



MINISTRY OF ECONOMY
REPUBLIC OF ARMENIA

2016/17

ARMENIA INVESTMENT GUIDE



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INVESTMENT GUIDE FOREWORD

Investment Guide of Armenia is presented to your attention. The purpose of this publication is to introduce business environment and investment climate to those foreign companies that consider Armenia as a destination to establish business.

Today, Armenia is a country of opportunities with a modern, well-educated, hard-working human capital, and various models of cooperation with a number of countries. Armenia can become a unique bridge between the member states of the European Union and the Eurasian Economic Union: considering membership to the Eurasian Economic Union and the consequent opportunities on

one hand, and the possibility of economic cooperation with the European Union, including GSP+ preferential trade system, on the other. Armenia enjoys GSP preferential trade regime with Canada, Switzerland, Japan, Norway, and USA. Other opportunities are the “Trade and Investment Framework Agreement” signed between the Government of the Republic of Armenia and the Government of the USA, as well as free trade agreement with most CIS countries, which creates favorable conditions for investments, commodity and trade promotion between countries. Throughout its history, Armenia was situated on the crossroads of the East and the West thus making the Armenian nation

perceptible both in Europe and in Asia. Armenia is ready to become a hub for international business community introducing the traditional Armenian hospitality and the comfortable accommodation conditions for businessmen and their families, bringing together the western and eastern mentality and lifestyle.

This publication will help you to get an initial picture about business climate in Armenia, will describe current legislation, competitive advantages and opportunities for business, guarantees and incentives for investors, foreign trade policy and labor market.



LOCATION & GEOGRAPHY

ABOUT ARMENIA

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 around 3.0 million (there are around 8 million Armenians living across the globe).

Armenia has a tremendously diverse climate for a relatively small geographic area, from the sunny Ararat valley with its

bountiful fruit gardens, to the snowcapped mountain ranges that serrate the land. The rolling hills and high flats seem sculpted especially for rugged cross-country skiing in the winter, while Lake Sevan is a wonderful summertime destination for swimming, sunbathing, and relaxation.

Average temperatures in the country's capital, Yerevan, range from -5C in winter to 30C in summer. There are 280 sunny days per year on average in Armenia.



COMING TO ARMENIA **WELCOME**

Generally, when a foreigner intends to enter the Republic of Armenia for the purposes of tourism, visiting relatives or other persons, business, transportation and other professional interest, medical treatment or other short-term stay a visitor visa is issued. Visitor visa is issued for a single entry or for multiple entries with validity of one year.

There is a list of around 40 countries whose nationals are unilaterally exempted from the requirement of obtaining a visa and a list of nearly 60 countries with which Armenia has a visa-free regime according to bilateral and multilateral agreements.

Citizens of foreign countries for whom a visa-free regime is set can stay on the territory of the Republic of Armenia for no more than 180 days during one year unless otherwise defined by the international agreements of the Republic of Armenia.

Holders of all other national passports and travel documents, including UN Laissez-Passer, are required to obtain an entry visa. In all other cases the visa regime for the citizens of Armenia with foreign states is regulated by the internal law of those countries and might be changed in accordance with them. Therefore, the Ministry of Foreign Affairs of the Republic of Armenia recommends to check on the latest information on visa requirements from the MFA or from the diplomatic missions of the destination country before the trip.

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

Armenia defines the following residence categories for foreigners:

- Temporary residence status
- Permanent residence status
- Special residence status (granted to foreigners of Armenian origin or to other foreigners who carry out economic or cultural activities in the country).

