

Global Insight

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News round-up



Investment opportunities for IT start-ups in Armenia

Investment in Armenia's IT sector has become more attractive in recent years due to a number of investment and tax incentives.

Armenia is the regional leader in the IT and high-tech industries, and is particularly regarded as a hub for software development, industrial computing, electronics and the production of semiconductors. Thanks to the country's competitive labour market, the number of IT companies has tripled over the past decade and the sector has seen turnover triple in the past five years.

Why start a business in Armenia?

Armenia offers a number of privileges to foreign investors. It's worth noting that the law on foreign investments stipulates that in the event of amendments to the legislation on foreign investments within five years of the initial investment, a foreign investor can choose whether to apply the legislation active at the time of the investment or the new legislation.

Armenia's main tax categories are as follows:

- Corporate (profit) tax – 20%
- VAT – 20%
- Personal income tax on employment income (which incorporates*replaces the employer's social security payments) is between 24.4% and 36%

Dividend income is exempt from personal income tax (both for residents and non-residents), while dividends payable to foreign companies is taxed at 10%.

It should be noted that Armenia ranked 45th out of 185 countries in the World Bank's 2015 Ease of Doing Business index. The table below compares some indicators in Armenia with the averages of other countries.

Indicator	Armenia	Europe and Central Asia	OECD countries
Starting and registering a business (number of days)	3	12.1	9.2
Total tax rate (% profit)	20.4	34.9	41.3
Labour tax and contributions (%)	0	21.4	23

Tax privileges for IT start-ups

Brought in in early 2015, a legislative package on state support to the IT sector defines a number of tax incentives for newly-established and start-up IT firms employing up to 30 employees. These include a 0% corporate profit tax and 10% personal income tax for employees (instead of the usual 24.4% to 36%).

These tax incentives are valid until the end of 2019 and are granted on a case-by-case basis by a special commission made up of government officials and IT industry executives. 110 start-ups qualified for them in 2015.