



KPMG Tax Alert

May 2024



On 23 March 2022, the Armenian National Assembly enacted draft law HO-86-N, introducing significant amendments to the Tax Code, specifically concerning transfer pricing regulations. A key change is the implementation of the Advance Pricing Agreement (APA) concept.

What is an APA?

An APA is a contract between a taxpayer and a tax authority, outlining the transfer pricing methodology for the taxpayer's controlled transactions and the financial benchmarks to be achieved for a specified duration.

What are the benefits of an APA?

- certainty for the taxpayer's controlled transactions
- reduced risk of potential disputes
- the option to extend the APA if the conditions of the controlled transaction remain unchanged

Who is eligible to apply?

Armenian resident companies conducting controlled transactions with non-resident counterparts are eligible to apply for an APA.

When can taxpayers apply for an APA?

Taxpayers can apply for an APA from January 2024, as the APA concept has been in effect in Armenia since then.

What information is needed to negotiate an APA with tax authorities?

- information about the parties involved in the controlled transaction
- details of the transaction
- proposed APA duration
- chosen transfer pricing method

After receiving approval from the tax authority, the taxpayer must electronically submit an application along with the necessary documents within 30 working days. These documents include:

- draft of the APA
- financial results of the controlled transaction
- copy of the company's Articles of Association (Charter)
- company's financial statement for the reporting period
- documents related to the controlled transaction

What is the process of signing an APA?

The tax authority will review the submitted documents and make a decision within 45 working days, notifying the taxpayer electronically within 5 working days. The decisions could be:

- to conclude the APA
- decline the APA
- suggest edits to the APA draft

What is the validity of an APA?

An APA can be valid for up to three years for one or more controlled transactions, with the option to extend for an additional two years.

Are companies required to submit notifications on controlled transactions if an APA is concluded?

Yes, even if an APA is concluded, taxpayers are still required to submit notifications on controlled transactions.

How can KPMG assist?

- support the APA process
- prepare TP documentation
- perform benchmarking study





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