For more information: www.mfa.am/en/visa/

Visa Type	AMD	USD	EUR
Visitor visa (up to 21 days of stay) / Non-refundable	3,000	\$6	€6
Visitor visa (up to 120 days of stay)	15,000	\$31	€28
Multiple entry visitor visa (for up to 60 days of stay with 6 months validity)	20,000	\$42	€38
Multiple entry visitor visa (for up to 120 days of stay with one year validity)	40,000	\$84	€76
Official visa	Free	Free	Free
Diplomatic visa	Free	Free	Free
Single entry transit visa	10,000	\$21	€19
Multiple entry transit visa (with one year validity)	18,000	\$38	€34



COMPANY ESTABLISHMENT

BUSINESS REGISTRATION

Business Entry One-stop Shop is functioning in Armenia. Companies and individual entrepreneurs can obtain the name reservation, business registration and tax identification number (TIN) simultaneously at a single location. An application for a taxpayer identification number is filed to tax authority at the one-stop shop and the TIN is issued by the State Register.

Maximum period for service delivery is 2 working days.

Those who have an electronic signature can register online at www.e-register.am

Generally, there are no notarization or legalization requirements, except for foreign official documents. There is no need to provide either financial or business plans.

Seal is not required by law but entrepreneurs tend to obtain the company's seal that may be asked during the operations of the company.

The fee for seal issuance varies depending on issuance time:
1 day: AMD 15,500,
30 days: AMD 2,800.

Although there is no minimum requirement for the share capital, it is however it is advised to deposit approximately **50,000 AMD (around 100 USD).**

Any person of any nationality or residence can be director or shareholder in an Armenian company. Companies are not required to hold meetings in Armenia, open accounts with local banks or hire local directors, officers, employees, agents, accountants or secretaries.

THE REPUBLIC OF ARMENIA IS CONSIDERED AS ONE OF THE MOST OPEN INVESTMENT REGIMES AMONG THE CIS COUNTRIES.



Quick facts about investment climate and doing business in Armenia

The Republic of Armenia is considered as country with one of the most open investment regimes among the CIS countries. "Open-door" policy towards foreign investors is being implemented.

The Government of Armenia is carrying out comprehensive reforms of the business environment to ensure favorable investment and business conditions for foreign investors.

In 2016 Armenia was ranked the highest among CIS countries in Economic Freedom, Investment Freedom and Doing Business rankings.



RANKINGS

- Armenia is the 35th among 189 countries according to the ranking of World Bank "Doing Business 2016".
- Armenia's Economic Freedom score is 67 and Armenia is 54th in the 2016 Index.
- In 2016 Armenia is ranked 23rd country in the world by Investment Freedom component.





GUARANTEES TO FOREIGN INVESTORS GUARANTEES

Foreign investments in Armenia are protected by law. Foreign investors are subject to general legislation (similar to local companies), which provides non-discriminatory treatment of foreign investors. The Law on Foreign Investments declares national and most-favoured-nation regime as well as key rights and privileges for foreign investments.

Armenia has signed bilateral treaties on investment promotion and protection with 41 countries. That means that the investors of the contracting parties are granted a number of guarantees, in particular fair and equitable treatment, protection from expropriation, free transfer of profit and full protection and security from

nationalization, an alternative dispute resolution mechanism.

The list of countries could be found on:
www.mineconomy.am

Armenia is a member of the International Centre for Settlement of Investment Disputes.



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THE LAW ON FOREIGN INVESTMENTS DECLARES MOST-FAVOURED-NATION REGIME AS WELL AS KEY RIGHTS AND PRIVILEGES FOR FOREIGN INVESTMENTS SUCH AS:

- *Unrestricted access to any sector and geographic location within the country.*
- *Guarantees against changes of legislation on investments for 5 years period.*
- *Exploitation of natural resources through concession contracts.*
- *100 % of property ownership (except land for individuals).*
- *Free and unlimited repatriation of property and profits.*
- *Unlimited currency exchange on market rates.*
- *No restrictions for personal recruitment.*

COMPANY TAXATION TAX SYSTEM

Armenia's tax system has two types of taxes: state taxes (VAT, Profit tax, Income tax, Excise tax) and local taxes (Property tax, Land tax, Hotel tax). Various fixed payments of simplified taxes can also be set under special legislation. Anyway, the law sets conditions under which the abovementioned taxes can be replaced by fixed payments, turnover taxes or patent payments.

VAT in Armenia is 20%. However, Armenia has an expanded application of zero VAT for some transactions and operations.

