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# Shelter Sector Reform Project Newly Independent States of the Former Soviet Union

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**Report of Mission on  
The Introduction of the Law on  
Property Tax of  
The Republic of Armenia**

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## ABSTRACT

This memorandum summarizes issues related to the introduction of the Law on Property Tax of the Republic of Armenia that I discussed with the State Tax Inspectorate during my 24 April through 6 May 1995 mission. It also summarizes my assessment of the current situation.

Parliament approved the Law on Property Tax in February 1995. Subsequently the Supreme Council approved the Government's implementation program, which was prepared by the State Tax Inspectorate.

The implementation timetable is ambitious partly because key decisions were not made as quickly as anticipated. Preparations by the inventory agencies responsible for assessment appear inadequate. Although complete success is doubtful, the challenge is to do the best job possible, given the status of the infrastructure for property tax administration and the volume of work to be done. Delaying implementation a year or more is not considered politically viable.

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## ATTACHMENTS

- A. Minutes of the Meeting of the Government of the Republic of Armenia  
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- B. Protocol: On the Confirmation of the List of the Property of Enterprises, Institutions and Organizations, Qualified as Item not Taxable with Property Tax
- C. Protocol: On Regulation for Valuation of the Property Qualified as Item Taxable with Property Tax
- D. Regulations for Assessment and Payment of Property Tax by Citizens
- E. Regulations for Assessment and Payment to the Budget of property Tax by Enterprises and Organizations
- F. The Law of the Republic of Armenia on Property Tax
- G. The Law of the Republic of Armenia on Land Tax
- F. Government of the Republic of Armenia, Decision No. 251, 01 June 1994  
"On Approval of the State Land Cadastre Data as of 01 January 1994"

## I. INTRODUCTION

### A. OVERVIEW OF MEMORANDUM

This memorandum summarizes the issues discussed with the State Tax Inspectorate during my 24 April through 6 May 1995 mission to Armenia. It also summarizes my assessment of the current situation.

The State Tax Inspectorate developed a work program for my mission. It was keyed to the Government's implementation program for the Law on Property Tax. This memorandum generally follows the sequence of topics in that program. The major topics from the standpoint of my mission included the valuation regulation (see section II) and the implementation program (see section III). A number of related discussion topics are gathered in section IV.

Government documents often are identified only by their International City/County Management Association's file names. For example, the Government's implementation program is identified as "ARK055.DOC." Their complete titles and captions can be found in annex B.

### B. BACKGROUND

There are now two "property" tax laws in Armenia: the Law on Land Tax and the Law on Property Tax. The Law on Land Tax was approved by the Parliament of the Republic of Armenia in April 1994 (see my report, "Strategy and Work Plan," dated October 1994). The Law on Property Tax was approved by the Parliament in February 1995 (see ARK030.DOC). The laws are being implemented in annual, successively more complete stages.

Both laws reflect a Soviet heritage, which has advantages and disadvantages. An advantage is that laws fit well in the existing slowly evolving general legal framework. A disadvantage is that they may not meet the contemporary needs of Armenia and that they may not harmonize with democratic, market economy principles.

A second type of problem stems from the tradition of top-down development of legislation. Under this tradition, basic laws are adopted before implementation procedures are designed. The intent is to ensure that procedures reflect basic legal principles. The problem is that the basic law may prove unworkable. Commendably, the Tax Inspectorate has been attempting to solve this problem by developing draft implementation procedures in advance, circulating them to relevant agencies, and seeking their comments. Unfortunately, the institutional tradition of not acting until mandated to do so means that some agencies do not address proposed implementation procedures until it is too late to solve any problems efficiently.

Commendably, and in contrast to some Eastern European countries, Armenia's land and property taxes are, in large measure, value-based. However, valuation is governed by regulations rather than market evidence. The valuation regulations are a carryover from the price regulations of the communist era. They provide a measure of control over the vagaries of markets. However, the valuations that result from the application of the regulation only accidentally will equal market prices. As a result, they often will not produce an accurate reflection of property wealth. Consequently, the regulated values would be a less equitable basis for taxation.

A distinctive feature of Armenia's Law on Property Tax is the classification of property according to the type of entity that owns it. The property of physical persons (citizens) and the property of enterprises are assessed and taxed differently. In essence, there are two separate property taxes. The distinction is a carryover from the Soviet era, and the policy reasons for this are unclear.

### C. PROPERTY TAX IMPLEMENTATION PROGRAM

The Supreme Council of the Republic of Armenia approved a detailed program for implementing the Law on Property Tax, which was developed by the State Tax Inspectorate (ARK055.DOC). The program identifies actions (usually governmental decisions), which are responsible for drafting the action document, the type of action (law, resolution, order, regulation, etc.), the agency(ies) responsible for carrying out the action, the deadline for submitting the action to the Government, and (if applicable) the deadline for the Government to submit the action to the Supreme Council.

The major elements of the implementation program are:

1. Approve list of non-taxable enterprise assets (see section IV.A of this memorandum)
2. Approve valuation regulation (see section II)
3. Draft regulations for assessment and payment of property tax (see sections III)
4. Decide how to assess and tax illegal structures (see section IV.C)
5. Harmonize subordinate legislation (see section IV.D)
6. Value structures owned by citizens (see section III)
- 7a. Establish livestock norms (see section IV.E)
- 7b. Approve property tax rates

8. Submit proposals regarding privileges in populated border areas (see section IV.F)
9. Confirm inventory of taxable property (see section III)
10. Publicize the property tax (see section III.C)
11. Make administrative arrangements necessary to introduce the property tax (see section III)
12. Evaluate first-year performance (see section III)

The timetable is ambitious partly because key governmental decisions were not made as quickly as anticipated. Basically, the program requires the tax to be introduced at the beginning of the quarter following approval of regulations on non-taxable enterprise property and on valuation of the property of citizens. These regulations were approved in late April. Consequently, the tax is effective from 1 July 1995. The statutory deadline for sending notices to taxpayers is 1 September.

Although the State Tax Inspectorate continued to make preparations in anticipation of the Supreme Council's approval of the implementation program, the inventory agencies responsible for assessment (the "Haybnakkomtnt" State Corporation and the City of Yerevan's inventory office) appear to have made fewer preparations. The situation with Haybnakkomtnt appears particularly doubtful.

