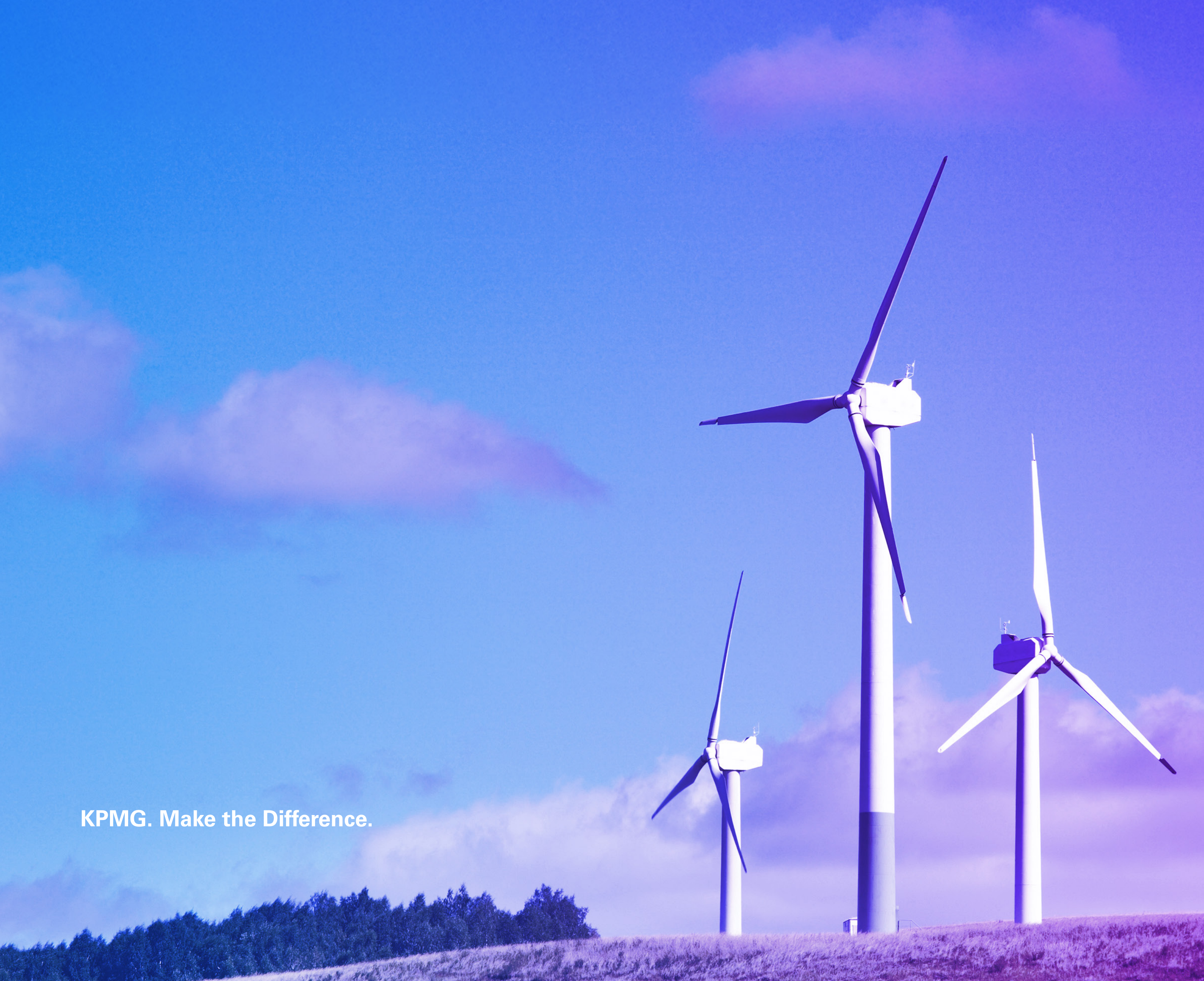
KPMG

Beyond the Horizon: taxation of renewable energy



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Introduction

We are pleased to present the Armenia chapter of the fourth edition of the global report "Taxation of Renewable Energy – 2025", prepared by KPMG.

Armenia has made significant progress in the renewable energy sector, with a growing share of the country's energy mix and electricity generation coming from renewable sources, reflecting a strong commitment to sustainable energy development.

Solar thermal energy is rapidly expanding in Armenia, wind resource assessments have identified areas with good to excellent potential, although some of these sites are located in high-altitude, remote mountainous regions, which increases installation and operational costs.

This report offers a concise overview of Armenia's current tax environment as it relates to renewable energy generation. We thank all contributors and experts who participated in the development of this material.

The Armenia team contributed to the preparation of KPMG's global report on the taxation of renewable energy.

You can access the full report here:
[Taxation of Renewable Energy – An International Survey.]

Armenia

Corporate Income Tax

18% **Standard CIT rate**

Small entities and IEs carrying out certain activities may qualify for special tax regimes specifying lower tax rates.

The tax base for resident profit taxpayers is a taxable profit, which is determined as a positive difference of the gross income and allowed deductions. Deductions may be subject to specific limitations (e.g., there are certain limitations on the deduction of interest, business trips and representative expenses as well as expenses on management services received from non-resident companies or individuals).

For non-resident organizations carrying out activities in the Republic of Armenia without a permanent establishment gross income is a tax base for calculating WHT liabilities. Standard CIT rate is applied for the tax base of non-resident organizations carrying out activities in the Republic of Armenia through a permanent establishment.

Depreciation

Depreciation expenses may be deducted for corporate income tax calculation purposes.

