in the exporting country showing that the animal complies with Armenian requirements for vaccinations and absence of parasites, and comes from an area recognized by the Office Internationale des Epizooties (OIE) as free of pests and diseases listed in Armenian legislation. Not all imported cargos are subject to sampling and testing. Only 17 products are subject to the Mandatory Conformity Assessment. The list includes fish and fish products, vegetable oils, bread and bakery products, toys, radio equipment, and firearms.

Export of the following is prohibited:

- Any foreign currency, in cash, exceeding an amount equal to 10,000 USD
 - Materials containing state secrets
 - Spirit beverages subject to branding with stamps registered and recognized in Armenia but not bearing such stamps
- For more detailed information on Armenian import and export procedures please visit www.customs.am ■

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. ►

TABLE 4. THE LIST OF COUNTRIES HAVING BILATERAL INVESTMENT TREATIES FOR THE PROMOTION AND PROTECTION OF FOREIGN INVESTMENTS WITH ARMENIA (AS OF 15.02.2012)

N	Country	Signed	Validated	Entered into force
1	Argentina	16.04.1993	27.09.1993	10.10.1994
2	Austria	17.10.2001	09.10.2002	01.02.2003
3	Belarus	26.05.2001	21.11.2001	10.02.2002
4	Belgium-Luxemburg	07.06.2001	20.02.2002	19.12.2003
5	Bulgaria	10.04.1995	29.08.1995	27.03.1996
6	Canada	08.05.1997	17.03.1999	29.03.1999
7	China	04.07.1992	06.10.1992	17.03.1993
8	Cyprus	18.01.1995	12.06.1996	03.08.1998
9	Egypt	09/06/1996	08.12.2005	21.02.2006
10	Finland	05.10.2004	27.02.2007	20.04.2007
11	France	04.11.1995	05.08.1996	21.06.1997
12	Georgia	04.06.1996	18.02.1997	18.01.1999
13	Germany	21.12.1995	23.06.1997	04.08.2000
14	Greece	25.05.1993	13.10.1993	28.04.1995
15	India	23.05.2003	27.04.2004	30.05.2006
16	Iran	06.05.1995	14.11.1995	26.02.1997
17	Israel	19.01.2000	21.03.2001	25.06.2003
18	Italy	23.07.1998	11.10.2000	12.12.2000
19	Kazakhstan	06.11.2006	25.02.2008	01.08.2010
20	Kuwait	25.06.2010	–	–
21	Kyrgyzstan	04.07.1994	29.08.1995	26.11.1995
22	Latvia	07.10.2005	27.02.2007	21.04.2007
23	Lebanon	01.05.1995	29.08.1995	01.10.1998
24	Lithuania	25.04.2006	27.02.2007	16.03.2007
25	Netherlands	10.06.2005	02.12.2005	01.08.2006
26	Qatar	22.04.2002	23.10.2002	08.10.2007
27	Romania	20.09.1994	11.10.1995	24.12.1995
28	Russian Federation	15.09.2001	02.12.2005	08.02.2006
29	Sweden	08.02.2006	25.02.2008	01.05.2008
30	Switzerland	19.11.1998	09.10.2002	04.11.2002
31	Syria	17.06.2009	16.11.2009	26.04.2010
32	Tajikistan	03.04.2002	04.11.2002	18.11.2002
33	Turkmenistan	19/03/1996	–	–
34	UAE	20.04.2002	04.11.2002	27.04.2009 is sent to UAE
35	Ukraine	07.10.1994	16.01.1996	07.03.1996
36	United Kingdom of Great Britain and Northern Ireland	27.05.1993	13.10.1993	11.07.1996
37	Uruguay	06.05.2002	25.03.2003	Hasn't been validated by Uruguay yet
38	USA	23.09.1992	26.09.1995	29.03.1996
39	Vietnam	01.02.1993	28.04.1993	–

MULTILATERAL AND BILATERAL TREATIES



**ARMENIA IS A GROWING
MARKET OFFERING
ATTRACTIVE, MAJOR BUSINESS
OPPORTUNITIES TO TRADERS
AND INVESTORS**

Armenia has signed bilateral treaties on reciprocal promotion and protection of investments with 39 countries (see table 4), and is currently negotiating more such treaties with an additional 24 countries. Armenia is also a signatory of the International Convention on Investment Disputes.

In addition, it has double taxation treaties with 35 countries as of 2012 (see table 5). The benefits of these particular treaties are easy to access by providing supporting documentation of residency from foreign tax authorities. The treaty generally applies automatically when a local company holds an appropriate residency

TABLE 5. THE LIST OF COUNTRIES HAVING DOUBLE TAXATION TREATIES WITH ARMENIA AND THE SUMMARY OF WITHHOLDING RATES UNDER THE VARIOUS TREATIES

Armenia Treaty Partner	Dividends (%)		Interest (1) (%)	Royalties (%)
Country	Non-Portfolio	Portfolio		
Non-treaty	10	10	10	10
Austria	5 (2)	10	0/10 (3)	5
Belarus	10 (4)	10	10	10
Belgium	5 (2)	10	0/10 (3)	8
Bulgaria	5 (5)	10	10	10
Canada	5 (6)	10	10	10
China (P.R.C.)	5 (7)	10	10	10
Croatia	0 (8)	10	10	5
Cyprus	0/5 (9)	10	5	5
Czech Republic	10	10	0/5/10 (10)	5/10 (11)
Estonia	5 (7)	10	10	10
Finland	5 (7)	10	5	5/10 (12)
France	5 (2)	10	0/10 (13)	5/10 (14)
Georgia	5 (7)	10	10	5
Greece	10	10	10	5
Hungary	5/7 (7)	10	0/5/10 (10)	5
India	10	10	10	10
Iran	10 (7)	10	10	5
Italy	5 (15)	10	0/10 (16)	7
Kazakhstan	10	10	10	10
Latvia	5 (7)	10	10	10
Lebanon	5 (7)	10	8	5
Lithuania	5 (7)	10	10	10
Luxembourg	5 (2)	10	10 (16)	5
Moldova	5 (7)	10	10	10
Netherlands	0/5 (17)	10	0/5 (13)	5
Poland	10	10	5	10
Qatar	5 (18)	10	5	5
Romania	5 (7)	10	10	10
Russia	5 (5)	10	0	0
Switzerland	5 (19)	10	0/10 (3)	5
Syria	10	10	10	12
Thailand	10	10	10	10
Turkmenistan	5 (7)	10	10	10
Ukraine	5 (7)	10	10	0
United Arab Emirates	3	3	0	5

ARMENIA HAS SIGNED BILATERAL TREATIES ON RECIPROCAL PROMOTION AND PROTECTION OF INVESTMENTS WITH 39 COUNTRIES, AND IS CURRENTLY NEGOTIATING SUCH TREATIES WITH AN ADDITIONAL 24 COUNTRIES



certificate issued by foreign tax authorities. Armenia is actively involved in the regional trade integration process. The country has signed free-trade agreements with Georgia and most of the CIS countries, including Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russian Federation, Tajikistan, Turkmenistan and Ukraine. Armenia is a signatory to the CIS Multilateral Convention on the Protection of Investor Rights and the CIS free trade zone agreement, which is designed to reduce all trade fees on a number of goods between the countries involved.

Armenia has full membership status in the World Trade Organization (WTO). Armenia is also a member of a number of international organizations including IMF, WHO, World Bank, IDA, UNECE, EBRD, BSEC, WCO, UN, UNCTAD, UNESCO, IFAD, UNIDO, ILO, WIPO, INTERPOL, ITU, IAEA, ISO and others. Currently Armenia is actively involved in negotiations with the EU on an Association Agreement which will include the establishment of a Deep and Comprehensive Free Trade Area (DCFTA). ■

**ARMENIA HAS DOUBLE TAXATION
TREATIES WITH 35 COUNTRIES
AS OF JANUARY 1, 2012**

GSP AND GSP+



ARMENIA CURRENTLY ENJOYS GSP BENEFICIARY STATUS WITH CANADA, JAPAN, NORWAY, SWITZERLAND, AND THE UNITED STATES. SINCE 2009, ARMENIA HAS ALSO BEEN INCLUDED IN THE LIST OF COUNTRIES GRANTED GSP+ BY THE EUROPEAN UNION

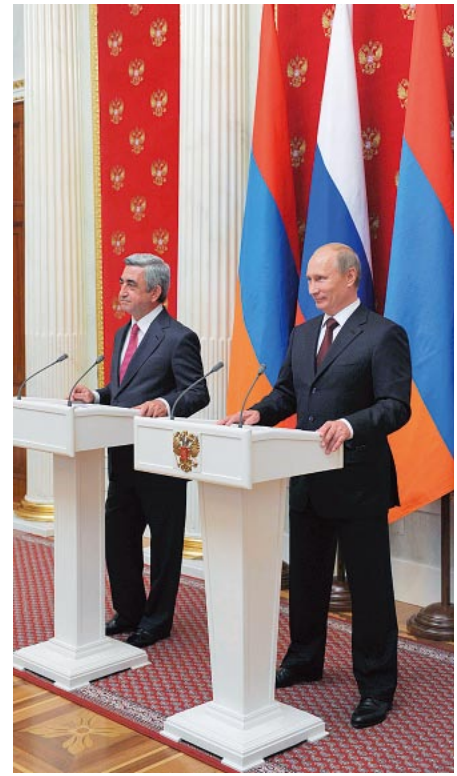
The Generalized System of Preferences (GSP) is a preferential tariff system extended by developed countries to developing and emerging-market countries to promote economic growth and enhance their export capabilities. It provides for reduced MFN Tariffs or duty-free entry of eligible products exported by beneficiary countries to the markets of preference-granting countries. Armenia currently enjoys GSP beneficiary status with Canada, Japan, Norway, Switzerland, and the United States. Since 2009, Armenia has also been included in the list of countries granted GSP+ by the European Union.

Canada's GSP product list includes specific agricultural and industrial goods for which developing countries enjoy a comparative advantage. However, this list excludes several sensitive items, such as certain textiles, footwear, products of the chemical, plastic and allied industries, specialty steels and electron tubes.

Japan grants GSP treatment for selected agricultural and fishery products (337 items) and for selected industrial products (3,141 items). All industrial products are in principle given duty-free treatment, while GSP rates on some sensitive items are 20, 40, 60 or 80% of Most Favored Nation rates.

Norway's tariff duties are zero on an MFN basis for almost all industrial goods. However, tariffs remain, in the range of 5-15% for a few textile products, and there is an exception list for these products in Norway's GSP.

The Swiss GSP covers all industrial goods and many agricultural products, and provides preferential treatment in the form of reduction of, or exemption from, duties. Industrial products are admitted duty-free, with the exception of textiles and clothing, for which preferential reductions of 50% of the normal rate are granted, and a few other products for which specific preferential reductions are granted. Products that are eligible for duty-free treatment under **the US** GSP include most manufactured items; many types of chemicals, minerals and building stone; jewelry; many types of carpets; and certain agricultural and fishery products.



Among the products that are not eligible for GSP duty-free treatment are most textiles and apparel; watches; and most footwear, handbags and luggage products.

Armenia benefited from **the EU's** Generalized System of Preferences in 2006-2008, which provided preferential access to the EU market in the form of zero duties on 3,300 products and reduced tariffs for another 3,900 goods. In 2008 the European Commission adopted a resolution which provides Armenia and 15 other countries with special incentives for sustainable development and good governance (GSP+) under the EU GSP Regulation for 2009-2011, which was extended until December 2013. This allows Armenia to export to the EU 7,200 products without any customs duties. In order to keep these enhanced preferences in place over the lifetime of the GSP Regulation, Armenia effectively implements the 27 core international conventions on sustainable development and good governance listed in the Regulation. ■

¹ The "GSP Plus" is an incentive scheme for especially vulnerable countries that have ratified and effectively implemented 27 international conventions on sustainable development, labour rights and good governance.



**BUSINESS
SET-UP
73-82**

VISA REQUIREMENTS



FOREIGN VISITORS FOR WHOM A VISA-FREE REGIME IS IN EFFECT CAN STAY IN ARMENIA FOR UP TO 180 DAYS DURING ONE YEAR, UNLESS DEFINED OTHERWISE BY THE INTERNATIONAL TREATY

VISITOR CAN GET A VISA UPON ARRIVAL IN YEREVAN, AT ZVARTNOTS AIRPORT

E-VISAS ARE ALSO AVAILABLE FOR THE FOREIGN CITIZENS (HTTPS://Evisa.MFA.AM). GENERALLY, E-VISAS ARE APPROVED AND ISSUED ON-LINE WITHIN TWO BUSINESS DAYS

To enter Armenia, the citizens of foreign countries must have valid passport, entry visa or a document of residency status. Foreign visitors for whom a visa-free regime is in effect can stay in Armenia for up to 180 days during one year, unless defined otherwise by the international treaty. Foreign visitors transiting through Armenia need to present tickets to a third country or a visa to a third country, and can stay in Armenia for no more than 72 hours except in cases of emergency. Foreigners are allowed to stay in the Transit Zone for a maximum of 48 hours if not entering the country, except in cases of emergency. Foreigners traveling through Armenia by land can obtain transit visas without tickets or visas of a third country.