The time remaining to complete preparations and carry out the tasks of compiling records on taxable properties and valuing them is insufficient to ensure complete success, given the status of the infrastructure for property tax administration and the volume of work to be done. However, delaying implementation a year or more is not considered politically viable. Consequently, the challenge is to do the best job possible in the circumstances.

## **II. VALUATION REGULATION**

Article 3 of the Law on Property Tax required the Government of the Republic of Armenia to set forth the method for valuing taxable property. The law also required approval by the Supreme Council. This task is item 2 of the Government's implementation program (ARK055.DOC). In accordance with this requirement, the Government proposed that the Supreme Council approve a draft regulation developed jointly by the State Tax Inspectorate and the State Department of Architecture and Urban Development (ARK044.-DOC). This cooperation is a good example of the kinds of interagency cooperation that are badly needed in Armenia (and other post-communist countries).

The valuation regulation was approved by Parliament on 28 April 1995. As translated, its formal title is "Regulation for Valuation of Property Qualified as Item Taxable with Property Tax."

The regulatory approach taken in Armenia is understandable. First, the current regulation builds upon valuation practices established during the communist era. Using the regulation will follow traditional practice, which will be a source of comfort for many officials. Second, too few Armenians are familiar with market valuation methods, so it is unrealistic to advocate using those methods now. Third, government officials do not yet seem confident in property markets. Market prices are regarded as unrealistic and unstable and, as a result, unsuitable as a basis for property taxation. Encouragingly, the regulation considers factors that would be important in estimating actual market values.

As previously noted, the Law on Property Tax treats the property of physical persons (citizens) and the property of enterprises differently. The regulation on valuation identifies separate methods of valuation.

#### A. ENTERPRISE PROPERTY

Enterprises are to value their taxable property and to report their valuations to the State Tax Inspectorate (also see section VI.A of this memorandum). They are to use the values of taxable property recorded in their balance sheets as the basis for taxation. These values, if indexed for inflation, would approximate costs new. This approach to valuation is simple and imposes minimal additional costs to either taxpayers or the tax administration. It has parallels in western valuation practice.

My understanding of asset accounting in Armenia is incomplete. However, I believe that balance sheet values reflect the enterprise's original costing of an asset (or class of assets). These costs periodically are indexed to compensate for inflation, a good practice. I believe costs were last indexed in July 1993.

Offsetting the administrative advantages of using balance sheet values are disadvantages that are economic in nature. Most important, the historic *cost* of a property seldom would equal its current *value*. For this to happen, current market prices of equally useful properties would have to approximate historic costs. This would be even more unlikely if historic cost figures were not based on actual historic costs but were calculated from a price regulation.

In addition, the current balance value method appears not to provide for depreciation (or amortization). If that is the case, assets that are technologically obsolete or in poor repair may be overvalued relative to more productive assets.

Another possible problem with the current method is that structures with equal market values could have different taxable values, depending on whether they were valued under enterprise or citizen property valuation procedures. This would be more a problem of public perception than of economics as enterprise tax rates differ from citizens' tax rates.

An administrative problem, which the Tax Inspectorate already anticipates, is the possibility that some enterprises (particularly small ones) will try to misrepresent their asset values on their tax returns and on their books. Auditing procedures should uncover many such practices.

As discussed further in section II.C below, I would recommend that land and buildings owned by enterprises be valued by using standard immovable property valuation methods in the future. Although administrative costs may be greater, the values will more closely reflect market values. Classes of assets that represent movable property could continue to be valued with reference to original acquisition costs as reflected in balance sheets. Those costs should be indexed, and depreciation (amortization) ordinarily should be allowed.

The State Tax Inspectorate recognizes some of the limitations of the current approach, and it is considering a second balance sheet approach. If I understood the second approach correctly, debts (and perhaps depreciation) would be subtracted from asset values to arrive at the value of the enterprise's equity interest in the property it controls. This raises two questions. First, does the current approach result in the double taxation of some assets? It would if long-term financial investments represented the value of property owned by other institutions. Second, would the proposed approach exempt from taxation the value of property subject to mortgages and the like? It would if the value of mortgages were not taxed. Both questions suggest a third: is the value of a single physical item of property divided for property tax purposes between the lender and the nominal (equity) owner? These questions suggest that the current method of taxing enterprise property should be reviewed.

It is not common in western practice to assess separately each person who has an interest in a property. That is, there usually is a legal presumption that taxable property is owned free and clear of debt. Similarly, the property tax law does not recognize other divided interests, such as those possessed by renters. In other words, only one tax bill is issued.

Some in the Tax Inspectorate question whether the property of enterprises should be subject to the property tax as income from property is subject to profits taxation. For my views on this question, see my memorandum to Armen Alaverdian dated 27 April 1995 (annex D).

## B. CITIZENS' STRUCTURES

The valuation regulation (ARK044.DOC) outlines a method for valuing citizens' structures based on adjusted cost figures. Although the values produced are arbitrary, the method is straightforward, and most of the adjustments are in the same direction as market adjustments would be. Cost methods are accepted in western valuation practice, although methods that rely on direct market evidence (such as sales prices and rents) are preferred.

### 1. The Valuation Model

The valuation model embedded in the valuation regulation is of the following form:  
Value = Size\*Base Cost Rate\*Inflation Adjustment\*Condition Adjustment\*Depreciation Adjustment\*Infrastructure and Facilities Adjustment\*Vertical Location Adjustment\*Geographic Location Adjustment.

Basic costs are adjusted upward for inflation and downward for factors which are assumed to diminish the value of the structure. Multiplicative factors are used, simplifying calculations and making possible simple computer-calculation routines. The adjustment factors are contained in five tables in the valuation regulation. The highest possible valuation is 0.98 of the inflation-adjusted base rate. The lowest is 0.00945. I discuss these adjustments in the following sub-sections.

a. Base Costs: The basic cost of a structure is calculated by multiplying the calculated area ( $M^2$ ) or volume ( $M^3$ ) of the structure by the appropriate per-unit construction cost rate. The rate is selected from the appropriate table in a forty-three page 1984 compulsory insurance regulation. (1984 was chosen because it was a stable economic period.) The tables covering basic structures, balconies, garages, fences and gates, underground facilities, and so on.