Profit tax in Armenia both for resident and non-resident companies is 20%. However, dividends, interests, royalty, income from the lease of property, increase in the value of property

and other passive income (with the exception of the income received from the freight) as well as other income received from Armenian sources is 10%.

Accelerated depreciation allowances are provided by the law "On profit tax".

Land Tax	0.5-1% of cadastral value per year
Property Tax	0.3% of cadastral value per year
VAT	20%
Profit Tax	20%
Income Tax	24.4% - 26%, after 4200\$ - 30%
Export Duty	0%



Companies whose annual turnover does not exceed **115 million AMD** can pay turnover tax which replaces profit tax and VAT.

The rates are the following:

Type of income	Rate
Income from trade	5%
Income from production	3.5%
Income from rent, royalty, alienation of property	10%
Income from notarial services	20%
Other	5%

**TAX BURDEN IN ARMENIA IS 23.4 % OF GDP,
WHICH IS LESS THAN AVERAGE INDICATOR
FOR EUROPE (33%)**

Armenia has double taxation treaties with 42 countries. The treaty generally applies automatically when a local company holds an appropriate residency certificate issued by foreign tax authorities.

The list of countries could be found on:

www.taxservice.am



HIGHLY SKILLED AND COST-EFFECTIVE WORKFORCE LABOR MARKET

Official language is Armenian, though Armenians have a good command of languages: Russian and English, as well as Spanish and French languages are widely used.

Economic active rate	63.1 %
Employment rate	52 %
Unemployment rate	17.6 %
Economically active population with tertiary, post-graduate education	31 %
Economically active population with secondary specialized education	21 %

**20.000 GRADUATES OF HIGHER
EDUCATIONAL INSTITUTIONS ANNUALLY**



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**THE AVERAGE SALARY IN ARMENIA
IN 2015 WAS 184,647 AMD
(AROUND 380 USD)**

Sector	Average salary in private sector (USD)
Agriculture and fish farming	280
Mining	1010
Processing industry	390
Construction	490
Trade	325
ICT	1025



TAX INCENTIVES FOR INVESTORS

INCENTIVES

Foreign investors can benefit from the following incentives:

- **VAT payments postponement for up to 3-year period for importing equipment and goods in investment projects.**

For those VAT payers who import equipment VAT payments can be postponed:

- for 1 year period in case the customs value of the imported goods is less than 70 million AMD.
- for 2 year period in case the customs value of the imported goods comprises 70 million AMD and more.

- for 3 year period in case the customs value of the imported goods exceeds 300 million AMD.

- **Profit tax privileges for new jobs creation for the projects selected by the corresponding decree of the Government.**

Residents created new jobs within the scope of business project approved by the Government of RA may decrease profit tax for the year of starting the project and two following years for remuneration for those new jobs but not more than 30 percent of actual profit tax calculated for the reported year.

TAX INCENTIVES

- **Profit tax privileges for large exporters**

For large exporters (exported goods and services for at least 40 billion AMD, except those in mining, jewelry, precious metals and stones processing, excisable goods production) profit tax rate is

- 5 % in case of at least 40 billion AMD export
- 2 % in case of at least 50 billion AMD export.

- **Profit tax privileges for construction companies**

Resident construction companies involved in investment projects approved by the Government pay 5 % profit tax for activities realized outside Armenia.

- **Support to newly established IT companies**

No profit tax and reduced income tax rate (10%) is applied to certified start-up IT companies created up to 30 new jobs.

- **Customs duty exemption**

Materials and equipment/technology imported from non-EEU country that cannot be replaced by materials and equipment produced by EEU country

to implement investment project in the priority sector of economy of RA and exceptionally in the territory of RA are exempted from customs duties.

- **Tax exemptions in border territories of Armenia**

Companies running their economic activities in border territories of Armenia approved by the Government of RA are exempted from VAT and profit tax.