The types of Armenian visas are:

- visitor visa
- official visa
- diplomatic visa
- transit visa

Visitors can get a visa upon arrival at Zvartnots International Airport. The documentation process takes about 20-25 minutes. E-visas are also available for foreign citizens (<https://evisa.mfa.am>). Generally, e-visas are approved and issued on line within two business days.

The following credit cards to pay for e-visas are accepted:

- American Express
- MasterCard
- Visa
- Diner's Club / Carte Blanche

Armenian visas are issued for maximum of 120 days with possibility to extend for another 60 days, if no other term is defined

by international agreement. Citizens of a number of countries enjoy a non-visa regime on certain categories of passports. Visitors from these countries can obtain an Armenian visa only upon invitation and only at the diplomatic representation of consular offices in Armenia. However, no invitation is required for the citizens of such countries who are of Armenian nationality, or citizens of countries not mentioned on the list. For more details, please, visit "Visa" subsection of "Consular service" section of Ministry of Foreign Affairs of the Republic of Armenia official website: www.mfa.am. Armenia defines the following residence categories for foreigners:

- Temporary residence status. Temporary residence status is granted to any foreigner who substantiates the circumstances justifying his or her residence in Armenia for a year or longer. Temporary residence status is granted for a term of up to one year with possibility of extension for one year each time.
- Permanent residence status. This is granted for a term of five years with possibility of extension for the same term each time. Applications for obtaining temporary or permanent residence status are to be filed with Armenian police.
- Special residence status, granted for a period of ten years, is available to foreigners of Armenian origin. This visa status may also be granted to other foreigners who carry out economic or cultural activities in the country. This type of visa is renewable. Applications for obtaining special residence status are to

TABLE 6. VISA FEES OF THE RA

Visa Type	Fee (AMD)
Visitor, single entry, up to 21 days of stay	3,000 (8 USD)
Visitor, single entry, up to 120 days of stay	15,000 (40 USD)
Visitor, multiple entries, up to 60 days of stay, validity up to 6 months	20,000 (54 USD)
Visitor, multiple entries, up to 120 days of stay, validity up to 1 year	40,000 (107 USD)
Official	0
Diplomatic	0
Transit, single entry	10,000 (27 USD)
Transit, multiple entries	18,000 (48 USD)
Children under 18 for all types of visas	0

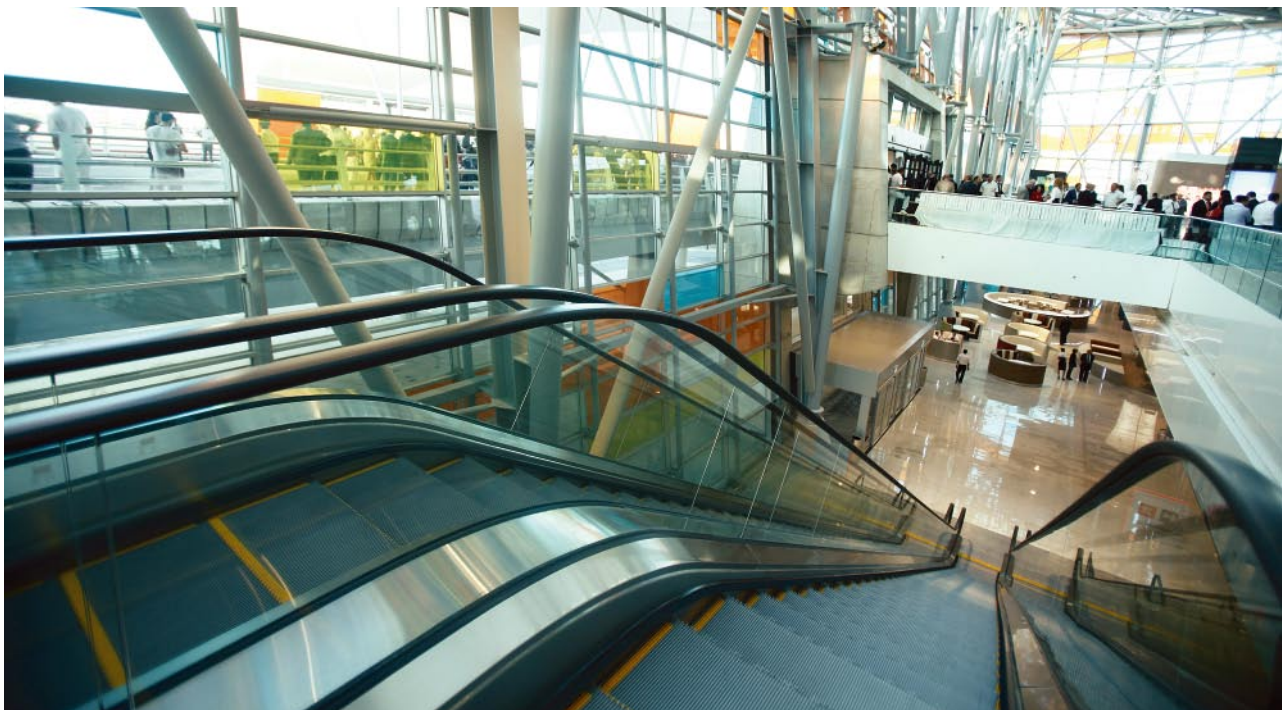
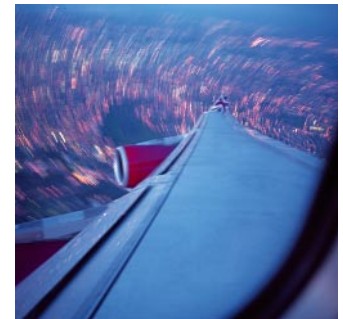
be filed with Armenian police, and if made in a foreign country, it may be filed with the Armenian diplomatic representation or consular office. The President of Armenia has final authority on granting or refusing special residence status. Decisions are final and not subject to appeal.

State duty is levied for granting residence status to foreigners in the amount of AMD 105,000 (\$263 USD) for temporary residence status, AMD 140,000 (\$350 USD) for permanent residence status, and AMD 150,000 (\$375 USD) for special residence status. ■

Zvartnots is a modern international airport 12 km outside of the Yerevan city center, located at the crossroads of Europe and Asia. Zvartnots has a transit zone and provides a number of services to transit and transfer passengers, including permission for visiting the city. Visitors can reach the city center by public transport in 30 minutes, spending AMD 200 (about \$0.5 USD), or by a taxi in 15 minutes, which will cost AMD 3,000 in average (about \$8 USD). The new terminal of the airport is equipped with modern facilities like free Wi-Fi, café, and a duty free shop. Open 24 hours a day, seven days a week, Zvartnots accommodates all classes of

commercial aircraft. Six major air routes with 15,000 international flights annually are provided with air traffic control. Detailed information on air companies is available in “Air companies” section by the following link: www.zvartnots.aero. Regular direct flights are available to the following destinations: Dubai (UAE), Prague (Czech Republic), Vienna (Austria), London (United Kingdom), Warsaw (Poland), Paris (France), Rome (Italy), Istanbul (Turkey), Athens and Thessaloniki (Greece), Larnaca (Cyprus), Tel Aviv (Israel) as well as a number of cities in Ukraine and Russian federation. ■

TRAVEL – FLIGHTS AND CONNECTIONS



ZVARTNOTS IS A MODERN
INTERNATIONAL AIRPORT
12 KM OUTSIDE OF THE
YEREVAN CITY CENTER,
LOCATED AT THE CROSSROADS
OF EUROPE AND ASIA

THE NEW TERMINAL OF THE
AIRPORT IS EQUIPPED WITH
MODERN FACILITIES LIKE FREE
WI-FI, CAFÉ, DUTY FREE SHOP, ETC





FINANCIAL SERVICES



TWO SELF-REGULATING ORGANIZATIONS OPERATED IN THE SECURITIES MARKET OF ARMENIA-CENTRAL DEPOSITORY AND NASDAQ OMX ARMENIA

The Armenian banking sector accounts for approximately 92 percent of the assets of the Armenian financial system. As of 2012, the Armenian banking market included 22 commercial banks, with 442 branch offices. The collective equity of the banks equaled AMD 366 billion (\$897m USD); total assets, AMD 2.2 trillion (\$5.4b USD); and total liabilities, AMD 1.8 trillion (\$4.4b USD). The Armenian securities market consists of two self-regulating organizations (SROs): The Armenian stock exchange NASDAQ OMX Armenia – organizes foreign currency and securities trading, and the Central Depository, which is also a member of the NASDAQ OMX group. NASDAQ OMX Armenia in 2012 lists securities of 14 reporting issuers. Other Armenian financial institutions include 32 nonbank financial institutions with 78 branch offices; nine insurance companies, four insurance brokerage firms; 236 currency exchange offices; seven money transferring companies and six organizations dealing with processing, clearing of payment instruments and payment documents; and eight investment companies. Foreign currency operations are regulated

by the law “On Currency Regulation and Currency Control”. The law stipulates that prices for transactions between Armenian residents, including branches of foreign companies, and salaries other than those paid by international organizations, must be quoted and paid in Armenian currency. There are no conversion restrictions between Armenian and foreign currency, and foreign currency accounts may be maintained in Armenian banks. For more information on currency exchange rates visit <http://www.rate.am>. Commercial banks operate under the authority and supervision of the Central Bank of Armenia or CBA (www.cba.am). Since 2006, the Central Bank of Armenia has also acted as regulator and supervisor of the Armenian financial market. CBA's principal mission is to maintain price stability, and since 2006 it has exercised an inflation targeting strategy that influences domestic interest rates as an operational goal, and addresses the forecasted level of inflation is an intermediate goal. In addition, CBA monitors trends in the financial markets, evaluates risk, and measures the impact of developments in the financial system. ■



Hotels. A wide variety of hotel services are available across the country, ranging from vintage retreats in rural areas to five-star international chains in Yerevan. Room prices are considerably higher in Yerevan (costing around AMD 30, 000 (\$75 USD), while a similar room in the other areas might cost AMD 15,000 (\$38 USD) or AMD 20,000 (\$50 USD). Top-rated hotels cost up to AMD 60,000 (\$150 USD) or more. There are also a few excellent boutique hotels in Armenia.

Resorts. Hotels are available in such resort areas as Dilijan, Tsaghkadzor, Jermuk and Lake Sevan.



B&Bs. Private apartments and homes occupied by a local family make rooms available for guests on a budget. Local tourist offices keep updated lists of B&Bs. Prices average AMD 5,000 (\$13 USD) to AMD 7,000 (\$18 USD) per person. Renting an apartment is in fact common practice among visitors to Yerevan. Prices peak between June and October. Single-bedroom apartments rent for about AMD 15,000 (\$38 USD) per day. Prices in more central locations run approximately AMD 25,000 (\$63 USD) a day for a two or three-bedroom apartment. Three or four-bedroom renovated apartments or houses rent for AMD 40,000 (\$100 USD) a day. Rentals can be accessed through travel agencies, which frequently arrange apartments, as well as through specialists for standard and luxury apartments. In Yerevan, the peak season runs from June through July. During other months, it is helpful to book a room ahead. Discounts are usually available during the low season (November to March). For more information on accommodations in Armenia, visit www.armeniainfo.am. ■

ACCOMMODATION



A WIDE VARIETY OF HOTEL SERVICES ARE AVAILABLE ACROSS THE COUNTRY, RANGING FROM VINTAGE RETREATS IN RURAL AREAS TO FIVE-STAR INTERNATIONAL CHAINS IN YEREVAN

FOR MORE INFORMATION ON ACCOMMODATIONS IN ARMENIA VISIT WWW.ARMENTAINFO.AM



BUSINESS ASSOCIATIONS



LIST OF BUSINESS ASSOCIATIONS

ARMENIAN BUSINESS ASSOCIATIONS

<http://www.afic.am>

CONFEDERATION OF TRADE UNIONS OF ARMENIA

<http://www.hamk.am>

UNION OF MANUFACTURES AND BUSINESSMEN OF ARMENIA

<http://www.umba.info.am>

UNION OF INFORMATION TECHNOLOGY ENTERPRISES OF ARMENIA

<http://www.uite.org>

UNION OF BANKS OF ARMENIA

<http://www.uba.am>

PROTECTION OF CONSUMER RIGHTS

<http://www.consumer.am>

CHAMBER OF ADVOCATES OF ARMENIA

<http://www.advocates.am>

UNION OF EXPORTERS OF ARMENIA

<http://www.armexport.am>

ARMENIAN MARKETING ASSOCIATION

<http://www.armenianmarketing.com>

At the national level, the following business associations are among the most influential organizations in the field:

CHAMBER OF COMMERCE AND INDUSTRY OF THE REPUBLIC OF ARMENIA (CCI)

The primary mission of the Chamber is improvement of the business enabling environment, promotion of export and investments, support to small and medium enterprises, and promotion of economic growth throughout the country.