Property licenses ("passports") contain a cost calculation based on the 1984 regulation. It is not clear whether the values are indexed.

b. Cost Trend (Inflation) Adjustments: The State Department of Architecture and Urban Development calculates an inflation index quarterly (formerly, the index was calculated annually). In April 1995 (when one dollar equaled approximately 420 drams), the index was 75,000.

I pointed out the need to update the cost index as frequently as the minimum monthly wage is indexed. Otherwise the tax base could be reduced dramatically, which the Tax Inspectorate already had anticipated.

c. Condition Factors: The first structural adjustment factor is for "technical state" (table I in the regulation). This has to do structural soundness (and would be affected by design, quality of construction, and state of repair). A structural engineer or architect would be needed to evaluate this condition, although many buildings already have been classified for soundness. The classes (with adjustment factors in parentheses) are as follows:

- 0 = ideal (1.0)
- I = no seismically dangerous cracks, only minor cracks (0.95)
- II = no seismically dangerous cracks, however, repairs are urgently needed (0.85).
- III = cracks are dangerous but feasible to repair (0.5)
- IV = cracks are dangerous and not economically feasible to repair (0.0).

The factors do not necessarily reflect typical repair costs. As a category III classification would reduce property taxes by more than 40 percent, the valuation regulation may encourage people to locate in dangerous buildings and may discourage the repair of dangerous conditions.

Class IV buildings are not being privatized and are slated for demolition. There currently are occupied 119 buildings so classified, including eighty-two in Yerevan, fifteen in Gumri, and twenty in Vanadzor.

Technical condition factors should be reevaluated in future years. Ideally, they would be based on direct market evidence, including actual repair costs.

d. Depreciation Factors: The valuation regulation provides for depreciation of estimated structure costs, a desirable feature that is likely to result in taxable values that parallel market values. Table 2 of the regulation contains a simple depreciation table with eight structure age categories and corresponding depreciation factors that range from 2 to 40 percent (on a "percent good" basis, the factors range from 0.98 to 0.60, with steps ranging from two to eight percentage points). Structures are depreciated at an increasing rate until they are thirty years of age. No further depreciation is allowed after a structure reaches an age of forty-one years.

Market analysis would be necessary to evaluate the reasonableness of the depreciation table.

e. Infrastructure and Facility Adjustments: Downward adjustments are made to the value of housing units if they are not provided with connections to certain municipal services and if, in the case of units on the fifth or higher floors of a building, an elevator is not available. If all applicable facilities are lacking, values are reduced by 50 percent. Table 3 of the regulation contains the following adjustments (which are summed and subtracted from 1.0 to arrive at the appropriate multiplier):

Electricity Supply	0.09
Gas Supply	0.07
Water Supply	0.09
Sewerage	0.07
Central, Local Heating	0.05
Telephone Line	0.05
Radio Line	0.05
Availability of Elevator	0.03

Public acceptance of these factors may be difficult to obtain. First, although many buildings may be technically supplied with most or all of the services, many residents may not actually receive the service because of the energy blockade or because the service network is in poor repair. This problem will be similar to the objections land taxpayers made to having their land classified as "irrigated" when, in fact, they were not supplied with water.

Another problem is that the factor amounts do not appear to reflect the cost of providing access to the service or the value of the service. As regards costs, line connections generally are less expensive than pipe connections. As regards values, not all residents would value radio lines equal to heating and more than availability of an elevator.

There is another issue: the cost of collecting and maintaining the data for each building or each apartment may outweigh any increase in the accuracy or acceptability of the valuations. In many cases, the availability of service connections will be a factor that affects a group of units or buildings. Any effect on value would be reflected in land values or could be reflected as a composite "neighborhood" factor. Alternatively, it might be better to deal with substantial deficiencies in service connections on an exception basis.

f. Vertical Location Adjustments: The valuation regulation makes an adjustment for the vertical location of flats in an apartment block. Basement and semi-basement flat values are adjusted downward by factors of 0.45 and 0.65, respectively. Table 4 contains adjustment factors for ground-floor and above flats. Flats on the third floor are considered standard and hence have a factor of 1.0. Second-floor flats have a factor of 0.95 and first-floor flats have a factor of 0.8. Adjustment factors for fourth-through sixteenth-floor flats range between 0.95 and 0.45.

My discussions with real property market observers in Yerevan suggest that many people believe that ground-floor and top-floor flats are undesirable. Table 4 reflects the same beliefs, although some might question some of the apparent anomalies (which may be typographical errors in the English translation).

More fundamentally, the factors should be supported by market analysis. (My initial analysis of flat sales did not reveal a clear pattern of declining value in higher-floor flats, although my sample of sales was small.) In addition, the vertical location adjustment should be reconciled with the elevator availability adjustment. If elevators and other services are available and functioning, there is no reason to believe that height adjustments should be significant.

g. Geographic Location Adjustments: The final adjustment factor is for geographic location. This is an important feature of the regulation as geographic location ordinarily is a key determinant of market value. Table 5 contains factors ranging from 1.0 for zone I to 0.14 for zone VI. The six categories of territorial valuation zones correspond to zones set forth in Resolution No. 16 of the State Commission for Privatization and Denationalization of the Republic of Armenia "On Adjustment Coefficients for Valuation of the Premises of Privatized 'Small' Units," dated 14 June 1994, which I did not review. Zone I embraces the center of Yerevan. Zone V territories have poor communications and infrastructure. Zone VI territories are on the frontier.

The Department of Architecture and Urban Development is drafting a new zoning decision, which will have regional and sub-regional zones. This promises to be an important improvement as large zones can be anticipated to have pockets of more valuable and less valuable property. I recommend that the Department consider evidence gathered

by AURI and AREA. Each organization has developed a different zoning scheme. In order to avoid confusion, it would be desirable to agree on a single scheme. I also recommend that value patterns and trends be analyzed on an ongoing basis.