- **Tax exemptions in Tavush region of Armenia**

Operations within the framework of investment projects above 2 billion AMD (except those in mining and chemical production sectors) are exempted from profit tax and VAT.

- **Opportunity to operate industrial zones**

Privileges on profit tax, income tax, property tax and land tax are granted. In addition financial assistance and consultancy can be provided considering each special case of industrial zone creation.

- **Free Economic Zones**

Privileges on profit tax, VAT, property tax and customs duties are granted to the resident companies in FEZ.

FREE ECONOMIC ZONES IN ARMENIA

Companies granted permission to operate in free economic zones can benefit from the following privileges:

0% PROFIT TAX

Currently operating free economic zones in Armenia

0% VALUE ADDED TAX

1. “Alliance” free economic zone is oriented to the production and exports of high and innovative technologies in the field of electronics, precision engineering, pharmaceuticals and biotechnologies, information technologies, alternative energy, industrial design, telecommunications, as well as other sectors non-developed in Armenia.

WWW.FEZ.AM

0% PROPERTY TAX

2. “Meridian” free economic zone is specialized in jewelry, diamond cutting and watch making.

WWW.MERIDIANFEZ.COM

0% CUSTOMS DUTY



3 STEPS TO BECOME FEZ RESIDENT

- 1. Submit business plan to the Interagency committee under the Government.*
- 2. Get permission from the Government.*
- 3. Sign a contract with FEZ organizer.*

MACROECONOMIC INDICATORS

ECONOMY IN NUMBERS

Despite an unfavorable external environment, Armenia's economy managed to grow by 3.0% in 2015. Inflation remain stable low and external accounts were improved thanks to reduction of imports and stable exports.

	2011	2012	2013	2014	2015
GDP (USD billion)	10.1	10.6	11.1	11.6	10.6
GDP per capita (USD)	3102	3512	3680	3864	3515
GDP real growth, %	4.7	7.2	3.3	3.5	3.0
Industry	13.9	8.8	6.9	2.7	5.2
Agriculture	13.9	9.5	7.1	7.2	11.7
Construction	-8.9	-2.6	-7.7	0.2	0.3
Services	5.4	10.8	3.6	7.8	2.7
Inflation (year-end)	4.7	3.2	5.6	4.6	-0.1
Budget balance (% of GDP)	-2.9	-1.9	-1.6	-1.5	-2.8
Level of unemployment, % (year-end)	18.4	17.3	16.2	17.6	18.5
Investment (USD million)	816.3	751.8	597.4	402.6	258.8
FDI (USD million)	631.4	567.4	271.2	281.8	147.4
Exports FOB (USD million)	1329.5	1380.2	1478.7	1547.3	1486.9
Imports CIF (USD million)	4151.4	4261.2	4385.9	4424.4	3254.0



DOING BUSINESS

OPERATIONAL COSTS

Apartment purchase average price – 380 USD per m²

Land purchase - 20-100 USD per m²

Land rent - 50 USD per m² per year

Office purchase - 700-3,500 USD per m² in prime location

Office rent - starting from 20 USD per m² per year

Construction costs - 300-500 USD per m²

Average price of electricity in AMD

- 110 kW - 37,28/33,28
- 35 kW - 39,78/35,78
- 6 (10) kW - 45,78/35,78
- 0.38 kW - 48,78/38,78
- population - 48,78/38,78

Gasification level of Armenia is 95 %.

Average price of gas is:

- 328 USD per 1000m³ (up to 10,000 m³ consumption per month)
- 276 USD per 1000 m³ (over to 10,000 m³ consumption per month)

Internet coverage is 98% with average prices of around 1\$ monthly per 1mbit/s.

POLICIES AND OPPORTUNITIES

FOREIGN TRADE

FOREIGN INVESTORS CAN BENEFIT ON:

- Armenia is a member of the Eurasian Economic Union (EAEU). Duty free import of raw materials from EAEU member states. Favorable import tariffs for about 750 products. No customs formalities during trade between EEU member states.
- Free trade agreements with CIS countries and Georgia. Duty free access to 250 million CIS member countries consumers.
- Generalized system of preferences (GSP) regime with USA. Zero or reduced import tariffs for 3500 products.
- Generalized system of preferences (GSP) regime with Canada, Switzerland, Norway and Japan. Zero or reduced import tariffs.
- Generalized system of preferences (GSP+) regime with EU countries. Zero or reduced import tariffs for 6400 products.

