



This document has been provided by the International Center for Not-for-Profit Law (ICNL).

ICNL is the leading source for information on the legal environment for civil society and public participation. Since 1992, ICNL has served as a resource to civil society leaders, government officials, and the donor community in over 90 countries.

Visit ICNL's **Online Library** at
<http://www.icnl.org/knowledge/library/index.htm>
for further resources and research from countries all over the world.

Disclaimers

Content. The information provided herein is for general informational and educational purposes only. It is not intended and should not be construed to constitute legal advice. The information contained herein may not be applicable in all situations and may not, after the date of its presentation, even reflect the most current authority. Nothing contained herein should be relied or acted upon without the benefit of legal advice based upon the particular facts and circumstances presented, and nothing herein should be construed otherwise.

Translations. Translations by ICNL of any materials into other languages are intended solely as a convenience. Translation accuracy is not guaranteed nor implied. If any questions arise related to the accuracy of a translation, please refer to the original language official version of the document. Any discrepancies or differences created in the translation are not binding and have no legal effect for compliance or enforcement purposes.

Warranty and Limitation of Liability. Although ICNL uses reasonable efforts to include accurate and up-to-date information herein, ICNL makes no warranties or representations of any kind as to its accuracy, currency or completeness. You agree that access to and use of this document and the content thereof is at your own risk. ICNL disclaims all warranties of any kind, express or implied. Neither ICNL nor any party involved in creating, producing or delivering this document shall be liable for any damages whatsoever arising out of access to, use of or inability to use this document, or any errors or omissions in the content thereof.

**ROA GOVERNMENT
RESOLUTION**

11/27/98

753

**ON
DEFINING MAXIMUM PERMISSIBLE RATES FOR SOME TYPES OF
DEDUCTIONS FROM TAXABLE GROSS INCOME**

040.0763.271198

Signed by:
The ROA President
Robert Kocharyan

**RESOLUTION
OF
THE GOVERNMENT OF THE REPUBLIC OF ARMENIA**

November 27, 1998 # 753

**ON
DEFINING MAXIMUM PERMISSIBLE RATES FOR SOME TYPES OF
DEDUCTIONS FROM TAXABLE GROSS INCOME**

In compliance with Article 16 and Clause 1 of Article 19 of the ROA Law on Profit Tax as well as Clause 1 of Article 15 and Clause 3 of Article 27 of the ROA Law on Income Tax, the Government of the Republic of Armenia decides as follows:

1. Define that:

- a) The regulations of this resolution apply to the individuals considered taxpayers by the meaning of Clause 4 of the ROA Law on Profit Tax as well as those individuals regarded as taxpayers by the meaning of Clause 3 of the ROA Law on Income Tax who make deductions from gross income to assess taxable income in compliance with Article 15 of that law.
- b) This resolution defines the maximum permissible rate of deductions from gross income provided for by this resolution to assess taxable profit or taxable income.
- c) Regardless of restrictions provided for by this resolution, actually made expenses may be completely recorded in a taxpayer's financial statements. If the law or other legal act requires that a taxpayer shall make public his/her financial statements, actually made expenses are stated in these statements, regardless of the maximum permissible rates provided for by this resolution.
- d) No statute of this resolution may be interpreted as a direct or indirect restriction of expense rate provided for by it or permission to deduct expenses not supported by documents, except the cases where the deduction of not supported by documents expenses is provided for by the law.
- e) The regulations of this resolution apply to supported by documents expenses made after this resolution comes into force.

2. Define that the notions used to enforce this resolution have the following meaning:

a) Harmful materials are those chemical and biological substances as well as noise, vibration, magnetic field, radioactive emanation, and other hazardous pollutants that getting into the environment and living organisms can cause harmful changes in vital functions of the present and future generations.

b) Environment is the whole complex of living, non-living, and social surroundings that affect jointly and directly people and their economies.

c) Advertising expenses are spending on dissemination of information on taxpayers, goods, ideas or initiatives among an unlimited number of people by the various media outlets and aimed at shaping and keeping interest in that taxpayers, goods or initiatives.