## 2. Model Application

As discussed further later, the program for the implementation of the property tax on citizens' structures contemplates that members of the staffs of the inventory offices will manually calculate the value of each taxable property. Annex 1 to the valuation regulation contains a form to be used for this purpose. The form is satisfactory as a valuation record. It contains space to record information about each property characteristic and its associated factor.

Ideally, the valuation process would be computerized. That is, the computer would do table look-ups and make calculations. In this situation, inventory office staff members would record structure characteristics on a data-entry form, which other staff would use to enter the necessary data into computers. This would require a form designed for the purpose.

Annex C of this memorandum shows how the approved form might be adapted for use as either a data entry form or a value calculation form. To make assessment record keeping easier and to reduce problems associated with duplicate names and other ambiguities, it contains spaces to record a taxpayer identification number (which others have recommended) and a cadastral number (including a building and unit number). It assumes that basic cost rates are indexed in the computer.

If computer processing cannot be accomplished, it should be possible to simplify manual calculations by constructing tables that combine some of the adjustment coefficients. For example, tables 1, 2, and 5 could be combined as illustrated in the following exhibit 1.

**Exhibit 1. Illustrative Composite Multiplier Table  
for Structures Located in Zone II**

Age Group	Structural Condition Category				
	O	I	II	III	IV
1-5	0.70	0.66	0.59	0.35	0.00
6-10	0.67	0.64	0.57	0.34	0.00
11-15	0.65	0.61	0.55	0.32	0.00
16-20	0.62	0.59	0.53	0.31	0.00
21-25	0.58	0.55	0.49	0.29	0.00
26-30	0.53	0.51	0.45	0.27	0.00
31-40	0.48	0.46	0.41	0.24	0.00
41 & more	0.43	0.40	0.36	0.21	0.00

Tables that combine the above multipliers with the per-unit costs in drams would be especially useful. If this tabular approach were used, the valuation forms should be modified to facilitate the use of the tables.

An additional simplification would be merely to index the values in existing passports. If valuation could be further simplified, taxpayers could be asked to make their own valuation calculations. These simplifications would be especially attractive in the first year of the property tax.

**C. MARKET VALUES**

In valuation practice in market economies, valuers would have as their goal, the development of value estimates that conformed to a valuation standard, such as market value. They might use a document similar to the valuation regulation as the starting point—or as a tool—in valuation. But the valuer ultimately would be responsible for deciding whether the result of the valuation calculations was in line with available market evidence. If the result was not in line, the valuer would have the authority to alter the valuation estimate.

I recommend that the State Tax Inspectorate begin now to plan for the transition to market value-based assessments. Exhibit 2 attempts to depict general stages in the development of a market value-based assessment system for land and buildings.

**Exhibit 2. Stages in the Development of  
a Market Value-Based Assessment System**

Phase of Valuation	Stage of Development			
	I	II	III	IV
Standard of Value	None	In law	In law	In law
Model Specification	In regulation	In regulation	In regulation	By valuation analyst
Model Calibration	In regulation	By valuation analyst	By valuation analyst	By valuation analyst
Model Application	By untrained local official	By untrained local official	By trained local valuer	By trained local valuer
Value Review and Adjustment	None	By untrained local official	By trained local valuer	By trained local valuer

Armenia currently is in stage I, in which there is explicit no market value standard in legislation and in which "valuation" is a mechanical application of the regulation by persons with little valuation training and experience. Local officials are given very little discretion in reviewing the results and making adjustments in recognition of special circumstances. Stage II would be a refinement of stage I, in which the law would be modified to specify that the basis of assessments is market value. In stage II, the form of the valuation model (the factors that are considered) could still be specified in a regulation, but analysts would look at actual market evidence to set the coefficients. Models would still be applied locally as before. However, the results would be reviewed for reasonableness based on the accumulated market data. Stage III would be a refinement of stage II. By then, local officials would be fully trained and would have gained sufficient experience. In stage IV, model specification could be done by analysts rather than dictated by the regulation. However, the models could be communicated in a format similar to the existing price regulation.

Historic criteria for evaluating taxes in democratic societies and market economies fall into administrative, social justice, economic, and political groups. When taxpayers evaluate the economics of a tax, they do so in terms of current sales prices, rents, costs, and the like. The measure that is used is the *effective tax rate*. In the case of a capital value tax, such as Armenia's land and building taxes, the effective tax rate is the ratio the taxes

paid to the property's market value. It does not matter whether the legal standard of taxation is market value or some artificial administrative construct, such as the application of a regulation. Only effective tax rates provide a rational economic basis for evaluating the fairness and uniformity of a tax. When taxpayers perceive that their effective tax rates (or valuations) are too high, they will take some action to reduce the taxes. When they perceive that there are extreme, unexplainable variations in effective tax rates, their acceptance of the tax erodes and the credibility of government suffers.

Market participants are interested in the use they can make of property in the future, not in historic costs of construction. Consequently, sales prices and rents are forward looking.

Armenia is fortunate that two bodies, the Armenian Urban Research Institute (AURI) and the Armenian Real Estate Association (AREA) have been monitoring real property market activity. Their data and experience could be used in several ways as Armenia moves toward a market value-based system of land and building taxation. By analyzing differences between calculated values under the current price regulation and sales prices, it should be possible to develop refined coefficients for the adjustment tables (as suggested for stage II). Thus the current model specification could be preserved. As suggested for stage IV, new valuation models could be specified by observing the characteristics that buyers and sellers consider important (such as the number of rooms, kitchen modernization, and city district).

I recognize that many believe that current real property sales prices in Armenia do not reflect "real" or "normal" values. It is believed, for example, that current buyers have purchasing powers that exceed that of ordinary Armenians. They believe it would be a mistake to base property taxes on unrepresentative sales prices.

My view is that housing affordability is not an issue in the *valuation* of property for tax purposes. What is important is affordable tax bills, which can be accomplished by setting tax rates sufficiently low and by providing additional relief measures for those with low incomes, such as pensioners.

My view is that, as long as property prices follow predictable patterns, prices should be monitored and sales data should be used in valuation. Property markets everywhere are always evolving. There are always disparities in purchasing power. Consequently, there are always observers who believe current prices are not normal. They are wrong. Current prices always provide information about real values. That is a function of a property market.