Depreciation rates for each category are as follows:

5%	Buildings, structures, linear engineering infrastructures
10%	Hotels
33.33%	Assembly lines and automated equipment
20%	Production equipment
100%	Computers, other calculating devices and communication equipment
12.5%	Other fixed assets

For tax purposes in Armenia, wind power turbines or wind power generators should be classified as production equipment and depreciated at a rate of 20%, whereas wind turbine towers should be categorized as engineering infra-structure with a depreciation rate of 5%.

CIT-related specifics

For CIT purposes, compensation amounts from licensed electricity distributor received by an **autonomous energy producer** using renewable energy resources , as well as compensation received in the form of electricity (in cases of equal exchange flows for the electricity supplied to distributor), shall not be considered taxable income.

On the other hand, expenses related to electricity production by autonomous energy producers are not considered deductible expenses for CIT purposes.

An autonomous energy producer is a consumer who generates electricity using renewable energy resources for their own needs (i.e., electricity consumed by the autonomous producer, regardless of the purpose), has entered into a net metering (reverse flow) agreement with an entity holding an energy supply license, and does not hold a generation license for the respective energy production facility.

The capacity of an autonomous energy producer's facilities in any case shall not exceed 150 kW

Value added tax

Companies are becoming VAT payers upon submitting respective application to tax authorities and registering as a VAT payer. However, since VAT is considered the general tax regime in Armenia, in case if no application for operating under a special tax regime is submitted, the company will automatically be registered as a VAT payer. In this case no such special tax regime can be applicable to the Company.

The following transactions and operations should be considered VAT taxable objects:

- supply of goods where the place of supply of goods is considered the Republic of Armenia
- performance of work and/or provision of services, including lease of property
- import of goods in Armenia under the customs procedure "Release for Domestic Consumption"
- import of goods having the status of Eurasian Economic Union (EEU) goods in from the EEU member state

The standard rate of VAT on domestic sales of goods and services and the importation of goods is 20%. Exports of goods and services are zero-rated. Provision of services by non-residents may be subject to VAT reverse charge if the place of supply of those services is in Armenia. Certain transactions are VAT-exempt.

scientific and research activities, meeting the standards set by the government

supply of goods, performance of work, and/or provision of services carried out within the framework of subsidies, subventions, and grant programs, provided that these programs have received a positive conclusion from the professional commission established by the Government.

provision of services to the organizer and operator of the free economic zone, the performance of work for the organizer and operator of the free economic zone, and the supply of goods within the territory of the free economic zone.

most banking and financial activities

The legislation does not provide VAT exemption for energy producing organizations engaged in the production and sale of electricity. However, import of specific types of energy supply equipment may be exempt from VAT.

Other taxes

Land Tax

Entities that own or use a land parcel are required to pay land tax. The land tax rate varies according to the land designation, ranging from 0.25% to 1% for non-agricultural lands and 15% for agricultural lands. The land tax rate for energy infrastructure facilities is 0.5%.

Property Tax

The immovable property tax calculation depends on tax base of immovable property and its type. For example, immovable property tax rate for production-purpose buildings is 0,25%.

Wind power generators are not subject to property tax in Armenia, while wind turbine towers should be taxed at abovementioned 0.25% property tax rate as they are considered production-purpose structures.

Vehicle Tax

Organizations and natural persons shall be considered vehicle property taxpayers.

The tax amount to be paid mainly depends on the amount of engine power of vehicle and year of production. The tax rate for cars with less than 10 seats ranges from 200 to 500 AMD per horsepower. For each horsepower exceeding 150, an additional 1,000 AMD per horsepower is applied.

Special regulations

The following tax incentives available in Armenia may apply to investments and activities in the energy sector.

Free economic zone specifics

- Corporate income tax payers classified as operators of free economic zones are exempt from paying profit tax on income derived from activities carried out within the free economic zone, whether the income is sourced from within the Republic of Armenia or from sources outside the Republic of Armenia
- Exemption from VAT for the provision of services to the organizer and operator of the free economic zone, the performance of work for them, and the supply of goods within the territory of the free economic zone
- Exemption from property tax (for structures of public and industrial significance) within the territory of free economic zone.

The above-mentioned tax incentives available in Free Economic Zones may be applied to entities operating in the renewable energy sector only if their activities align with the profile and scope of the respective Free Economic Zone. Therefore, the profile of each Free Economic Zone should be carefully reviewed prior to determining eligibility.

Customs duty exemption

Exemption from customs duties for the import of technological equipment, raw materials, and supplies under investment programs in priority sectors (used exclusively within Armenia) (project period is up to 5 years)

The list of priority sectors of the economy currently includes agriculture, industry, tourism, transport, information and communication, healthcare and energy — which encompasses electricity production, transmission, distribution, and sales of electricity, with particular emphasis on electricity generation at hydroelectric, nuclear, geothermal, wind and solar power plants.

Guaranteed Renewable Energy Purchase

Since 2022, Armenia has been undertaking a gradual transition to a reformed electricity market model. As a result, multiple suppliers now have the opportunity to sell the electricity they generate.

Although Electric Networks of Armenia (ENA) still remains the sole guaranteed supplier, providing services at regulated prices, other entities are also eligible to obtain supply licenses, enabling them to sell electricity, secure consumer contracts, and transact with end-users at market-driven prices.

Consequently, the phased liberalization of the electricity market is expected to enhance competitive dynamics, contribute to price stabilization, and significantly boost regional electricity trade.

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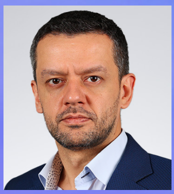

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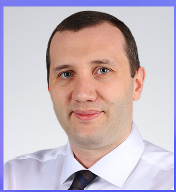

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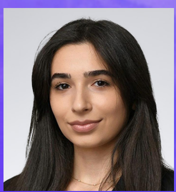

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