UNION OF MANUFACTURES AND BUSINESSMEN (EMPLOYERS) OF ARMENIA (UMB(E)A)

UMBEA's core focus is improving economic legislation, advocating for the interests of local manufacturers, promoting international business cooperation, and creating mutually beneficial relations both among

companies inside Armenia and with the private sector abroad. UMBEA is highly influential in Armenia.

Apart from these national-scale associations, several other important business organizations promote and facilitate relations with international business:

ARMENIAN AMERICAN CHAMBER OF COMMERCE (AACC)

The purpose of the AACC is to advance the industrial, commercial, professional and public interests of the Armenian-American community, nationally and internationally; to promote and facilitate relations between the United States and the Armenian business and investment communities by providing information on conducting business in Armenia and the United States; and to provide economic and business data and analysis regarding Armenia. ►





NORD BUSINESS CENTER
AT NORTHERN AVENUE

**MEDICINE PRODUCERS AND IMPORTERS
UNION OF ARMENIA**

<http://www.pharmunion.am>

**ARMENIAN SOCIETY
FOR REPRODUCTIVE MEDICINE**

<http://www.asrm.am>

BUILDERS UNION OF ARMENIA

<http://www.buildersunion.am>

UNION OF ARMENIAN WINE MAKERS

maran@arminco.com

**UNION OF INCOMING TOUR OPERATORS
OF ARMENIA**

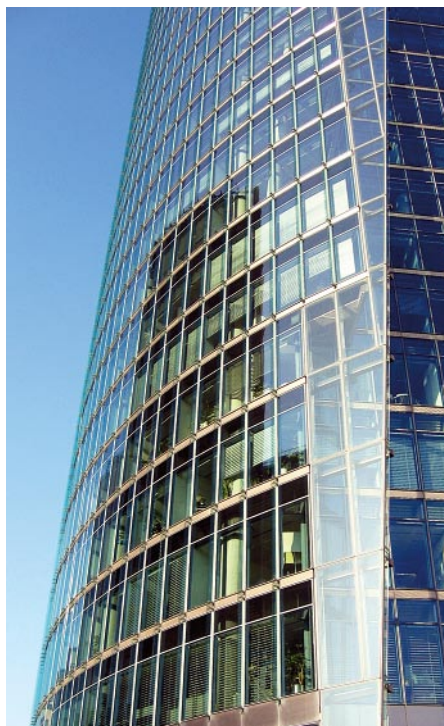
<http://www.touroperator.am>

**FEDERATION OF AGRICULTURAL
ASSOCIATIONS AS A UNION OF LEGAL ENTITIES**

<http://www.faa-ule.am>

ARMENIAN B&B ASSOCIATION

<http://tourizme-solidaire-armenie.org>



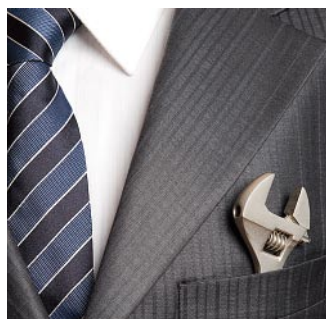
ARMENIAN-BRITISH BUSINESS CHAMBER (ABBC)

ABBC is a bilateral chamber whose mission is to represent and further the interests of companies of Britain and Armenia through the promotion and encouragement of bilateral trade and investment. ABBC provides a program of networking events and a range of member services.

ARMENIAN-FRENCH BUSINESS CLUB

The Business Club is the first French-foreign business network in Armenia. It seeks to deepen cooperation between France and Armenia by exchanging ideas on business and commerce through dialogue and policy discussions, and creating new opportunities for business. ■

**PROFESSIONAL
SERVICES**



**NUMBER OF COMPETITIVE
LOCAL COMPANIES PROVIDE A
WIDE RANGE OF HIGH QUALITY
PROFESSIONAL SERVICES AND
ARE CAPABLE TO OPERATE
NOT ONLY AT LOCAL, BUT
INTERNATIONAL LEVEL AS WELL**

KPMG, PriceWaterhouseCoopers and Ernst & Young have offices in Yerevan and offer services in four key business areas: Audit, financial advisory, tax and consulting. Grant Thornton CJSC, which is the Armenian member firm of Grant Thornton International, another major international accounting firm, operates in Armenia as well and provides high quality assurance and audit-related services both within Armenia and throughout the CIS region. Recently Binder Dijker Otte & Co (BDO), the fifth largest audit firm worldwide, entered the Armenian market. The services offered by BDO Armenia include audit and related services, financial

reporting in compliance with IFRS, comprehensive tax services, accounting, tax and customs planning, financial, tax and management advisory services. In addition to these firms, there are a number of competitive local companies that provide a wide range of high quality professional services and are capable of operating not only at a local level but internationally as well. Collectively, these firms represent the strongest community of professional service providers in the region, and offer high quality independent assurance services in strict adherence to national and international standards. ■



**BUSINESS
STARTUP
83-90**

CORPORATE FORMS OF ORGANIZATION



Foreign investors are permitted to create any type of company defined under the Civil Code of Armenia, the law “On Joint Stock Companies”, the law “On Limited Liability Companies”, and the law “On State Registration of Legal Entities, their Subdivisions, Enterprises and Sole Proprietors”. The following types of companies are defined by legislation:

- **Limited liability companies,**
- **Joint-stock companies (open and closed)**
- **Business partnership (full partnership, limited partnership)**

A **limited liability company (LLC)** is founded by one or more persons with capital divided into ownership shares, with nominal value determined by the charter. The participants in a limited liability company are not liable for its obligations, but they bear the risk of losses connected with the activity of the company within the limits of the value of their initial investment. The founders share profit according to the investment share ratio. The LLC and its founders are taxed separately.

A **joint-stock company** is a business entity whose equity is split into a specified number of shares defining the rights and

obligations of its shareholder towards the company. Only joint-stock companies have the right to issue shares of stock. The stockholders in a joint-stock company are not liable for its obligations, but bear the risk of losses within the limits of the value of their shares of stock.

A joint-stock company may be created by a single individual, and its ownership may consist of one person in the case of acquisition by that person of all the shares of stock of the company. The charter of the company should be registered and published.

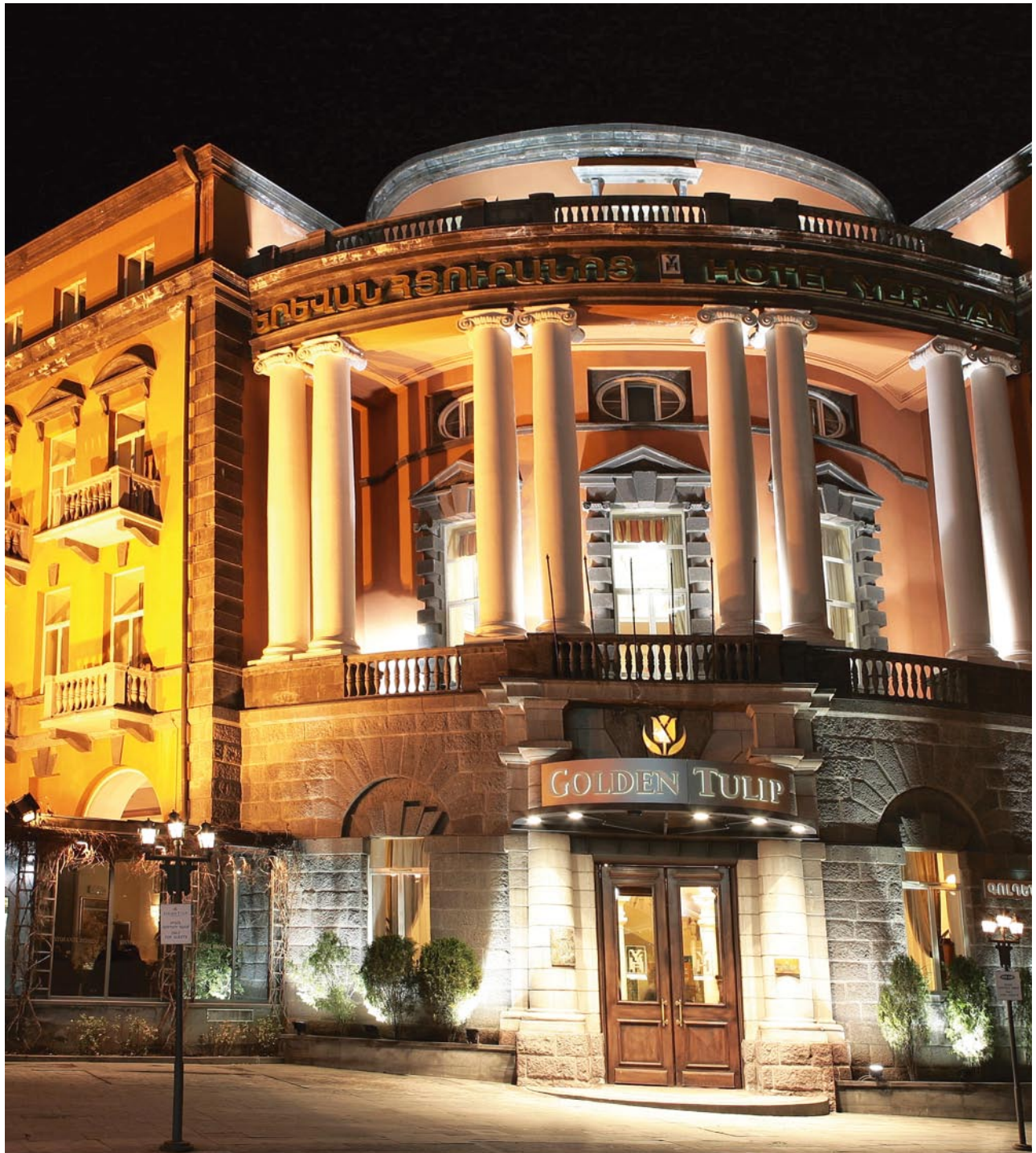
Armenian legislation defines two types of joint-stock companies – **open and closed**.

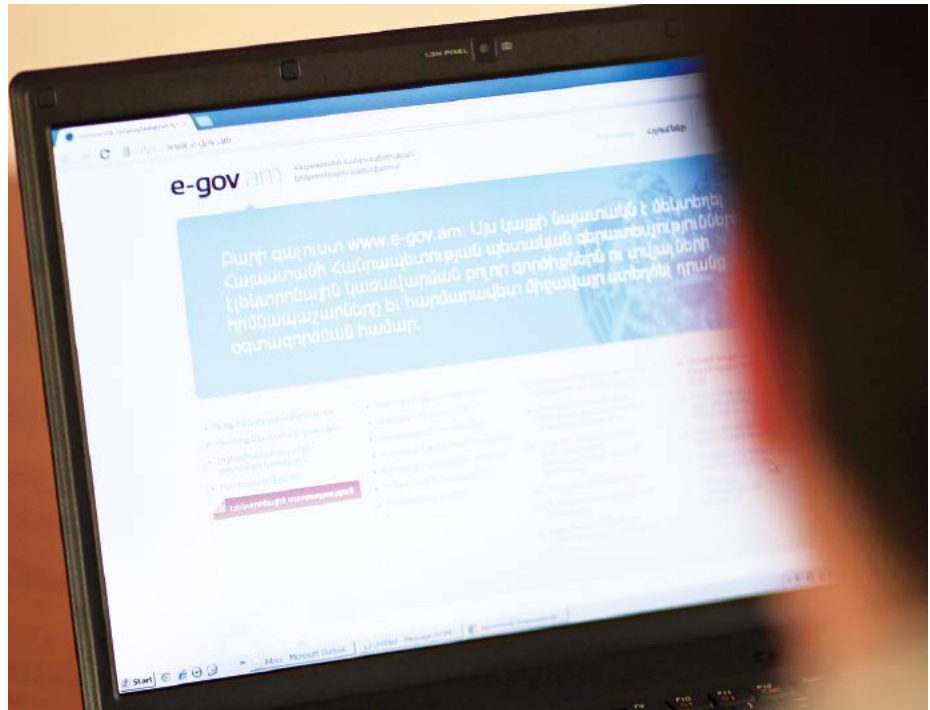
The open joint-stock company has an open subscription for shares. The stocks are sold to the public without the consent of other stockholders, and the number of shareholders in these types of companies is not limited.

In **closed joint-stock companies** the stocks are distributed only among its founders or a pre-determined group of persons or entities. A closed company may not hold an open subscription for its shares or otherwise offer them to an unlimited number of purchasers.



**FOREIGN INVESTORS HAVE
THE RIGHT TO CREATE ANY
TYPE OF COMPANY**





A closed joint-stock company should have no more than 49 shareholders. A closed joint-stock company may create separated subdivisions, branches and representative offices, in accordance with applicable laws and regulations.

A **business partnership** is an association of two or more people or organizations who manage a profit-making business as owners. The partners personally participate in the management of the partnership. An individual is not permitted to be a partner in more than one partnership. Business partnerships may be created as a full or limited partnership. A **full partnership** is a legal entity that may be established by at least two persons (general partners) who represent the business entity and act as the owners of the company. The partners jointly bear full liability for the company's debts and obligations. An individual may be a general partner in only one partnership.