Furthermore, the reasons given for why housing prices are "too high" are not altogether convincing. High prices imply that demand is greater than supply. However, the AURI has observed that the number of properties offered for sale far exceeds the number sold. It is argued that wealthy foreigners are driving prices up. That could only happen if supply were constrained. That may in fact be the case for well-located flats. Such a phenomenon only underscores the need for valuers to analyze location factors carefully.

Of course, property tax administrators will need a mechanism for obtaining reasonably accurate information about sales prices. They also will need to be able to identify sales transactions that did not qualify as open-market, arm's-length sales (such as sales under duress or sales between relatives). These topics are discussed in my earlier reports.

In connection with a shift to market valuation methods, I recommend that area ( $M^2$ ) be used as the primary unit of comparison. Market participants compare structures on the basis of area measurements, number of stories, and, occasionally, ceiling height. Although volume measures simplify the development of construction cost tables, they require more difficult measurements and calculations and lack everyday meaning.

There also will be a need for standard procedures for measuring buildings. Current area and volume measurements seem to combine interior and exterior dimensions. Wherever practical, preference should be given to exterior measurements, as these are simpler and less costly to make.

Finally, it may be necessary to have additional property tax relief mechanisms to protect homeowners who truly lack the financial resources to pay property taxes based on current market values (see section VI.H).

### **III. ASSESSMENT AND COLLECTION**

This section addresses the mass of work associated with listing and valuing taxable citizens' property, as well as billing and collection. It includes tasks 3, 6, and 9 of the Government's program for implementation of the Law on Property Tax.

Pursuant to task 3 of the implementation program, the Tax Inspectorate drafted regulations for the assessment and payment of property taxes (which were to be finalized within one week of the approval of the list of non-taxable enterprise property and the approval of the valuation regulation—see ARK045.DOC for citizens' property and ARK046.DOC for enterprise property). The draft regulations expand upon and clarify the underlying legislation. They identify institutional responsibilities in more detail. As a result, some potential problems with implementation were identified. (These are discussed elsewhere in this memorandum.)

#### **A. REGISTRATION**

##### **1. Background**

The assessment regulations (ARK045.DOC) quite reasonably contemplate that only registered property will be subject to the property tax. There some major complications, however. Registration has been voluntary. Agricultural land, plots associated with privately owned houses and dachas, and privatized housing are the only types of real property now being registered. Little progress has been made on reforming the land code

or enacting appropriate property laws. "Illegal structures" by definition are unregistered (see section IV.C). The organizational responsibility for the legal cadastre is unresolved, although a decision is expected this summer. Inventory offices are geared up only to register property on a case-by-case, on-request basis.

In the absence of a proper legal framework that establishes and protects marketable private property rights in land and buildings, it is understandable that many flat owners and others do not perceive any benefits to registering their properties. The perception is that the only "benefit" of registration is a liability for tax. The situation is compounded by the fact that registration is time-consuming and costly (the maximum registration rate that has been mentioned is ten registrations per person per day and the approximate range in registration fees is 800 to 25,000 drams, with average fee being about 2,000 drams). This is one reason why Lynn Holstein and I (in my 1983 report, "Cadastral Records, Property Taxation, and the Privatization of Property in the Republic of Armenia") have argued for a separation of responsibility for the legal and fiscal cadastre.

## 2. The Government's Implementation Program

Despite these obstacles, property must be registered and valued for tax purposes. Assessment records must be transmitted from the inventory offices to the Tax Inspectorate so that bills can be issued. Task 6 in the Government's implementation program (ARK055.DOC) deals with these responsibilities. The inventory offices have been asked for their plans and proposals.

The plan specifically addresses funding (task 6.1, discussed below), the assessment of privatized housing in Yerevan (task 6.2), and the assessment of garages and other structures in Yerevan (task 6.3). In an advanced property tax system it would not make sense to assess houses and garages separately. However, the proposed approach makes sense because few garages and other structures are registered, because these structures may not be on the same plot as the dwelling unit, and because the land plots themselves may not be registered.

The Tax Inspectorate plans to confirm the inventory of taxable properties furnished by the inventory offices (task 9). Its chief concerns are the lack of established mechanisms for transmitting the necessary data and the implications of a grossly incomplete register.

The Tax Inspectorate has identified a number of additional implementation tasks for which it is chiefly responsible (although funding them is a concern). These include task 11, the design, printing, and distribution of tax returns, tax statements, and so forth. Distribution of forms to citizens is worrisome due to the unreliability of the post. The Tax Inspectorate hopes that local authorities will cooperate but is not optimistic based on some negative experiences with the land tax.

Commendably, as the last task in the implementation program (task 12), the Tax Inspectorate plans to summarize and evaluate the results in the first period. The Tax Inspectorate plans to refine the tax system based on the lessons learned. Performance

should be evaluated on an ongoing basis for the same reason. This will require an effective management information system.

The Tax Inspectorate also has identified a number of areas where additional planning is needed. These include designing an appeals system, refining land value zones (and land valuation in general), and ensuring that construction cost indexes are updated with sufficient frequency and transmitted to the Tax Inspectorate and other users of the data. (The Department of Architecture and Urban Development currently is not mandated to assist with property tax administration.)

The appeal procedure should allow taxpayers to engage experts to dispute state experts.

In September or October, the Tax Inspectorate plans to draft a second-stage (1996) program for the introduction of the property tax. It will address appeals and courts, relations with local authorities, enforcement, and computerization.

As previously mentioned, task 6.1 of the program addresses funding. As with other elements of the program, there are difficulties here. The program envisaged that the Ministry of Finance would provide funding. However, the inventory offices made no funding requests, and the 1995 budget contains no funding for property tax implementation, partly because the budget already is operating in a deficit.

We discussed whether local authorities should fund the property tax registration and valuation program as they are slated to receive the revenue from the tax. Although there are clear benefits to having the recipients of a tax pay for some or all of the administrative costs, the extent to which local authorities can or would pay for property registration and valuation is unclear.

There is an interest in using the revenue raised from the registration of illegal structures to finance the implementation of the property tax. Given the time-consuming nature of the existing registration process, this clearly is not a practical short-term solution.