ARMENIA IS A MEMBER OF:



Eurasian
Economic Union



Commonwealth of
Independent States

WORLD TRADE
ORGANIZATION



FINANCIAL SYSTEM IN ARMENIA

BANKS & FINANCE

Armenia has no limitations on the conversion and transfer of money or the repatriation of capital and earnings, including branch profits, dividends, interest, royalties, management or technical service fees.

- ***There are 21 commercial banks in Armenia.***
- ***There are no restrictions for commercial banks on lending to non-residents.***
- ***The national currency of Armenia is dram (AMD).***

Banking system in Armenia is stable and well-regulated. There are no restrictions for foreigners to open bank accounts. Most banks can transfer funds internationally within two to four days. Armenia maintains the Armenian dram (AMD) as a freely convertible currency under a managed float.

According to the 2005 law on Currency Regulation and Currency Control, prices for all goods and services, property and wages must be set in AMD. There are exceptions in the law, however, for transactions between resident and non-resident businesses and for certain transactions involving goods traded at world market prices.

INFRASTRUCTURE

AIRPORTS AND AIR TRANSPORT

Armenia’s two main airports are “Zvartnots” International Airport in Yerevan, and “Shirak” International Airport in Gyumri.

“Zvartnots” International Airport, located 12km from the center of Yerevan city, is the main gateway to Armenia. Airport has a transit zone, as well as provides services to transit and transfer passengers, including permission for visiting the city.

The most airlines are presented in Armenia and have regular direct flights. The airport “Shirak” of Gyumri can be considered the second international alternate airport.

SHIPPING ROUTES

There are two routes for cargo shipment to Armenia, via Poti port on Black sea in Georgia, and Bandar Abbas port on Persian Gulf, Iran.



RAILROAD

“SCR” JSC is a concession manager of Armenian railway.

The share of “SCR” Joint-Stock Company in freight services is around 31%. Currently there are four suburban routes: Yerevan-Gyumri-Yerevan, Yerevan-Ararat-Yerevan, Yerevan-Armavir-Yerevan, Yerevan-Yeraskh-Yerevan.

The modern railroad network provides access to Black Sea ports, particularly to Batumi and Poti. New rail link to Iran is in the planning stage.

ROAD

The total common use road network is 7,530km. With urban roads (other than those in Yerevan) included, the total length reaches around 10,800km.

A major infrastructural project “North-South Road Corridor Investment Program” is being implemented. Totally 556-km-long strategic importance road will provide

easy access from Armenia’s southern border to Georgian border after construction, also to the Black Sea ports. It will also allow carrying out cargo and passengers transportation in compliance with the European standards, will provide significant development opportunities for all residents of Armenia from south to north.

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.





INVEST IN ARMENIA



PROFESSIONAL ASSISTANCE

Ministry of Economy of the Republic of Armenia is responsible for investment policy development and business environment improvement.

Development Foundation of Armenia serves as a central point of contact to assist and advise foreign investors and exporters on issues related to doing business procedures in Armenia.

The branches of Big 4 first class audit/consultancy companies (KPMG, PWC, EY, Deloitte) are present in Armenia. Besides, there are numerous respected audit/law companies like Grand Thornton and Ameria.

There is a number of local companies that provide similar range of services as well.

SME Development National Center is authorized to provide state support to small and medium entrepreneurship (SME) in the country. The support is provided through implementation of annual SME State Support Programs with resources allocated from State budget.

Export Insurance Agency of Armenia was established within the framework of the export-oriented industrial policy. Agency provides insurance against the financial losses incurred as a result of non-payment for supplied goods by the foreign buyer or its bank, which has a payment obligation under the contract.



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