A **limited (trust) partnership** is also formed by two or more persons who are the owners or contributors to the partnership. The main difference between this and a full partnership is the liability status of the partners. A limited

partnership has two types of partners – general and limited. The general partner has the right to manage the company, and also bears full liability for the partnerships' debts and obligations with all their property. Limited partners bear limited liability up to the limit of their contribution to the partnership's capital. The law allows for the establishment of supplementary **liability companies** and cooperatives as legal entities, but such vehicles are not widely used.

Representative offices and 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. The approved activities of a representative office are to represent and protect the interests of the home office, but they may not conduct independent business activities. Nonetheless the permitted scope of activities of a branch is wide, in that it is allowed to perform all necessary business functions and activities on behalf of the home office. ■

FOREIGN COMPANIES MAY OPERATE IN ARMENIA WITHOUT ESTABLISHING A NEW ENTITY, BY REGISTERING IN ARMENIA A REPRESENTATIVE OFFICE OR A BRANCH OF A FOREIGN LEGAL ENTITY

An investor can conduct business in Armenia as a legal entity (limited liability company, joint stock company, or other designated corporate form of organization), or as a sole proprietor. Legal entities are subject to registration in Armenia, and are considered established as of the date of their registration. This procedure is regulated by the law “On State Registration of Legal Entities, their Subdivisions, Enterprises and Sole Proprietors”.

REGISTRATION PROCEDURE

Registration of legal entities is carried out at the State Registrar through a “one stop shop” process, through which registration can be approved within as little as two days of the date of submission of all required documents at the Registrar; or via the newly introduced online registration system (www.e-registry.am) using an electronic signature. The registration takes just 15 minutes and costs 3,000 AMD (\$8 USD) for a sole proprietorship. Registration is free for other entities.

Upon registration, the State Registrar provides a certificate and registration number, a taxpayer identification number, a personal identification card number for social payment purposes, and a unique legal trade name for the company. The requirement for a company seal has been abolished. According to the law “On State Registration of Legal Entities,

their Subdivisions, Enterprises and Sole Proprietors”, a registration may be refused only if the legal entity's founding documents are incomplete or inaccurate.

DOCUMENTS

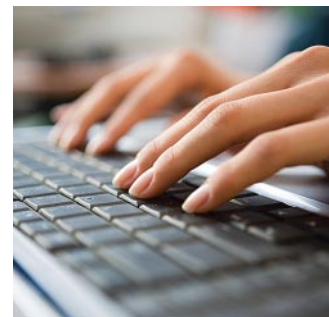
The following documents are requested by the State Registrar for the registration of an enterprise:

- an application of a person authorized by the founders of the legal entity;
- the records of the founders' meeting establishing a legal entity;
- at least two copies of the charter approved by the meeting;
- the passport details of the head of the executive body – a copy of his/her passport, and in case of a foreign citizen, a translated and certified copy of the passport;
- a receipt confirming payment of the registration fees (payable at any bank or at the terminal installed at the State Registrar Office).

If one of the company's founders is a foreign legal entity, then in addition to the items referenced above, that founder shall also submit:

- a statement from the trade registrar of the founder's country or an equivalent document regarding the legal status of the foreign investor;
- a copy of the founding documents or relevant statements, which shall be validated and translated into the Armenian language. ■

GENERAL BUSINESS REGISTRATION PROCEDURES



FOR MORE DETAILED INFORMATION ON REGISTRATION PROCEDURE CONTACT:

**State Register Agency of
Legal Entities of Armenia**

Address: Komitas Ave. 49/3,
9th floor, 0051 Yerevan, Armenia

Email: info@e-register.am

Website: www.e-register.am

Phone: +374 (10) 20-14-61

**REGISTRATION OF LEGAL
ENTITIES IS CARRIED OUT AT
THE STATE REGISTRAR WITHIN
AS LITTLE AS TWO DAYS; OR
VIA THE NEWLY INTRODUCED
ONLINE REGISTRATION SYSTEM
(WWW.E-REGISTRY.AM)**

**THE REGISTRATION TAKES JUST
15 MINUTES AND COSTS 3,000
AMD (\$8 USD) FOR A SOLE
PROPRIETORSHIP AND IS FREE
FOR OTHER ENTITIES**

**THE REQUIREMENT FOR
A COMPANY SEAL HAS
BEEN ABOLISHED**



PERMITS AND LICENSES



The law “On Licensing” provides for two types of licenses: Simple and compound (automatic and non-automatic). The simple license is issued within three days upon submission of application documents and does not require the approval of the licensing commission. Compound licenses are issued within 30 days after submission of documents, and may only be issued by a licensing commission. A list of activities subject to licensing is provided in Chapter VII of the licensing law. Licenses are issued by a number of government agencies. Currently only 96 types of activities are subject to licensing, 12 of which are subject to simple licensing, and the other

84 to compound licensing procedure. Licenses can now be obtained on line through a new electronic system at (www.e-gov.am/licenses).

Armenia has carried out significant reforms to simplify requirements and procedures to obtain permits. Among the most important beneficiaries of the reform is the construction industry, where issuance of permits was streamlined by simplifying procedures, and costs to obtain them significantly reduced. Currently construction permits are provided within 27 days, as opposed to the 137 days required before simplification reforms were introduced. ■

OTHER STATE REGULATIONS



In addition to the business start-up laws and regulations described elsewhere in this chapter, the following legal acts also apply to establishing the business in Armenia.

EMPLOYMENT

The principal legislation governing labour in Armenia is the Labour Code of the Republic of Armenia. The Code governs employment agreements, collective agreements, length of the working day, rest time, duration of vacations, calculation of salaries and other payments to employees, termination of employment relations, duration and payment for special leave such as maternity leave and study leave, and restrictions and notification for termination of employees.

The freedom to choose a profession is guaranteed, as well as the right to working conditions that are in compliance with safety and hygiene requirements. Forced labour is prohibited.

The legislation stipulates no limitations on the composition of the labour force employed by either Armenian or foreign companies.

The Labour Code corresponds to international criteria and assures protection of employer and employee rights. In addition to the Code, labour

relationships are governed by other acts, laws and regulations. Armenia is a full member of the International Labour Organization (ILO).

INTELLECTUAL PROPERTY

The general objective of Armenia's intellectual property (IP) rights policy regime is to promote innovation and IP commercialization, and to provide effective protection of proprietary rights to IP owners.

Granting of patents and protection of intellectual property rights in Armenia are regulated by the following major pieces of legislation:

- Civil Code of the Republic of Armenia
- Law “On Copyrights and Related Rights”.

This law provides for legal protection of literary works, musical works, paintings, films, software, and other intellectual property rights. It also provides legal protection of the rights of performers, producers of sound recordings, and broadcasting organizations.

- Law “On Trademarks”. This law defines the procedure for registering and protecting service marks, geographical indications and trademarks.

- Law “On Trade Names”. This law regulates the registration, legal protection and use of trade names of legal entities. ►



JUNIOR EUROVISION SONG CONTEST 2011
IN YEREVAN

In addition to these statutes, the protection of intellectual property is also regulated by the law "On Protection of Economic Competition", the law "On Utility Models and Industrial Designs", the law "On the Legal Protection of Integrated Circuit Topography" and the law "On Geographical Indications". Armenia is a member of the World Intellectual Property Organization (WIPO) and has signed a number of international agreements on intellectual property rights. Among the key legal instruments for the protection of copyright and related rights are international conventions which Armenia has ratified. These include the Berne Convention for the Protection of Literary and Artistic Works; the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations; the WIPO Copyright Treaty, and the WIPO Performances and Phonograms Treaty.

INSPECTIONS

Inspections in Armenia are carried out by several state bodies according to the law "On Organization and Implementation of Inspections in the Republic of Armenia". Inspections are conducted to supervise compliance with relevant regulations by entrepreneurs, and encourage them to operate generally in accordance with the legislative framework.

The system of inspections is being significantly improved in accordance with ongoing reforms started by the Government in 2009. In particular, a risk-based inspection system has been introduced, which schedules inspections based on the assessed risk level of enterprises.

- In general three risk groups have been formulated for companies. Only 20% of enterprises are included in the high-risk group, and 70% of the total number of annual inspections are carried out in high-risk companies. Only 5% of inspections are carried out in low-risk companies.
- Inspection bodies are obliged to publish annual inspection programs, as well as reports on inspections and examinations that have been carried out. These bodies carry out inspections via the utilization of checklists.
- The frequency of inspections of the same company by the same state body is as follows: for companies in the high risk group: once per year; for those in the middle risk group: once every three years; and of those in the low risk group: once every five years. Inspection bodies that do not have a risk-based inspection system and developed, approved and published check-lists, may carry out inspections in the same company only once every five years. ■

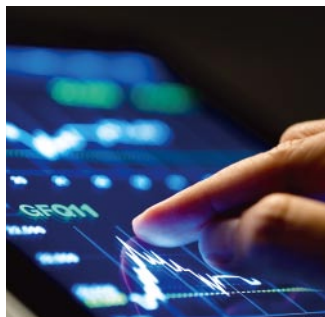
**THE FREEDOM TO CHOOSE
A PROFESSION IS GUARANTEED,
AS WELL AS THE RIGHT TO
WORKING CONDITIONS THAT ARE
IN COMPLIANCE WITH SAFETY
AND HYGIENE REQUIREMENTS**





TAXATION AND ACCOUNTING 91-102

ACCOUNTING AND AUDIT REQUIREMENTS



INTERNATIONAL FINANCIAL REPORTING STANDARDS

Armenian accounting standards were developed in the mid 1990s, essentially as an adaptation of the International Financial Reporting Standards (IFRS) in place at the time, although subsequent IFRS developments and updates were generally not incorporated into the Armenian standards on an ongoing basis. In 2009, the government initiated a full transition to IFRS. For banks, IFRS reporting became mandatory as of January 2009. From January 2010, IFRS reporting became mandatory for credit institutions, payment and settlement organizations, securities market issuers, investment companies, regulated market operators, the Central Depository, insurance companies, reinsurance companies, and insurance brokers. Other entities may prepare and present IFRS-based financial statements if they make the necessary disclosures. IFRS has become mandatory for these entities from January 2011.

Entities with receivable revenue for the previous calendar year not exceeding AMD 100 million will be allowed to apply special regulatory provisions for tax accounting defined by the Government, rather than applying IFRS. The government published an up-to-date Armenian translation of IFRS in March 2010.

AUDIT REQUIREMENTS

Auditing is regulated by the law "On Auditing", which regulates audit methodology and outlines requirements for audit firms and for auditors engaged in individual practice. Audit firms are licensed by the Ministry of Finance.

AUDITS REQUIRED BY LAW

Audits are mandatory for a range of enterprises. In particular, they are required for open joint stock companies, banks and other financial institutions, stock exchange participants, and large companies.

PUBLICATION OF FINANCIAL STATEMENTS

Open joint stock companies, banks and branches of foreign banks are required to publish their annual financial statements. The deadline of publishing annual financial statements is generally July 1st of the year following the reporting year. Banks and insurance companies must publish annual financial statements within four months of the end of the reporting year.

Since 2009, entities whose revenues for the previous year or the book value of whose assets at the end of the year exceeded AMD 1 billion, must also publish their annual financial statements. Only qualified chief accountants or qualified auditors are authorized to sign the published financial statements of commercial entities. Annual financial statements must be published together with the auditor's official opinion. ■

CORPORATE TAXATION



CORPORATE TAX SYSTEM

Armenian entities and foreign entities with permanent establishment in Armenia are subject to corporate income taxation. The standard rate is 20%. For investment funds the rate is 0.01% of net assets of the fund. Taxpayers engaged in designated activities including public catering, transportation activities, and auto repair shops are subject to presumptive taxation or license payments.

DIVIDENDS

Companies must generally deduct withholding tax from dividends paid to foreign entities at a rate of 10%. A lower

rate may apply under a particular tax treaty. Dividends derived by one Armenian entity from another are exempt from tax.

TERRITORIALITY

Resident corporate entities are defined as legal and business entities whose existence is established under Armenian law, whereas non-resident entities are those whose existence is established under foreign law. Resident entities are liable for payment of Armenian tax on their worldwide income. Foreign tax payments count as credit against Armenian tax liabilities, up to the amount of Armenian tax payable on the foreign

income. However, non-resident entities are liable to Armenian tax only on income from sources in Armenia. In broad terms, income is considered to be sourced in Armenia if:

- The income arises from activities performed or property located in Armenia; or
- In the case of passive income (e.g., dividends, interest, and royalties), financial services and insurance services, the income is paid by a resident of Armenia.

CONSOLIDATION

There is no system of holding company taxation in Armenia. Members of a holding company must file separate tax returns. There are no provisions to offset the losses of holding company members against the profits of another member.

PERMANENT ESTABLISHMENTS

The domestic definition for a permanent establishment essentially adopts the definition for permanent establishment found in the OECD Model Tax Convention. When a foreign company conducts business in Armenia through a permanent establishment and maintains separate accounting records for that permanent establishment, taxable income is determined on the same basis as for domestic entities. The law “On Profit Tax” indicates that a permanent establishment is taxable on dividends received from Armenian companies and may not carry forward losses, which differs from the treatment of domestic entities. However, it may be able to overcome this restriction under a relevant tax treaty.