We also discussed funding from international sources.

Under any funding option, the inventory offices will need to develop work proposals and funding requests. The need for such basic preparations was underscored in joint meetings between the inventory offices and the Tax Inspectorate. If the plans have not already been developed, spreadsheets similar in content to the following could be used.

### Exhibit 3. Illustrative Spreadsheet

District: _____					
Type of property	Estimated number	Daily production rate	Estimated days of work	Pay cost per day	Total cost

Spreadsheets also could be developed for documenting estimates of office space requirements, computing equipment needs, transportation, and other needs. They could be used to compare the resource needs under the various implementation options discussed below.

#### 3. Institutional Arrangements

The Law on Property Tax assigns the responsibility for valuation to the inventory offices of the "Haybnakkomtnt" State Corporation and the City of Yerevan inventory office. They are responsible for compiling registers of assessable structures owned by citizens, calculating their taxable value, and transmitting taxpayer and valuation data to the State Tax Inspectorate. The Tax Inspectorate is responsible for tax billing. Banks and local authorities help with collection.

The Tax Inspectorate believes that it is best to separate assessment from collection, a position with which I can agree. As previously mentioned, there is a need to maximize the distance between legal and fiscal cadastral activities in public's mind. Valuation not equal to assessment. Having tax bills sent from the Tax Inspectorate may help.

An immediate need is the establishment of timely routines for transmitting data from the inventory offices to the Tax Inspectorate.

The operations of the "Haybnakkomtnt" State Corporation and the City of Yerevan inventory offices are decentralized. "Haybnakkomtnt" has thirty-nine regional offices, and the City of Yerevan has eight districts. This creates a need for supervision and coordination on two levels: (1) local (within each inventorying organization) and (2) national (between the two organizations). The second level of supervision would ensure that the taxes are consistently enforced throughout the country. Otherwise, localities will have an incentive to understate the local tax base in order to qualify for larger state grants. The first level of supervision would help ensure that each district office performs satisfactorily and could help monitor individual performance (in part to minimize opportunities for corruption).

In carrying out task 9 of the government's implementation program, the Tax Inspectorate will be engaging in a measure of supervision. However, the mechanisms for enforcing standards and remedying problems have not been worked out.

The Tax Inspectorate is reorganizing to administer the property tax better. The property tax division is being upgraded to a department under the deputy director for methodology. It will have a methodological division and a control, analysis, and information division. Field offices also are being reorganized with the creation of a citizens' tax division, which will have a property tax unit.

As Armenia moves toward market value-based land and building taxes there will be a need to reorganize responsibility for valuation. In any given district, land and building valuation should be under the responsibility of a single agency. The same holds for the valuation of agricultural and non-agricultural property.

Zheks [spelling] in Yerevan and municipalities may have names of residents in areas.

There are a number of institutional matters connected with the introduction of the land and property taxes that have not been fully elaborated.

These include responsibility for the legal cadastre, as previously mentioned. I was pleased to learn that the Tax Inspectorate is among the supporters of a reduction in the number of registration agencies. Given the compact size of Armenia, single, national cadastral agency would seem to make sense. Of course, such an agency should have regional offices to serve the public.

Other institutional questions include:

- Who is responsible for granting privileges?
- How will the appeal process work?
- What should the relationships between the central government and local governments be—specifically between the Tax Inspectorate and local councils?

## B. BILLING AND COLLECTION

A successful tax collection system is one in which it is easier and less costly to pay the tax than to evade it. The Tax Inspectorate is well aware of this and is equally aware of the challenges of installing such a system in Armenia for the land and property tax.

### 1. Enterprises

Enterprises are to assess and pay their taxes quarterly using long established mechanisms. Formerly taxes were subtracted from bank accounts, but this may not be reliable now.

Two other types of problems are anticipated: Some enterprises will claim they lack the funds. Some (mostly small and private) enterprises will fail to file. Nevertheless to collection and enforcement of enterprise property taxes should be comparatively efficient and effective.

### 2. Citizens

The success of the effort to collect property taxes from citizens is less certain. The State Tax Inspectorate sees three factors as affecting collection success:

- Available resources, particularly sufficient trained personnel. Without them, the lists of taxpayers and taxable objects almost certainly will be incomplete.
- Local council cooperation. The Tax Inspectorate wants to maintain good relationships with local councils to avoid the disruptions some caused last year with the introduction of the land tax. The Tax Inspectorate hopes to persuade local politicians that the long-term benefits of cooperation (a dedicated source of revenue) are greater than short-term political advantage.
- Taxpayer cooperation. A tradition of voluntarily paying taxes has not been established in Armenia.

In addition, neither the court system nor existing enforcement legislation is set up to deal with property tax enforcement actions. The usual sort of penalties exist in law, but they are largely untested. They include interest on late payments, the possibility of confiscation of property, and even criminal penalties. Some consideration has been given to public service work as a means of discharging a property tax obligation, a novel idea that merits consideration.

In a similar vein, there are doubts as to how to proceed in cases where taxpayers appear genuinely to lack the ability to pay (see section IV.H).

Local council cooperation is important for a practical reason. The council's cashier can accept property tax payments. This procedure calls for the cashier to deposit the

payments in the savings bank and give a copy of the receipts to the Tax Inspectorate's field office for payment accounting purposes.

Taxpayers can also make payments directly with the bank. Banking system problems mean that money is not always transferred timely. There is a need to ensure that banks keep adequate records of payments. For each payment, the following should be recorded:

- The person making the payment (including an identification number, such as person number, taxpayer number, or cadastre number).
- Date of payment
- Amount of payment (whether in full or partial, whether includes penalties or interest).
- Form of payment (cash, check, etc.).

A receipt should be issued. (The failure of banks to keep adequate records of property tax payments was a problem in the Czech Republic.)

Procedures should be in place for the proper handling of payments to guard against loss and fraud.

Tax Inspectorate field offices appear to maintain adequate but hand-written spreadsheets summarizing the land taxes due and paid from each village. The roll details the roll entry numbers, the names of families with plots, the class of land (classes are similar to the agricultural cadastre), the value, and the taxes due. Another hand-written register book (journal) records payment dates and amounts. Each inspector maintains a register book. The bank coupons are compared with registry totals as an internal control. Discrepancies occasionally are found, usually with cash payments.