d) Training expenses are a taxpayer's spending on organization of special training courses for staff aimed at providing an appropriate proficiency level with regards to present production processes and procedures, ways and methods of work organization (training cost). It does not include travel allowances that are booked to the appropriate costs items.

e) Retraining expenses are a taxpayer's spending on organization of special retraining courses for staff aimed at teaching to master new production processes and procedures, introducing new ways or methods to enhance labor efficiency (training cost). It does not include travel allowances which are booked to the appropriate costs items.

f) Special food expenses are a taxpayer's spending on provision of staff with a special food to prevent possible harmful consequences caused by a specific character of the work process.

g) Spending on overalls and other clothes are those on purchase of clothes to keep strictly to industrial safety rules, meet requirements on hygiene as well as a taxpayer's expenses on purchase of overalls for staff to perform its duties. To implement this resolution the working clothes are considered overalls, if a taxpayer requires mandatory to wear these clothes while performing one's duties.

h) Travel allowances are a taxpayer's spending on payments made to a taxpayer or his/her staff to perform tasks out of the working place (city, village, and the like) within a certain time.

i) Representative expenses are a taxpayer's spending on receiving and serving the representatives of other taxpayers and other participants present at a taxpayer's Board and Oversight Commission meetings to negotiate, establish, and maintain a mutually beneficial cooperation.

3. Define that to assess taxable profit or taxable income the following costs may be deducted from a taxpayer's gross income:

a) Costs related to charges stipulated by the laws of the Republic of Armenia for hazardous pollutants emission are deducted at a maximum rate of 0.5% of gross income per financial year.

b) Advertising expenses made out of the Republic of Armenia are deducted at 3% of gross income for a financial year or at a highest rate not exceeding 20% of the value of goods and services exported from the Republic of Armenia by a taxpayer within a financial year.

- c) Training expenses made out of the Republic of Armenia are deducted at a maximum rate of 4% of gross income for a financial year, but cannot exceed the rate of 3 million drams per employee actually trained within a financial year.
- d) Retraining expenses made out of the Republic of Armenia are deducted at a maximum rate of 1% of the gross income for a financial year, but cannot exceed the rate of 1 million drams per employee actually retrained within a financial year.
- e) Special food expenses are deducted maximum at 20% of the incomes paid to each employee for work and equated with it duties but not exceeding 200,000 drams.
- f) Spending on overalls and other clothes are deducted maximum at 10 % of the incomes paid to staff for work and equated with it duties, but not exceeding a rate of 200,000 drams per employee.
- g) Spending on allowances to employees provided for by the Republic of Armenia laws and not stated in this resolution are deducted at a maximum rate of 5% of the incomes paid to employees for work and equated with it duties.
- h) Travel allowances for business trips out of the Republic of Armenia are deducted at a maximum rate of 5% of gross income for a financial year with per diems for each person being deducted at a maximum rate of 25,000 drams per calendar day spent in business trip.
- h 1) Travel allowances for services supported by documents and actually delivered out of the Republic of Armenia are completely deducted from a taxpayer's gross income, if the payment for the delivery of such services is a part of the estimates stated in the contract made with a customer and confirmed by parties to the contract. But the deductions shall comply with contractual conditions and not exceed 80% of income gained (expected) from the delivery of such services.
- i) Per diems for the business trips throughout the Republic of Armenia are deducted at a maximum rate of 8,000 drams per calendar day spent by a person on business trip.
- j) Representative expenses are deducted at a maximum rate of 0.5% of gross income per financial year but not exceeding 5 million drams.
- ja) Spending on health institutions, old and disabled people's homes, pre-school institutions, recreational camps, cultural, educational, and sports institutions as well as housing stock's maintenance are deducted maximum at 0.2% of gross income per financial year.

(The Clause 3 is amended by 12.31.00 # 897 Resolution)

4. Declare invalid:

- a) The GOA February 29, 1996 # 69 Resolution on Setting Norms and Standards for Compensations and Representative Expenses on Use of Personal Motor Cars for Official Needs.
- b) The GOA August 21, 1996 # 261 Resolution on Travel Allowances Composition Included in Outputs, Works, and Services Costs at Enterprises, Organizations, and Banks of the Republic of Armenia.

5. This Resolution comes into effect since January 1, 1999.