If it is not possible to determine taxable profit based on the direct method (taxable income less deductible expenses), income is determined based on an agreed method between the taxpayer and the tax authorities. The law “On Profit Tax” explicitly recognizes the allocation method, whereby the taxpayer allocates a portion of its worldwide income and expenses to Armenia, as a possible approach.

INCENTIVES

Several tax incentives are available to enterprises operating in free economic

zones created in the territory of Armenia. See more detailed information in the “Free Economic zones” chapter of this guide. Businessmen engaged in agricultural production are exempt from tax on that income.

GROSS INCOME

ACCOUNTING PERIOD

The reporting year for companies follows the calendar year.

BUSINESS PROFITS

Taxable profits are defined to be the difference between a taxpayer’s gross income and deductible expenses.

Gross income encompasses revenues received by a taxpayer from all economic activities, unless expressly exempted under the law. Deductible expenses encompass all necessary and documented expenses that are directly related to conducting business or earning profit, unless a specific provision in the law restricts the deduction.

ACCOUNTING FOR INCOME

Income should be recognized using the accrual method. Specifically, income should be recognized when an unconditional right to receive the income exists, or when a taxpayer has fulfilled all of the obligations for a transaction or contract; and income from services should be recognized when the provision of services is complete.

EXEMPT INCOME

Dividends derived by one Armenian entity from another are exempt from tax.

DEDUCTIBILITY OF EXPENSES

BUSINESS EXPENSES

Properly documented expenses that are legitimately incurred in the furtherance of a taxpayer’s business activities should be deductible, unless a specific provision in the law indicates otherwise.

NON-DEDUCTIBLE EXPENSES

The following items are not deductible for corporate income tax purposes: ►

- Expenses that are not supported by relevant documents are not deductible
- Undocumented expenses may be deducted in the amount of AMD 3 million per month and AMD 300 thousands per transaction
- Undocumented expenses are subject to personal income tax at an 11% rate
- Expenses incurred for advertising outside Armenia are limited to 3% of gross income or 20% of the value of services or goods exported from Armenia, whichever is greater
- Training of staff outside Armenia is limited to the lesser of 4% of the gross income of the reporting year or AMD 3 million (approximately USD 7,690) per employee
- Expenses for foreign trips are limited to 5% of the gross income of the reporting year
- Representative expenses are limited to the lesser of 0.5% of the gross income of the reporting year or AMD 5 million (approximately USD 12,800)
- Voluntary funded pension contributions made by employers for an employee are limited to 5% of salary of an employee.

ACCOUNTING FOR EXPENSES

Expenses should be recognized on an accrual basis. Administrative and finance costs are deducted in the year in which they are incurred.

DEPRECIATION

Fixed assets must be depreciated using the straight-line method. The minimum

periods for depreciating fixed assets can be found in Table 7. Land may not be depreciated. Intangible assets may be amortized using the straight-line method over the asset's useful economic life. If it is not possible to calculate the asset's useful economic life, then the amortization period must be 10 years or more.

EXPENSES ON FIXED ASSETS

Expenses incurred in the repair and maintenance of a fixed asset are deductible, unless the expense improves the condition of the fixed asset. The deduction is limited to 10% of the cost of the asset. Any excess is capitalized and included in the base for depreciation purposes.

INTEREST

Interest will generally be deductible if the related debt is used to fund business activities of the taxpayer. The maximum deductible interest rate is capped at twice the official CBA rate, which is currently 24%. In addition to the existing cap (twice the Armenian Central Bank's settlement rate), from January 2012 deductible interest expense within the tax year should not exceed:

- Nine times the value of net assets of a taxpayer, if the interest is for debt contracted from banks and credit organizations, or
- Twice the value of net assets of a taxpayer, if the interest is for debt contracted from other entities.

TABLE 7. THE MINIMUM PERIODS FOR DEPRECIATING FIXED ASSETS

Description of assets	Minimum depreciation period
Hotels, resorts, rest houses, educational institutions	10 years
Other industrial and commercial buildings, constructions and transmission devices	20 years
Robot equipment and assembly lines	3 years
Calculating devices and computers	1 year
Fixed assets with the value up to AMD 50,000 (approximately USD 135)	1 year
Industrial and commercial buildings, constructions and transmission devices located in a designated disaster area (currently Gyumri)	1 year
Other fixed assets with the value exceeding AMD 50,000	5 years

FOREIGN EXCHANGE

Realized foreign exchange gains and losses are taxable and deductible.

BAD AND DOUBTFUL DEBTS

Bad debts may be claimed as a deduction.

ROYALTIES AND SERVICES FEES

Royalties and service fees are deductible payments.

LEASING

Lease payments on operating leases are deductible. The lessor can claim a deduction for depreciation of leased assets.

Financial leasing is treated for tax purposes as if a sale had been made. The lessee may include the value of the property in the relevant group of fixed assets and claim depreciation charges. The lessee may also deduct the interest and commission components of the lease payments in the period for which they are payable. Similarly, the lessor would recognize taxable income for the total principal amount of the lease at the time when the asset is transferred, and would recognize the interest and commission component of the payments over the term of the lease.

EMPLOYEE REMUNERATION

Employee remuneration is deductible.

SOCIAL SECURITY CONTRIBUTIONS

Taxable income is reduced by the amount of mandatory employee contributions for social security.

OTHER DEDUCTIONS

Expenses incurred on industrial research and for geological research related to the extraction of natural resources should be capitalized and amortized over their useful life, or over a minimum of 10 years if their useful life cannot be determined. Expenses for scientific research, experiments, design and innovation activities in IT may be deducted at the time incurred. Charitable donations and contributions to non-profit organizations are deductible up to 0.25% of gross income. Armenian taxes, other than income tax, are generally deductible. Revenues and expenses are determined net of VAT.

LOSSES

Companies are entitled to carry forward losses for up to five years.

RELATED PARTY TRANSACTIONS

The law "On Profit Tax" permits tax authorities to adjust prices for tax purposes when the conditions of a transaction between a non-resident and another person differ from usual practice. The implementing rules have not yet been developed in detail, so the rule has limited application in practice.

OTHER TAXES

EXCISE TAX

Excise tax is payable on alcoholic beverages, tobacco products, petrol and diesel fuel, whether imported or produced domestically.

LAND TAX

Land tax is paid by landowners and the permanent or temporary users of state owned land. Tax on rented land is levied on the lessor. The land "cadastre" (valuation system) value is used to determine the value of the land. Land tax for agricultural lands is calculated at 15% of the net income established by the cadastral evaluation. For non-agricultural land, the rate is 0.5% to 1.0% of the cadastral value of the land.

PROPERTY TAX

Property tax is assessed on buildings, motor vehicles and means of water transport. The tax base for buildings is cadastral value based on original cost and subsequent revaluations carried out every three years by the relevant state authority. The annual tax rate on public and industrial buildings is 0.3% of the property value.

LOCAL TAXES AND DUTIES

Land and property taxes are assessed by local authorities.

HOLDING COMPANIES

There is no provision permitting the pooling or consolidation of income and losses among a commonly owned company group. Dividend income received from another company is not subject to tax. ■



REPUBLIC SQUARE
IN THE CENTRE OF YEREVAN



VALUE ADDED TAX



INTRODUCTION

In Armenia persons subject to VAT deduct the VAT paid on their inputs from the VAT charged on their sales and account for the difference to the tax authorities. The standard rate of VAT on domestic sales of goods and services and the importation of goods is 20%. Exported goods and related services are zero-rated.

TAXABLE THRESHOLD

VAT obligations are based on taxable turnover for transactions implemented during the previous calendar year. If those revenues exceed AMD 58.35 million, the taxpayer must account for VAT on all sales. Generally, if the previous year's revenues were less than AMD 58.35 million (e.g., the taxpayer is in the first year of operations), the taxpayer is obliged to account for VAT only on sales in that year that exceed AMD 58.35 million. Taxpayers whose revenues are below the AMD 58.35 million threshold may voluntarily elect to account for VAT.

SCOPE OF VAT

Unless there is an express exemption in the law, VAT applies to:

- Goods and services where the place of supply is Armenia, and
- Importation of goods into Armenia.

ORIGINATION OF GOODS

The origination of goods for VAT purposes is the place where the goods are located when they are sold. For goods that are to be delivered, the supply takes place where the goods are located when they are dispatched.

ORIGINATION OF SERVICES

As a general rule for VAT purposes services are supplied in the place where the service provider performs the service. If the place of performance is uncertain, services are considered to be supplied in the place where the person's business is located. Specific rules for this purpose apply to the following services:

- Services related to real estate are supplied in the place where the real estate is located.
- Transportation services are supplied in the place where the transportation passengers or cargo originates.

- Services related to culture, art, sport, science, education and public health, ancillary support for transportation, and the assessment or repair of movable property are supplied in the place where the services are performed.
- The lease of transportation vehicles is supplied in the place where the lessor implements business activity, or if no such place exists, in the place of domicile or residence of the lessor.
- Cross-border postal and telecommunication services are supplied in the country of destination.
- They are supplied in the place where the recipient of the services implements business activity or has a permanent office (i.e., if the recipient has a permanent office in Armenia, the services are subject to VAT).
- If the recipient does not implement business activity and has no permanent office, the services are supplied in the place of residence of the recipient.

VAT ON IMPORTATION

Unless expressly exempted under the law, imported goods are subject to 20% VAT during customs clearance. Special rules apply to goods that were exported earlier from Armenia to be processed or repaired. In that case, VAT is imposed based on the value of the service performed by the foreign party. If it is not possible to determine the value of the service, VAT is imposed based on the difference between the customs value of the goods after processing or repair and their declared customs value when they were exported.

ZERO RATING

The export of goods and the supply of services that are ancillary to the export of goods are zero-rated. Zero-rating also applies to the supply of international transport services (including transit through Armenia) and toll manufacturing services. Advertising, consulting, engineering, legal, accounting, translation, data processing, banking, financial and insurance services provided to non-residents are zero-rated if the non-resident's place of business is outside Armenia.

EXEMPT SUPPLIES

Armenian law distinguishes VAT-exempt transactions from transactions that are outside the scope of VAT. From a practical perspective, however, the distinction is not important. In either case, a person making such sales will not be entitled to claim an input tax credit against those sales. A number of transactions are exempt from VAT. Some of the more common exemptions are most financial transactions carried out by financial organizations; tuition services for secondary, professional, and high schools; and sale of education materials; sales of newspapers and magazines. The sale of ownership rights in an entity or business, as well as transactions for the reorganization of an entity or business, are not subject to VAT.

TAXABLE AMOUNT

In most cases, the amount of VAT will be determined based on the transaction price for the supply of goods or services. When goods and services are provided free of charge, the supplier is required to account for VAT based on the market value of the goods or services, unless the supply involves warranty services provided by a seller of goods, replacement of defective goods.

NON-DEDUCTIBLE INPUT COST-RELATED VAT OBLIGATIONS

The general rules for VAT input tax credits are:

- VAT paid on goods and services that will be used to make taxable sales may be claimed as an input tax credit.
 - VAT incurred to purchase or import goods and services that will be used to make sales that are VAT-exempt or not subject to VAT may not be claimed as a credit.
 - When goods and services will be used to make partly taxable and partly non-taxable sales, the input tax credit is apportioned between the taxable and non-taxable sales based on the proportion of taxable sales to total sales for each reporting period.
- A claim for input tax must be supported by a valid VAT invoice issued by a supplier or a duly executed import customs declaration. In addition, for the purchase

of goods or services, an input tax credit will generally only arise if payment is remitted through a bank and the goods or services are obtained for commercial purposes. Input tax credits are available for cash purchases, but only up to AMD 300,000 per transaction and up to a maximum of AMD 3 million per month, and provided that all necessary VAT information is included on the sales receipt or the VAT invoice. Generally, VAT paid that is not able to be claimed as input tax credit is treated as part of the cost of acquisition for purposes of profit tax or income tax.

VAT COMPLIANCE

REGISTRATION

The following taxpayers are automatically required to account for VAT:

- Businesses with sales exceeding AMD 58.35 million in the preceding calendar year will be required to account for VAT on their sales in the subsequent calendar year
- Businesses that require a license costing more than AMD 100,000 to operate and businesses producing excisable goods will also be required to account for VAT on their sales
- Businesses that produce or imports products that are subject to excise tax
- Other businesses will be required to account for VAT on any sales in a calendar year in excess of AMD 58.35 million
- Special rules exist that may require inter-related persons (mutual ownership in statutory capital, proportion of income or expenses related to one supplier or customer) to account for VAT because of their relationship.

Starting from 1 January 2012, VAT payers are required to obtain VAT registration numbers from the tax authority.