The Tax Inspectorate has an existing procedure whereby an agent will visit the taxpayer to collect taxes. As this would be time consuming, it should be used only in special cases.

There are a few provisions of the regulations (ARK045.DOC) that may require review in the future to improve collection and enforcement. Paragraph 6 of the regulations, which provides for separate, pro rata tax payments by joint property owners may complicate enforcement of tax liens when only one part owner is delinquent.

### C. PUBLIC INFORMATION AND ASSISTANCE

Task 10 of the Government's implementation program (ARK055.DOC) deals with publicizing the property tax. The State Tax Inspectorate plans a vigorous public information program to indoctrinate citizens concerning their rights and responsibilities as taxpayers. All available media will be used. However, the program will take into account the fact that many may not read newspapers or watch television.

In addition, the Tax Inspectorate recognizes the need to secure and maintain the commitment of key political figures and to gain the cooperation of other ministries and agencies. In particular, the Tax Inspectorate hopes it can avoid local council political opposition (expected to be strongest in rural areas) and can secure their assistance in completing lists of taxpayers, distributing bills, and helping with collection. This should be possible as land and building taxes can provide a dedicated source of revenue to local authorities and, thereby, help with the democratization process.

Regional offices of the Tax Inspectorate also will need to be provided information about their roles in the administration of the land tax and the property tax. The indoctrination and training program for the Tax Inspectorate field staff should cover techniques in serving the public and strategies for securing local council cooperation. The staff who conduct the training workshops should be carefully selected and trained.

The public information program should deal with registration for property tax purposes (see the discussion of "fiscal registration" in section III.D). It should be explained that the valuation on a passport is not the same as the valuation for property tax purposes. Of course the public information program also would deal with notices, appeals, tax bills, and payment procedures.

Publishing lists of taxpayers should be considered. Doing so can be of help in two ways: (1) if the lists are complete, taxpayers will see that the tax is fair and (2), if the lists are incomplete, taxpayers may complain about those who have evaded the tax. On the other hand, publication of lists could have a negative result if too few taxpayers are listed.

In addition to addressing the needs and concerns of citizens, the publicity program should address enterprises.

### D. IMPLEMENTATION OPTIONS

The best course of action for implementing the property tax is far from clear given the potential volume of work, limited preparations, and limitations in time and resources. Below I discuss options for implementing the property tax. The success of any option would be improved if the following were legal (or were deemed to be legal):

- The obligation to pay property taxes exists even if the taxpayer did not receive a bill from the Tax Inspectorate

- The obligation to pay property taxes exists even if the property is not registered with the inventory office.
- An appeal could not be lodged unless the property was registered with the inventory office.
- Taxes could be retroactively assessed on property omitted from tax rolls for a period of, say, three years, if the omission was caused by the owner's failure to file a correct return or if the tax administration failed for clerical reasons to assess the property.

In addition to what might be termed the standard approach by which only already registered property owners would be taxed in the first year of the property tax, I think there are other broad options that might be considered.

#### 1. Fiscal Registration

I recommend "fiscal registration" as a long-term strategy even if it is not chosen in the first year. Fiscal registration is different from traditional registration (in which detailed "passports" are issued) and registration in a modern legal cadastre (in which only a certificate of title would be issued). Tax officials would register property and taxpayers on their own initiative. They would not wait until property owners or occupants voluntarily registered their claims to property. Fiscal registration would not need to await the resolution of "illegal" structures. Initially, at least, fiscal registration would not need to be as detailed as traditional registration. Its sole purpose is to assemble the minimum amount of information needed to tax property. Except for the obligation to pay land and property taxes, fiscal registration itself is unconnected with any other property rights. The representation of the property need not be as precise as for some other purposes. That is, boundaries of parcels will not be important in many instances. For example, house and dacha plots themselves may be the unit of comparison for valuation, and the precise number of square meters of land area and the shape of the plot may not be important.

Under a fiscal registration procedure, inventory office staff would transcribe necessary information from existing passports and other source documents to a fiscal registration form similar to the one shown in annex C. Alternatively, the information could be entered into a computer. A simple PC-based valuation system could be developed.

As discussed above, valuation could be simplified initially. For properties already registered, it may be sufficient to simply index the valuations now in passports instead of fully calculating the value according to the regulation.

A fiscal registration procedure should concentrate on more valuable properties (whether registered or "illegal"). The practical advantage of this would be that resources will be concentrated on properties that will generate tax revenue. There would be public relations advantages as well.

Key elements of a cost-effectiveness strategy are the facts that (1) the tax rate is low (0.2 percent) and (2) at least 850 times the minimum monthly salary of the value of a citizen's property is not taxable. Another consideration is the cost of tax administration. That is, it does not make financial sense to assess property that will not produce revenue. The following exhibit illustrates the implications of these factors. The current minimum monthly salary is 475 drams. An amount equal to 850 times this number, or 403,750 drams is not taxable under article 2(b) of the Law on Property Tax. If the minimum monthly salary were to increase to 540 drams in July (as has been mentioned in the newspapers), the non-taxable amount would increase to 459,000 drams.

**Exhibit 4. Upper limit of property values (in drams) which will produce no revenues under various minimum monthly salaries and costs of property tax administration**

Cost of property tax administration (percent)	Minimum monthly salary (drams)	
	475	540
0.0	403 750	459 000
2.5	414 103	470 769
5.0	425 000	483 158
10.0	448 611	510 000

The figures suggest that it is uneconomic to assess property holdings below these values. It also can be argued that it is uneconomic to attempt to register and tax low-valued "illegal" structures.

2. "Self-Registration" by Taxpayers

It would be possible to require taxpayers to file a simple return in which they described their property, calculated its value, and calculated the taxes due. Among the countries using this approach are the Czech Republic, Slovakia, and Turkey.

In the first year, the returns could be sent directly to the Tax Inspectorate. However, in future years it might be better to have the returns sent to the inventory offices.

An attempt would be made to match these returns with registered property.

