



KPMG Tax Alert

February
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On December 4, 2024, the RA National Assembly adopted the Laws "On Support for High-Tech sectors" (HO-498-N) and "On Amendments and Additions to the Tax Code of the Republic of Armenia" (HO-499-N), which established state support for the high-tech sector programs and tax incentives.

Which types of state support are established by Law "on Support for High-Tech sectors"

Supports are provided to commercial organizations and individual entrepreneurs registered in Armenia and operating in the high-tech sector, whose **turnover is at least 90% derived from activities in the high-tech sector**.

The types of supports are:

- Support for Labor Migrants
- Support for the Recruitment of New Employees
- Support for Training and Retraining of Personnel

What is support for Labor Migrants

Scope of Workers	Applicable to foreign citizens or individuals without citizenship performing professional work as hired employees with legal work rights in the Republic of Armenia.
Amount of Support	Compensation of 60% of income tax
Support Provision Period	<ul style="list-style-type: none"> ▪ Until 31.12.2025 compensation is provided to the organization ▪ From 01.01.2026 to 31.12.2031, compensation is provided to the employee

What is support for the Recruitment of New Employees

Scope of Workers	Applicable to hired employees entering the high-tech sector for the first time and performing professional work
Amount of Support	Compensation of 60% of income tax
Support Provision Period	<p>From 01.01.2025 to 31.12.2031, compensation is provided to the organization</p> <p><i>Provided for three calendar years from the moment the hired employee first starts professional work</i></p>

What is support for Training and Retraining of Personnel

Scope of Workers	Applicable to hired employees who have undergone retraining and perform professional work.
Amount of Support	Compensation of 50% of income tax
Support Provision Period	From 01.01.2025 to 31.12.2031 , compensation is provided to the organization <i>Provided for the reporting quarter</i>

The total amount of the above state supports cannot exceed 50% of the income tax calculated for all employees of the organization for the same reporting period.



Which types of tax incentives are established by Law on Amendments and Additions to the Tax Code of the Republic of Armenia

The incentives apply exclusively to commercial organizations and individual entrepreneurs engaged in activities included in the list of high-tech sector activities defined by Government.

The incentives are:

- Income tax Incentive
- Profit tax Incentive
- Turnover tax Incentive

Incentives are effective from January 1, 2025, and valid until December 31, 2031, besides additional deduction, which also applies to relations arising from January 1, 2024.

What is Income tax incentive

A 10% income tax rate is established for the portion of wages paid by the tax agent for the employees, who perform professional work and engaged in scientific research and experimental development works that has received a positive conclusion from the professional commission.

What are profit tax Incentives

Profit tax incentives are:

- Incentive regarding the Recognition of Income from Received designated Funds
- Incentive regarding Fixed Assets
- Incentive regarding additional deduction

What is incentive regarding the Recognition of Income from Received designated Funds

Received designated funds are considered income in the tax year when those funds or assets acquired, constructed, created, or developed with those funds are recognized as expenses or losses if it meets some conditions.

The conditions are:

- Has declared up to 50 (inclusive) hired employees during the tax year
- Engages exclusively in activities included in the list of high-tech sector activities defined by the Government, or if the share of other income does not exceed 10% of the gross income for the tax year

What is incentive regarding fixed assets

The minimum depreciation period for fixed assets (excluding real estate considered as fixed assets) imported, acquired (constructed, developed), or leased (in various forms) directly by a resident profit taxpayer within the framework of scientific research and experimental development works that have received a positive conclusion from the professional commission formed by the Government is determined at the discretion of the resident profit taxpayer, but not less than one year.

What is incentive regarding additional deduction

For the purpose of calculating the profit tax, an additional reduction opportunity has been established in the amount of 200% of the salary calculated for professional work.

The incentive is provided if:

- The taxpayer is engaged exclusively in activities listed in the types of activities defined by the Government in the high-tech sector, or If the share of other types of income does not exceed 10% of the total gross income of the tax year,
- or If the taxpayer conducts scientific research and experimental development work, which has received a positive conclusion from the Professional Commission, but only for the employees involved in such work.

The list of professional work is published by the Government.

The amount of the above incentives cannot exceed 50% of the profit tax base without considering the deductions under this benefit. This limitation does not apply to resident profit taxpayers conducting scientific research and experimental development who have received income exclusively from scientific research and experimental development works or simultaneously received other income, provided that the share of such income does not exceed 10% of the gross income for the tax year.

What is Turnover tax incentive

The law established that income from activities included in the list of high-tech activities established by the Government shall be taxed at a turnover tax rate of 1%.

However, it has been established that profit tax payers may not deduct expenses incurred on goods purchased, services received, and work accepted from turnover tax payers in respect of activities included in the list of high-tech activities established by the Government for the purpose of determining the taxable base for profit tax calculation.





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