ACCOUNTING REQUIREMENTS

VAT payers are required to keep separate accounts for taxable and VAT-exempt sales and purchases. If it is not possible to keep separate accounts, the amount of VAT input tax credit for each reporting period should be calculated based on the proportion of taxable sales to total sales for that period. ►

**IN ARMENIA PERSONS
SUBJECT TO VAT DEDUCT THE
VAT PAID ON THEIR INPUTS
FROM THE VAT CHARGED ON
THEIR SALES AND ACCOUNT
FOR THE DIFFERENCE TO THE
TAX AUTHORITIES**

SERVICES SUPPLIED IN ARMENIA BY NON-RESIDENTS THAT ARE NOT REGISTERED IN ARMENIA ARE SUBJECT TO THE APPLICATION OF A VAT REVERSE CHARGE. TO SUPPORT A CORRESPONDING CLAIM FOR AN INPUT TAX CREDIT, THE RECIPIENT OF THE SERVICES MUST SELF-ISSUE AN INVOICE ON BEHALF OF THE NON-RESIDENT, AND INDICATE THEIR OWN IDENTIFICATION NUMBER AS THE SUPPLIER OF SERVICES

REFUNDS ARE PERMITTED ONLY FOR PURCHASES AND IMPORTATIONS THAT ARE DIRECTLY RELATED TO ZERO-RATED TRANSACTIONS (OTHER THAN THE EXPORT OF FERROUS AND NON-FERROUS SCRAP)

INFORMATION ON VAT INVOICE

With the exception of retail sales, a VAT-registered person is required to issue a VAT invoice for every taxable sale of goods or services. The VAT invoice should be issued either electronically or using non-transferable numbered forms obtained from the tax authorities. A tax invoice needs to have a unique series and number. When the invoiced amount exceeds AMD 100,000, information on this invoice should be reported to the tax authorities by both parties of transaction, with the exception of electronic invoices. A VAT invoice may not be issued for transactions that are exempt or not subject to VAT. Special rules also apply concerning the preparation of invoices for zero-rated sales.

VAT LIABILITY

VAT liability in any accounting period will be the total amount of output tax charged on sales, less the input VAT paid relating to taxable sales. VAT is accounted for as follows:

- VAT on the sale of goods is accounted for when the goods are unloaded or delivered to the purchaser
- VAT on the sale of services is accounted for when the services are rendered to the customers
- The entitlement to an input tax credit for purchases arises on the date on which payment is made, provided the VAT invoice is obtained before the end of the reporting period. If the invoice is obtained late, the general practice would be to file an amended return for the period
- The entitlement to an input tax credit for imported goods arises on the date of importation.

REVERSE CHARGE

Services supplied in Armenia by non-residents that are not registered in Armenia are subject to the application

of a VAT reverse charge. To support a corresponding claim for an input tax credit, the recipient of the services must self-issue an invoice on behalf of the non-resident, and indicate their own identification number as the supplier of services.

RETURNS AND PAYMENTS

Generally, VAT payers should file VAT returns on a quarterly basis. However, taxpayers with sales (excluding VAT) in the previous calendar year exceeding AMD 100 million are required to file VAT returns monthly. VAT payments must be made and VAT returns filed within 20 days following the end of the reporting period. A separate report with information on sales and purchase invoices exceeding AMD 100,000 must be filed within 20 days following the end of the reporting period. If the report is not filed, the authorities are likely to disallow input tax credits.

REFUNDS

As a general rule, when input tax for a reporting period exceeds output tax for the period, the excess input tax is carried forward and applied against VAT payable in future reporting periods. Refunds are permitted only for purchases and importations that are directly related to zero-rated transactions (other than the export of ferrous and non-ferrous scrap). According to law, a refund should be issued within 90 days of the refund application. Penalties are calculated and paid to the taxpayer, if excess credit is not paid within 90 days. For each overdue day after the established time period penalties will apply on the amount of excess credit and will be determined based on the interest rate defined by the Central Bank of Armenia (subject to recalculation on a daily basis). ■

TERRITORIALITY AND RESIDENCE

Individuals are classified into two categories for income tax purposes:

- Residents are liable for tax on their worldwide income. The standard rate is applicable for most types of income, including salary, dividends, royalties and investment income
- Non-residents are liable for tax only on their Armenian source income.

TAX RESIDENCE

Individuals are deemed to be residents for tax purposes in Armenia if:

- they are physically present for 183 days or more for any consecutive twelve-month period commencing or ending during the tax year,
- their center of vital interests is in Armenia, or
- they are employed in the civil service of Armenia.

Individuals who do not meet these conditions are non-residents.

TAX RATES

Income from royalties, interest (if not exempt), sale of property (if not exempt) and lease of property is subject to a 10% tax. If paid on behalf on an individual taxpayer by a tax agent, tax should be withheld at the source. Tax agents include Armenian legal entities, individual entrepreneurs and branches or representative offices of a foreign company. Other income paid by a tax agent is subject to final withholding on a monthly basis and the following rules apply:

- the first AMD 80,000 per month of taxable income is taxed at 10%,
- additional income up to AMD 2 million is taxed at 20%,
- a 25% rate applies on income in excess of AMD 2 million.

Other income not received from tax agents is taxed on an annual basis:

- the first AMD 960,000 (approximately USD 2,460) per year of taxable income is taxed at 10%, and
- additional income is taxed at 20%.

PRIVATE ENTREPRENEURS

As a general rule, the taxable income for individuals registered as private entrepreneurs is calculated as the difference between gross income and the documented expenses connected to the business activity. Under the general tax regime, entrepreneurs

may deduct business expenses and depreciation charges subject to the rules established by the law "On Profit Tax".

GROSS INCOME

Resident taxpayers are required to pay tax on any income received or credited in Armenia or abroad during the reporting period, except for items specifically exempted from tax under the law.

EMPLOYMENT INCOME

All income received or credited from employment in monetary form or in kind during a calendar year is subject to personal income tax. Usually income tax is withheld by a tax agent.

INCOME FROM INDEPENDENT ACTIVITIES

Income from independent activities is subject to the standard rate, unless the individual is covered by the presumptive tax rules.

RENTAL INCOME

Gross revenues from property leases are subject to a 10% tax.

INCOME FROM PRIZES AND WINNINGS

Income in the form of prizes (other than cash prizes from the state lottery) and winnings in excess of AMD 10,000 per payment are taxed at the standard tax rate.

INVESTMENT INCOME

Gains from the sale or exchange of shares or securities are exempt from tax. Dividends are exempt from tax. Interest income is exempt if received from state securities. In other cases, a 10% rate applies. Gross royalties are subject to a 10% tax.

DISPOSAL OF REAL ESTATE AND MOVABLE PROPERTY

The tax treatment of disposal of property depends on the tax status of the purchaser. If the purchaser is a legal entity or an individual entrepreneur, a 10% tax should be withheld from the gross sale price. Otherwise, the income is exempt from tax.

TAX-EXEMPT INCOME

In addition to the exemptions indicated in the discussion on gross income, exempt income includes state benefits (with the exception of benefits for temporary work

INDIVIDUAL TAXATION



disability and for the care of a sick family member), pensions, alimony, property and cash received as an inheritance, and insurance compensation.

DEDUCTIONS

BUSINESS

Documented expenses incurred directly and exclusively for the purpose of generating business income are deductible.

NON-BUSINESS

A taxpayer may deduct contributions to religious, public and other non-profit organizations, up to a maximum of 5% of taxable income. An individual is also entitled to a personal allowance deduction of AMD 32,500 (equal to the current minimum salary in Armenia) for each month's income received.

SOCIAL SECURITY CONTRIBUTIONS

Taxable income is reduced by the amount of mandatory employee contributions for social security.

FOREIGN TAX CREDITS

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 have arisen from the equivalent income in Armenia.

TAXATION OF NON-RESIDENTS

Non-residents are subject to Armenian tax only on income that originates in Armenia. For individuals, any income received from Armenian labour contracts, business activities performed in Armenia, or capital employed or property used in Armenia is defined as Armenian-sourced income.

TAX COMPLIANCE

OBLIGATIONS OF WITHHOLDING AGENTS

Any income payment by a tax agent to an individual is subject to withholding, unless the payment is to an sole entrepreneur and the parties have signed a contract that indicates the individual's TIN, passport data, domicile in Armenia and the number of the state registration certificate issued when business activity commenced. If this requirement is not met, payments from commercial, non-commercial organizations and private entrepreneurs are subject to an 11% withholding tax. Withholding tax from payments to individuals must be transferred to the State Budget not later than the 20th day of the month following when income was paid or salary was accrued.

TAX RETURNS FOR INDIVIDUALS

Armenian residents who receive income that has not been subject to Armenian tax at the source are required to file a personal tax return by 15 April of the following year. Tax obligations must be paid by May 1st. ■

AVOIDANCE OF DOUBLE TAXATION



Armenia had tax treaties with 35 countries in force as of January 2012. Provisions of these treaties are generally applicable automatically when a local company possesses an appropriate residency certificate issued by foreign tax authorities. However, Armenia does not honor pre-independence tax treaties entered into by the former Soviet Union. See more detailed information in the "Multilateral and Bilateral Agreements" chapter of this guide. ■



LEGAL
SYSTEM
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LEGAL SYSTEM



THE LEGAL SYSTEM OF ARMENIA IS BASED UPON THE CONSTITUTION OF ARMENIA, LAWS APPROVED BY THE NATIONAL ASSEMBLY; DECREES OF THE PRESIDENT, DECISIONS OF THE GOVERNMENT, AND LEGAL PRONOUNCEMENTS OF OTHER GOVERNMENTAL INSTITUTIONS AND LOCAL MUNICIPAL AUTHORITIES

ARMENIA IS A CIVIL LAW COUNTRY.

LAWS ARE APPROVED BY THE NATIONAL ASSEMBLY AND SENT ON TO THE PRESIDENT FOR SIGNATURE

The legal system of Armenia is based upon the Constitution of Armenia, laws approved by the National Assembly; decrees of the President, decisions of the Government, and legal pronouncements of other governmental institutions and local municipal authorities. International treaties signed by Armenia are a constituent part of the legal system of the Republic and supersede Armenian laws and regulations. The Constitution of the Republic has supreme juridical force, and enshrines the principle of separation of the legislative, executive and judicial powers. Laws and other legal acts found to contradict the Constitution have no legal force. Armenia is a Civil Law country.

BUSINESS SECTOR LAWS

The Government of Armenia has made a clear commitment to adopt more business-friendly policies. In recent years, Armenia has introduced important reforms to its legal environment, improving the enabling environment across all sectors of the economy. A streamlined regulatory framework creates strong incentives for entrepreneurs, particularly SMEs, to expand their businesses.

In 2003 Armenia joined the World Trade Organization, which facilitated regulatory reform processes aimed at building an investor friendly commercial environment. Armenia maintains an open regime for trade in goods and services, and for investment. The country performed well in the recent World Bank Doing Business report, receiving a high score on property rights registration and starting a business, and substantially improving its ranking for trading across borders, paying taxes and issuance of construction permits.

The legal underpinnings of economic activities in Armenia are provided by the Civil Code, Labour Code, Administrative Code, and the laws on Licensing, Standardization, Foreign Investment, Protection of Economic Competition, State Registration of Property Rights, Organizing and Conducting Inspections, Accounting, and Audit Activities.

In addition, the following laws govern the business environment in Armenia:

- Corporate legislation, including laws on Joint-Stock Companies, Limited Liability Companies, and State Registration of Legal Entities
- Fiscal legislation, including the Customs Code, and laws on Taxation, Value-Added Taxes, Land Tax, Property Tax, Mandatory Social Insurance Payments, and State Duties.
- Financial sector regulations, Including laws on the Central Bank of the Republic of Armenia, Consolidated Financial Regulation and Supervision, Currency Regulation and Currency Control, Banks and Banking, Credit Organizations, Banking Secrecy, Bankruptcy of Banks and Credit Institutions, Guarantee of Remuneration of Bank Deposits of Physical Entities, Fund Transfers, Payment Orders, Payment Systems and Payment Organizations, Investment Funds, Securities Markets, and Insurance.
- Legislation "On Protection of Intellectual Property rights", including laws on Copyright and Related Rights, Inventions, Utility Models and Industrial designs, Legal Protection of Topographies of Integrated Circuits, Trade Names, Geographical Indications, and Trademarks
- Law "On Exploration of Natural Resources and Environmental Protection", including the Land Code, the Water Code, the Code on Sub-Surface Resources, and the laws on Environmental Protection and Use of Natural Resources, Environmental Impact Assessment, and Concessions.
- Adjudication legislation, including the Judicial Code, Civil Procedures Code, Administrative Infringements Code, and laws on Compulsory Implementation of Judicial Acts and Commercial Arbitration.

