



# Armenia Tax Update On taxation of digital services

## IN THIS ISSUE

We present to your attention the recent amendments to the Armenian tax legislation regulating the taxation of digital services (e-services).

## EXECUTIVE SUMMARY

The National Assembly of the Republic of Armenia recently adopted amendments to the Tax Code of the Republic of Armenia concerning the taxation of digital services with Value Added Tax.<sup>1</sup> The changes enter into force on 1 January 2022 and affect also non-resident entities that do not have a permanent establishment (PE) in Armenia.

Thus, in cases where a non-resident entity provides digital services to individuals and the Republic of Armenia, according to the law, is considered the place of provision of such services, the non-resident is now obliged to register with the tax authorities of the Republic of Armenia, file VAT returns, and pay the corresponding tax to the state budget.

The list of e-services is determined by the Government. It is still in the draft form and will be published on the official website of the tax authority within three months from the date of entry into force of the law.

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<sup>1</sup> Law N ՀՕ-359-Ն, dated 25 November 2021.

## DETAILS

<ul style="list-style-type: none"> <li>▪ <b>What taxes are affected:</b></li> </ul>	Value Added Tax
<ul style="list-style-type: none"> <li>▪ <b>Who the proposed changes might affect</b></li> </ul>	Armenian and non-Armenian resident entities providing digital services the place of provision of which is considered Armenia.
<ul style="list-style-type: none"> <li>▪ <b>What is the definition of “digital services” in local legislation</b></li> </ul>	According to Point 48 b) of Article 4(1) of the Tax Code, the “digital service” is <i>“the delivery of services over information and telecommunications network, including the Web (Internet), the provision of which is impossible without the use of such information technology.”</i>
<ul style="list-style-type: none"> <li>▪ <b>What are the criteria for determining the “place of services”</b></li> </ul>	<p>According to Article 39 (2.1) of the Tax Code, the place of provision of digital services is the Republic of Armenia, if the e-service is received:</p> <ol style="list-style-type: none"> <li>1) by an Armenian resident entity, sole proprietor or notary.</li> <li>2) by a PE of a non-resident entity in the Republic of Armenia, including in cases when e-services are directly received by a non-resident organization, but in fact they are used (consumed) by the PE.</li> <li>3) by a non-resident entity (organization) the executive body (place of management) of which is permanently located in the Republic of Armenia, and this entity actually carries out economic activities in the Republic of Armenia, as well as receives services.</li> <li>4) in case of receipt of an e-service by an individual, who is not a sole proprietor or a notary, subject to <b>any</b> of the following conditions:             <ol style="list-style-type: none"> <li>a. the place of residence of the individual is the Republic of Armenia,</li> <li>b. the location of the bank where the account opened and is used by an individual to pay for these services, or the location of the operator of electronic money settlement system through which the individual pays for the e-services is in the territory of the Republic of Armenia,</li> <li>c. the network address used by the individual for the purpose of receiving e-services is registered in the Republic of Armenia,</li> <li>d. the international country code of the telephone number</li> </ol> </li> </ol>

	<p>used by the individual to receive services or indicated when paying for them is given by the Republic of Armenia.</p> <p><i>In cases when according to the criteria of above “a” to “d” sub-clauses the Republic of Armenia and another state are simultaneously considered the place of provision of the service, the place of service is the Republic of Armenia, if simultaneously more conditions specified in sub-clauses are credited to the Republic of Armenia, and in the event of an equal number of the specified conditions the service provider is free to independently decide the place of provision of the e-service.</i></p>
<p>▪ <b>What are the registration requirements</b></p>	<p>The non-resident entity not having a PE in Armenia providing digital services subject to VAT is obliged to register with the tax authorities in accordance with the provisions of Article 281 (9.1) of the Tax Code. The detailed rules for the registration are to be set by the Government (not published).</p> <p>The list of non-resident entities registered with the tax authority which provide electronic services and do not have a PE in the Republic of Armenia will be published on the official website of the State Revenue Committee. <a href="https://www.petekamutner.am">https://www.petekamutner.am</a></p>
<p>▪ <b>What are the tax filing requirements</b></p>	<p>The non-resident entity subject to Armenian VAT is obliged to submit a quarterly VAT return by the 20<sup>th</sup> of the month following each quarter. The return is filed and submitted electronically via special tax reporting platform.</p>
<p>▪ <b>What is the applicable tax rate</b></p>	<p>20%</p>
<p>▪ <b>How the tax is paid</b></p>	<p>VAT amounts are payable to the state budget by the 20<sup>th</sup> of the month following the reporting quarter. The detailed procedure has not yet been established by the Government.</p>

## OUR TEAM OF EXPERTS


*If you have any questions regarding the legislative changes or wish to discuss other aspects of taxation of legal entities and individuals in Armenia, please contact us. We will be happy to help you.*

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