HOW LAWS ARE APPROVED AND ENACTED IN ARMENIA

The Armenian Parliament, also known as the National Assembly, is composed of 131 members. Laws are approved by the National Assembly and sent on to the President for signature. The law is considered promulgated by the President if he signs the law or fails to act within a 21-day period. If the President vetoes the law, the Parliament may override this with a



majority vote. In that case, the President is required to sign law within five days. Laws take effect within ten days after official publication, or within the term specified in the law. Legal acts of Armenia are officially published in the Official Bulletin of the Republic of Armenia, which is issued on a weekly basis. The text of Armenian legal pronouncements and other legal resources in English and Russian can be retrieved from the databases of:

- National Assembly of the Republic of Armenia (www.parliament.am);
- Government of the Republic of Armenia (www.gov.am);
- Constitutional Court of the Republic of Armenia (www.concourt.am);
- Prosecutor's Office of the Republic of Armenia (www.genproc.am)

The legal statutes of the Republic of Armenia can be retrieved also from the free internet database of legal acts: www.arlis.am. ■

LAWS TAKE EFFECT WITHIN TEN DAYS AFTER OFFICIAL PUBLICATION, OR WITHIN THE TERM SPECIFIED IN THE LAW. LEGAL ACTS OF ARMENIA ARE OFFICIALLY PUBLISHED IN THE OFFICIAL BULLETIN OF THE REPUBLIC OF ARMENIA, WHICH IS ISSUED ON A WEEKLY BASIS

DISPUTE RESOLUTION



ARMENIA HAS A THREE-TIERED JUDICIAL SYSTEM CONSISTING OF THE COURTS OF FIRST INSTANCE, COURTS OF APPEAL AND THE SUPREME COURT

THE ARMENIAN JUDICIARY SYSTEM ALSO INCLUDES THE CONSTITUTIONAL COURT OF ARMENIA, THE HIGHEST BODY OF CONSTITUTIONAL JUSTICE IN ARMENIA

THE ARBITRATION IS REGULATED BY THE RA LAW "ON COMMERCIAL ARBITRATION" ADOPTED ON DECEMBER 25, 2006

ARMENIA IS A SIGNATORY TO THE INTERNATIONAL CONVENTION ON INVESTMENT DISPUTES

Armenia has a three-tiered judicial system consisting of the Courts of First Instance, Courts of Appeal and the Supreme Court. The Courts of First Instance include the Courts of General Jurisdiction and the Administrative Court. Courts of General Jurisdiction examine all civil and criminal cases, whereas administrative cases are heard by the Administrative Court. The decisions of the Courts of General Jurisdiction and the Administrative Court can be appealed to the Courts of Appeal. These include the Civil Court of Appeal, the Administrative Court of Appeal, and the Criminal Court of Appeal. The Supreme Court revises the rulings of the courts of Courts of Appeal.

Fee structures are defined by the law "On State Duties" for statements of claims, applications and complaints submitted to the Court, for appeals, as well as for receipt of copies (duplicates) of other Court documents.

The Armenian judiciary system also includes the Constitutional Court of Armenia, the highest body of constitutional justice in Armenia. The Constitutional Court primarily settles disputes, assesses the conformity of laws and regulations with the Constitution, resolves election-related

disputes, and assesses compliance of international treaties with the Constitution. Disputes between a foreign investor and the Republic of Armenia must be resolved in Armenian courts, through the application of domestic legislation, according to the law "On Foreign Investment".

In cases of mutual consent, businesses may opt to settle disputes through commercial arbitration either in Armenia or abroad. Arbitration is regulated by the law "On Commercial Arbitration". This law provides a sound framework for the conduct of both domestic and international commercial arbitration in Armenia, and for the enforcement in Armenian courts of arbitration awards made in other countries. The Government has continuously honored arbitration judgments. Other alternative dispute resolution procedures such as mediation, mini-trials, and neutral negotiation are also applicable in Armenia. The Permanent Arbitration Body at the Chamber of Commerce and Industry was established in 2007 based on the law "On Commercial Arbitration". Armenia is a signatory to the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards, and is also a signatory of the International Convention on Investment Disputes. ■





**INDUSTRIAL
POLICY
107-114**

EXPORT-LED INDUSTRIAL POLICY



THE FASTEST-GROWING ARMENIAN INDUSTRIES INCLUDE MINING AND METALLURGY, FOOD PRODUCTION, PHARMACOLOGY, CLOTH MANUFACTURING AND JEWELRY. THERE IS ALSO GREAT POTENTIAL FOR INFORMATION TECHNOLOGY, LIGHT INDUSTRY, CHEMICALS, BIOTECHNOLOGY, MACHINERY, INSTRUMENT-MAKING, ELECTRICAL, AND CONSTRUCTION MATERIALS

IN ORDER TO INCREASE ECONOMIC COMPETITIVENESS AND ENSURE SUSTAINABLE ECONOMIC GROWTH, THE GOVERNMENT OF ARMENIA HAS DECLARED THE DEVELOPMENT OF A KNOWLEDGE-BASED ECONOMY AS ITS CORE LONG-TERM STRATEGIC OBJECTIVE; WHILE SIMULTANEOUSLY DEVELOPING A RANGE OF SECTORS WITH STRONG EXPORT POTENTIAL

The Armenian economy has traditionally been driven by industrial investment. During the Soviet era, Armenia had one of the best-developed industrial sectors in the USSR. The industrial sector is still considered as one of the most important sectors of the economy, with a 15% share of GDP in 2010. The fastest-growing Armenian industries include mining and metallurgy, food production, pharmacology, cloth manufacturing and jewelry. There is also great potential for information technology, light industry, chemicals, biotechnology, machinery, instrument-making, electrical, and construction materials.

In order to increase economic competitiveness and ensure sustainable economic growth, the Government of Armenia has declared the development of a knowledge-based economy as its core long-term strategic objective; while simultaneously developing a range of sectors with strong export potential. The guiding vision for industrial policy is to position Armenia as a country producing high-value and knowledge-intensive goods and services with creative human capital at its core.

The long-term goal of Export-Led Industrial Policy is to form new 'export driver' sectors by expanding not only current export industries but also those with major export potential; as well improving the regulatory framework for doing business, eliminating barriers to trade, modernizing infrastructure, increasing the competitiveness of Armenian products and attracting foreign investment. The policy is principally focused on 11 sectors: wine, brandy, diamond processing, clockware, textiles, biotechnology, pharmaceuticals, canneries, mineral water, juice bottling, and precision engineering.

The country's priority focus for purposes of developing a diversified export industry will include sectors with the greatest growth potential, established export markets and the largest export volumes in recent years; since these have strong prospects for increasing production volumes significantly with moderate additional capital investment. Key industries in this group may include communication technologies, tourism, health, education, and agriculture.

The focus also includes development of sectors that have grown dynamically in recent

years but do not exceed USD \$10m in export volume, as well as knowledge and technology-intensive sectors. The policy strategy in this area will target larger-scale investments, working to effectively address systemic factor endowment and institutional constraints and to develop manufacturing and export capacity. This strategy is currently being implemented with two priority areas of emphasis:

- a. Creating a business environment favorable for increased productivity
- b. Providing supporting tools for private sector companies engaged in industrial development.

Reforms aimed at making the country's business environment one of the most favorable in the region include:

- Greater accountability of government, improving the quality of public services, improving the efficiency of tax administration, and comprehensive implementation of risk management-based audit and control systems;
 - Simplifying export and import procedures through business process reengineering and automation, as well as improving market quality and service;
 - Implementing e-government systems;
 - Simplifying procedures for obtaining construction permits;
 - Speeding up the judicial process;
 - Increasing sustainable access to finance;
 - Streamlining property registration procedures;
 - Simplifying bankruptcy procedures;
 - Protecting intellectual property and supporting Armenian exporters in foreign markets in protecting intellectual property.
- Armenia seeks favorable foreign trade treatment abroad to promote achievement of its industrial policy objectives. As a member of WTO, Armenia benefits from Most Favored Nation status with all other WTO member countries. To enlarge its export capacity, Armenia is in negotiation with the European Union to sign an Association Agreement. The future "Deep and Comprehensive Free Trade Area" will be part of this agreement, which aims at connecting Armenia to the EU both economically and politically. Armenia monitors the performance of free trade agreements signed with the Commonwealth of Independent States (CIS) countries (with the exception of Azerbaijan and Uzbekistan). ►



The keys to a successful industrial policy in Armenia include developing an advanced logistics infrastructure network, in particular along the North-South Road corridor, an international logistics center near “Zvartnots” International Airport, and free economic zones; improving education infrastructure; introducing national quality infrastructure reforms, including reducing the administrative burden on businesses imposed by technical regulations; and eliminating obsolete standards and requirements for compulsory certification. Special attention will be paid to consumer protection through the introduction of global best practices and by harmonizing Armenia’s goods safety and consumer protection legislation with that of the EU. Attracting foreign direct investment (FDI) is one of the most important strategies for increasing productivity. In addition to providing capital, FDI serves as an important source of new/innovative technology, as well as new management methods or “knowhow”, and enhanced access to markets. A portfolio of initiatives will be aimed at the important task of attracting leading transnational corporations to come to Armenia to undertake sector-specific investments. In this regard special importance will be attached to attracting leading technology firms.

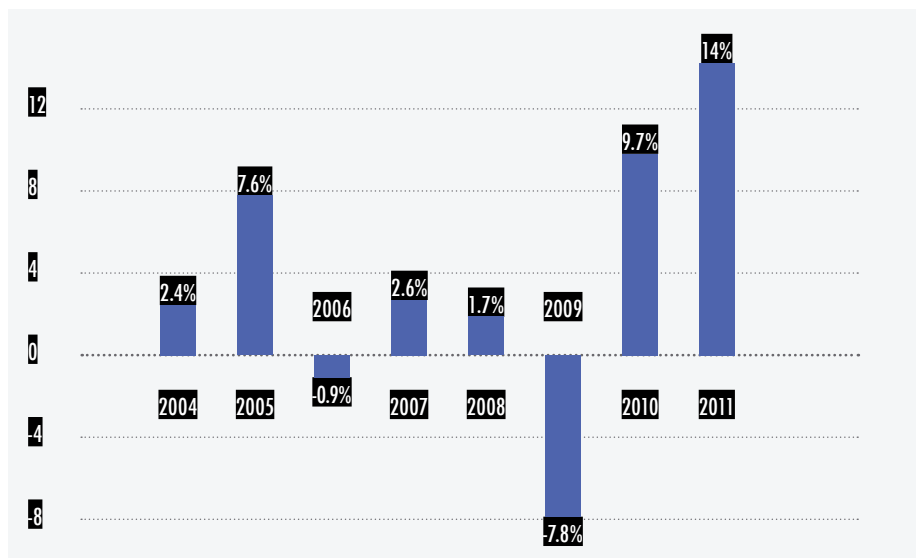
Armenia’s new industrial policy is intended to create special investment-friendly tax and customs regimes, provide financial support, assure access to finance and markets, develop institutional capacity, increase competitiveness, and promote market-relevant research and development over the long term. The following key initiatives in these areas are envisaged during the 2012-2015 period:

- Full operation of a risk-based control system in the fields of tax and customs
 - Elimination of the requirement to calculate and charge VAT on the border for industrial machinery and equipment
 - Operation of FEZs
 - Creation of laboratories and certification bodies in accordance with internationally-accepted requirements in at least three priority sub-sectors
 - Development of relevant regulations for quality management systems, capacity building for supervisory bodies and support for introducing compliance systems in companies within at least three priority sub-sectors
 - Attraction of leading multinational corporations to Armenia into priority sectors
 - Creation of a robust export finance institution.
- The success of the Government’s reforms on industrial growth was demonstrated in 2011: Industrial production in Armenia in 2011 reached 992.1 billion AMD, a 14%

ARMENIA SEEKS FAVORABLE FOREIGN TRADE TREATMENT ABROAD TO PROMOTE ACHIEVEMENT OF ITS INDUSTRIAL POLICY OBJECTIVES

ARMENIA’S NEW INDUSTRIAL POLICY IS INTENDED TO CREATE SPECIAL INVESTMENT-FRIENDLY TAX AND CUSTOMS REGIMES, PROVIDE FINANCIAL SUPPORT, ASSURE ACCESS TO FINANCE AND MARKETS, DEVELOP INSTITUTIONAL CAPACITY, INCREASE COMPETITIVENESS, AND PROMOTE MARKET-RELEVANT RESEARCH AND DEVELOPMENT OVER THE LONG TERM

FIGURE 15. THE GROWTH OF ARMENIA’S INDUSTRY



growth over 2010 figures. Approximately 50% of total production was exported. It is expected that by 2013, the growth performance of the diamond and jewelry, watch manufacturing, light industry, and brandy-making industries will improve significantly. It is also expected that new skills and fields will emerge by 2015 in such key industries as pharmaceuticals,

biotechnology, canned food, wine, mineral water and juice production. The main advisory bodies and institutions responsible for the Government of Armenia's export-oriented industrial strategy are the Industrial Council, the Prime Minister, the Ministry of Economy, the sectoral strategy-making councils, and the Armenian Development Agency. ■

A. FOOD PROCESSING

Agriculture is a major sector for the Armenian economy, accounting for 18% of the country's GDP for the years 2006-2010. Armenia has a fast growing food processing sector with excellent export potential based on ecologically-friendly "green" agro-products. As one of the country's most developed sectors, and the second in terms of export volumes (14% of the total), food processing plays an important role in the economy. The most important products are canned food production, and alcoholic beverage production, especially wine and brandy made from locally grown grapes.

Armenia's principal food processing exports are alcoholic beverages, fish, cheese, canned fruits, jams, coffee, and mineral water. Some exporters also ship frozen fruits and vegetables. Armenia's soil and climate conditions, high altitude, and limited use of chemical fertilizers account for flavorful produce. This produce can be successfully introduced to international markets with modern processing and packaging technologies that currently used to export such Armenian products as soft drinks, mineral water, cigarettes, alcohol, canned fruits and vegetables, milk and dairy products, meat and meat products, and mixed feed.

B. MINING AND QUARRYING

The subsurface of Armenia is rich in certain mineral resources. More than 480 deposits of a range of mineral resources have been discovered here. Mining

is a key contributor to the Armenian economy and is one of the fastest growing exporting sectors in recent years, with ores and metals accounting for over half of the country's exports. Armenia has rich deposits of iron, copper, molybdenum, lead, zinc, gold, silver, aluminum, and nepheline syenite.

Currently there are seven copper-molybdenum mines, three copper mines, thirteen gold and gold-polymetallic mines, two polymetallic mines and two iron-ore mines operating in Armenia.

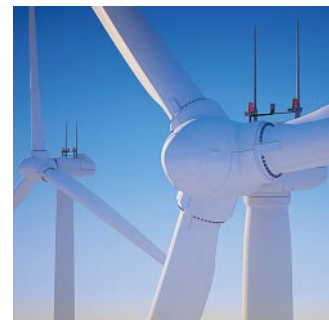
Environmental safety is among the key challenges for the sector. In view of this, the state will give preference to the use of most up-to-date and safe technologies when approving the mine development programs. For more information visit the following link: <http://www.minenergy.am/>

C. ENERGY

Energy is one of Armenia's most fully operational and cost-effective sectors, and the country is nearly self-sufficient in energy. There is an independent energy regulator for the electricity, natural gas and heating sectors, and significant progress has been made in streamlining the licensing process, eliminating cross-subsidies and establishing cost-effective pricing and tariff structures. Lacking industrial fuel resources, Armenia places a high emphasis on development of its own renewable energy sources, such as hydro, wind and solar energy. For more information visit the following link:

<http://www.minenergy.am/> ►

SECTOR OVERVIEW OF ARMENIAN ECONOMY



**ARMENIA HAS A FAST
GROWING FOOD PROCESSING
SECTOR WITH EXCELLENT
EXPORT POTENTIAL BASED
ON ECOLOGICALLY-FRIENDLY
"GREEN" AGRO-PRODUCTS**



EXHIBITION HALL OF ARMENIA
AT THE WORLD EXPO 2010,
SHANGHAI CHINA



D. INFORMATION TECHNOLOGY/TELECOMMUNICATIONS

The information technology (IT) and telecommunications sector is one of the most productive in Armenia. The Government has declared IT a priority and is supporting it through various institutions, such as the IT Development and Support Council, chaired by the Prime Minister, and the Enterprise Incubator Foundation. Armenia's IT and telecommunications industry has already attracted global brands such as Synopsis, which has located a considerable part of their operations in Armenia, Microsoft, National Instruments, Mentor Graphics, Ericson, and Orange. Currently, there are more than 300 IT and telecom companies in Armenia.

E. CHEMICAL/PHARMACEUTICAL

Thanks to its tradition of producing high quality chemical products, over the last decade Armenia's pharmaceuticals industry has grown into one of the most dynamic sectors of the economy. Exports

account for 57% of output, and average annual export growth has been 24% from 2003. Such growth is based on a skilled and highly educated workforce, enthusiastic and effective entrepreneurs, and significant domestic and foreign direct investment.

F. TOURISM

Tourism is one of the most dynamic sectors of the economy. With its rich historical, cultural and natural resources, Armenia has the potential to offer attractive and competitive tourism products and high-quality services. The number of tourist visits to the country has grown annually by 25% in recent years. In 2011, the number of tourist visits was around 800,000. Armenia's tourism policy objectives area are established by the law of the Republic of Armenia "On Tourism and Touristic Activities" and the Tourism Development Plan. ■





**BUSINESS
SUPPORT
INSTITUTIONS
115-119**

ARMENIAN DEVELOPMENT AGENCY (ADA)

CONTACTS:

**Armenian
Development
Agency**

General Director:

Robert Harutyunyan

Address: 5 Mher
Mkrtchyan st., 9th floor,
0010, Yerevan, Armenia

Phone:
(374-10) 570170/111

Fax:
(374 10) 570170/207

E-mail: info@ada.am

The Armenian Development Agency (ADA) was established in 1998 to facilitate foreign direct investments and promote exports. ADA acts as a "one-stop shop" agency for investors, assisting them in setting up their business in Armenia, helping in project implementation, coordinating with the Government, providing information on local investment opportunities, and advising on the investment-related legal and regulatory framework. ADA is also responsible for export promotion, and assists companies in finding markets for products. In addition it undertakes market studies and seeks out partners for joint ventures aimed at increasing the volume of exports and development of Armenian enterprises. Moreover ADA organizes international conferences, business-forums, trade fairs and exhibitions. ADA is governed by its Board, the chairman of which is the Prime Minister of Armenia. ADA's Board includes the Chief Economic Adviser to the President; the Ministers of Finance, Economy and Foreign Affairs; the General Director of ADA; and Presidents/Directors of several private companies. Specifically, ADA provides the following services:

- **Providing quality information:** Preparation of tailored information packages corresponding to the needs of foreign investors
- **Organizing site visits:** Planning the site visits and preparation for visits of foreign investors, arranging appointments with both private and public organizations, and managing site visits.
- **Brokering business partnerships:** Helping find appropriate business partners in Armenia.
- **Follow-up support:** managing post-visit support, preparation of additional information and documentation.
- **Investment project implementation:** Assisting with company registration and staff recruitment (job announcements & holding interviews).
- **Liaising with government institutions.**

SMALL AND MEDIUM ENTREPRE- NEURSHIP DEVELOPMENT NATIONAL CENTER OF ARMENIA (SME DNC)

CONTACTS:

**"Small and Medium
Entrepreneurship
Development
National Center"
Fund of Armenia**

Executive Director:

Varazdat Karapetyan

Address: 5a Mher
Mkrtchyan, 0010,
Yerevan, Armenia

Phone:
(374 10) 541648,
563714, 583261

Fax:
(374 10) 541642

E-mail: info@smednc.am

The Small and Medium Entrepreneurship Development National Center (SME DNC) provides state support to small and medium entrepreneurship in the country. SME DNC carries out its activities through a network of regional branches and representative offices covering all marzes (regions) of Armenia. SME DNC's duties are to:

- Ensure effective dialogue between SMEs and the government
 - Increase efficiency and competitiveness of SMEs
 - Ensure availability of business development services for SMEs
 - Expand access to finance for SMEs
 - Promote innovations and R&D activities of SMEs
 - Assist establishment of new SMEs
 - Support internationalization of SME activities.
- SME DNC is also a member of the Enterprise Europe Network. The Enterprise Europe network serves as a "one-stop shop" for SMEs, providing free information and practical advice on market opportunities and on EU-relevant legislative and regulatory requirements for export purposes. The Enterprise Europe Network helps SMEs to find suitable business partners using its business and technology cooperation database, provides information on tender opportunities and supports international networking. SME DNC is governed by a Board of Trustees headed by the Minister of Economy. Members of the Board of Trustees include the Deputy Ministers of Economy, Finance and Agriculture, President of Union of Entrepreneurs of Armenia, the Head of Expertise and Analysis Department of the Government, the Head of the "Armenian Entrepreneurship Small and Medium Entrepreneurship Association", the Executive Director of the Union of Business Support Organizations, the Deputy President of Union of Manufactures and Businessmen (Employers) of Armenia, the Executive Director of the Union of Banks, and the Executive Director of the Union of Information Technology.

INDUSTRIAL COUNCIL

CONTACTS:

Industry Policy

**Department of the
Ministry of Economy
of the Republic of
Armenia**

Head of the department:

Hayk Mirzoyan

Address: 5 Mher
Mkrtchyan, 0010,
Yerevan, Armenia

Phone:

(374 10) 593175

Fax:

(374 10) 526577

E-mail:

hmirzoyan@mineconomy.am

Website:

www.mineconomy.am

The Industrial Council was established to serve as the supreme coordinating body for the coordination of Armenia's industrial policy, and coordinate the operation of other relevant public bodies for that purpose.

The Council is chaired by the Prime Minister. Members of the Council are the Ministers of Economy, Finance, Agriculture, Chief Adviser to the President, Head of State Revenue Committee, Adviser to the Prime Minister, Head of National Assembly Standing Committee on Finance and Budget, Deputy Head of National Assembly Standing Committee on Finance and Budget, Member of the National Assembly Standing Committee on Economic Affairs, Director of the Armenian Development Agency, Chairman of the Armenian Manufacturers and Entrepreneurs (Employers) Union, President of the Armenian Trade and Industry Chamber, as well as representatives of international donor organizations, business unions and associations.

The Council also invites five business community representatives on rotational basis.

The Secretariat of the Council coordinates the Industry Policy Department of the Ministry of Economy. The principal tasks of the Council are:

- to discuss and approve the Industrial policy strategy
- to discuss and approve sectoral development strategies
- to discuss the proposals made by public bodies, sectoral councils and other interested parties to implement measures defined in the strategy
- to discuss and approve reports on strategy implementation, and to discuss and approve industry-specific strategic implementation programs.

NATIONAL COMPETITIVENESS FOUNDATION OF THE REPUBLIC OF ARMENIA

CONTACTS:

National

**Competitiveness
Foundation of the
Republic of Armenia**

Chief Executive

Officer: :

Arman Khachatryan

Address: 5 Mher
Mkrtchyan, 0010,
Yerevan, Armenia

Phone:

(374 10) 54-31-67

E-mail:

info@cf.am

The National Competitiveness Foundation (the Foundation) is a public-private partnership established by the Government of Armenia and a group of leading private sector representatives from the United States, Russia, the European Union and the Middle East. The purpose of the Foundation is to develop, implement and monitor projects in sectors – mainly education, health care and tourism – where there is a significant unrealized potential for development and a clear competitive advantage within a regional and global context.

In addition to operating in the sectors mentioned above, the Foundation develops cross-cutting programs to promote competitiveness through increased access to information and know-how. These programs are designed to strengthen telecommunication infrastructure, and increase Armenian knowledge of strategic foreign languages. The governing body of the Foundation is its Board of Trustees, which is composed of government representatives, distinguished international business executives, and representative of the international donor community in Armenia. The Chairman of the Board is the Prime Minister.





AACC

Armenian American Chamber of Commerce

ABBC

Armenian British Business Chamber

ADA

Armenian Development Agency

ADB

Asian Development Bank

AMD

Armenian Dram

BSEC

Organization of the Black Sea Economic Cooperation

CBA

Central Bank of Armenia

CCI

Chamber of Commerce and Industry of the Republic of Armenia

CEE

Central and Eastern Europe

CIS

Commonwealth of Independent States

CJSC

Closed Joint Stock Company

DCFTA

Deep and Comprehensive Free Trade Area

EBRD

European Bank for Reconstruction and Development

EU

European Union

FEAS

Federation of Euro-Asian Stock Exchanges

FEZ

Free Economic Zone

FDI

Foreign direct investments

GATT

General Agreement on Tariffs and Trade

GDP

Gross Domestic Product

GSP

Generalized System of Preferences

IAEA

International Atomic Energy Agency

ICAO

International Civil Aviation Organization

ICSID

International Centre for the Settlement of Investment Disputes

IDA

International Development Association

IFAD

International Fund for Agriculture Development

IFRS

International Financial Reporting Standards

ILCS

Integrated Living Conditions Survey

ILO

International Labour Organization

IMF

International Monetary Fund

IP

Intellectual property

ISO

International Organization for Standardization

IT

Information Technologies

ITU

International Telecommunication Union

JSC

Joint Stock Company

LLC

Limited Liability Companies

MOF

Ministry of Finance

MOH

Ministry of Health

MFN

Most Favored Nation

NATO

North Atlantic Treaty Organization

NKR

Nagorno Karabagh Republic

NSS

National Statistic Service

OECD

Organization for Economic Cooperation and Development

OSCE

Organization for Security and Cooperation in Europe

RA

Republic of Armenia

R&D

Research and Development

SCPEC

State Commission for Protection of Economic Competition

SME

Small and Medium Entrepreneurship

SME DNC

Small and Medium Entrepreneurship Development National Center" Fund

TWM

Trade World Manager, an Automatic System of Customs Declaration

UAE

United Arab Emirates

UMB(E)A

Union of Manufacturers and Businessmen (Employers) of Armenia

UN

United Nations

UNCTAD

Conference on Trade and Development

UNECE

United Nations Economic Commission for Europe

UNESCO

United Nations Educational, Scientific and Cultural Organization

UNDP

United Nations Development Programme

UNIDO

United Nations Industrial Development Organization

USA

United States of America

USAID

United States Agency for International Development

USD

United States Dollar

USSR

Union of Soviet Socialist Republics

VAT

Value Added Tax

WCO

World Customs Organization

WHO

World Health Organization

WIPO

World Intellectual Property Organization

WTO

World Trade Organization



The Investment guide is published by the request of the Ministry of Economy of the Republic of Armenia.

Developed by



Designed by



Photo by Yerevan Productions,
Photolure, PanARMENIAN Photo