3. Contracted Fiscal Registration

Provided that funding and tendering problems could be solved, it would be possible to contract some of the registration work. There probably are institutes in Armenia that would have qualified staff. There also are international firms that build fiscal cadastres, although probably is impractical to use them in the time available.

#### IV. OTHER ISSUES

This section summarizes discussions of issues related to the introduction of the Law on Property Tax.

##### A. NON-TAXABLE ENTERPRISE PROPERTY

Article 3(a) of the Law on Property Tax provides that property carried on the balance sheets of enterprises (including "institutions, organizations, and banks") is taxable except for property designated as non-taxable by the Government of the Republic of Armenia and approved by the Supreme Council. In accordance with item number 1 in the Government's implementation program, the Government duly recommended that certain classes of assets identified in standard enterprise balance sheets promulgated by the Ministry of Finance in 1993 be designated as non-taxable (see ARK043.DOC and LK119.DOC). The Supreme Council approved the list in April 1995. The classes identified as non-taxable for non-bank enterprises are as follows (balance sheet line numbers are in parentheses):

- Capital Investments (040)
- Long-Term Financial Investments (050)
- Settlements with Founders (060)
- Future Expected Expenditures (140)
- Cash, Settlements & Other Assets (section III, lines 200 through 330)

In other words, fixed assets and certain classes of "working capital," together with things like raw materials, supplies, and inventories, are taxable. Land currently is not carried as an asset on enterprise balance sheets.

Except for the omission of land, the enterprise property tax base is broad in Armenia in comparison to western property tax systems. In many western countries, no classes of movable property are taxed. However, business machinery and equipment are taxed in a number of states in the United States and in Japan. Business inventories are rarely taxed. Some countries, such as France and some Canadian provinces, have special business property-related taxes.

The advantage of a broad base is that a lower tax rate is required to generate a given amount of tax revenue. A potential problem with the broad base is the possibility that Armenian enterprises will be at a competitive disadvantage if enterprises in other countries pay lower property taxes because movable property is not taxed in them. Armenian enterprise pressure groups can be expected to argue that paying taxes on movable property puts them at a disadvantage. However, western experience suggests that property tax burdens have only a minor affect on the location of businesses and their competitive situation.

Issues to consider for the future include:

- Harmonizing the land and property taxes to ensure equitable taxation of land, buildings, and movable property. Currently, most non-agricultural land escapes taxation or is valued for tax purposes at very low rates (urban land is valued as waste land unsuitable for agriculture).
- Monitoring the overall level of taxation of enterprise property.

## B. ASSESSMENT NOTICE AND APPEAL

As previously indicated, assessment notice and appeal procedures have not been fully elaborated. There are many issues to be considered. The appeal system should be economical (from the perspectives of both the tax administration and taxpayers). The appeal system should be accessible, but at the same time it is not desirable to have so many appeals that the tax system (and courts) are clogged. Similarly, there must be a balance between the tax being paid timely while not forcing the taxpayer to pay an unreasonable amount of taxes before being allowed to appeal. Other questions about the appeal system include what can be appealed and who defends assessments?

With respect to notices, one question is whether a valuation notice should be issued before tax bills are sent. A related question is whether such a notice should be issued by the inventory office or the State Tax Inspectorate.

Although the issuance of a valuation notice before bills are sent is common in the United States, such a procedure does not seem practical in Armenia, particularly during the first year of the property tax.

## C. ILLEGAL AND UNFINISHED STRUCTURES

The registration, assessment, and taxation of "illegal" structures and land captures is of major concern in Armenia. Task 4 of the Government's implementation program (ARK055.DOC) deals specifically with this issue. A decision has been drafted but I did not see it. However, my general views concerning the taxation of illegal structures and land captures are set out in annex D. In summary, I believe that taxation should make no distinction as to whether a property is legal or not. Of course, capturing illegal structures will be a large task, as it is estimated that there are 20,000 illegal garages in Yerevan alone.

I also believe that most illegal structures should be viewed as a *fait accompli* and that they should be brought within the framework of legally protected private property. Their owners and occupants should not be punished. The structures should not be demolished.

There also is a question as to how unfinished structures should be valued. Two, very different approaches are taken to this issue in the United States. In some states, a structure is not taxed until it is certified as fit for occupancy, the theory being that only

then does the structure begin to provide valuable benefits. In other states, unfinished structures are valued and taxed on the basis of percent complete on the theory that there are latent benefits associated with the construction. The problem with the first approach is that it provides an incentive not to complete the structure. The problem with the second approach is that taxes must be paid on structures from which their owners receive no actual benefits.

There is a middle ground. A structure could be taxed when it is used or when it is substantially complete, but due allowance could be made for incomplete construction.

Some would argue that taxing unfinished structures would provide an incentive to complete them. I would not agree in cases where the construction was stopped either because of a lack of demand (no need) for the building or because the owner lacks the funds to complete it. In the first case, it would be illogical to complete the building. In the second case, taxing the unfinished structure will only make it more difficult to save the money needed to resume construction.

#### D. LEGAL FRAMEWORK

Task 5 of the Government's implementation program (ARK055.DOC) is to harmonize subordinate acts with the Law on Property Tax and to recommend other desirable changes in the laws of the Republic of Armenia. The task was explicitly built into the program because experience with the introduction of the land tax revealed that some ministries failed to anticipate the need to harmonize legislation. At the time of my visit, few ministries, including the Ministry of Justice, had commented.

The State Tax Inspectorate fully realizes that some details of the current legal framework are based on obsolete Soviet-era principles that do not accord with democratic, market economy principles. It recognizes the need for laws formalizing property rights under market economy principles. The legal framework for local government, including local government finance, also is said to be deficient relative to the goal making the property tax a local tax. Commendably, the Tax Inspectorate also is dedicated to continuous review and refinement of the property tax laws. This includes the eventual unification of the Law on Land Tax and the Law on Property Tax.

#### E. LIVESTOCK NORMS

Livestock holdings above certain norms are taxable under the Law on Property Tax (article 4b). The tax on each animal above the non-taxable norm is 25 percent of the minimum monthly salary. The law does not define livestock. Task 7 of the Government's implementation program was to approve those norms. This was done during my visit. The norm was set at ten, but we did not discuss whether that applied only to cattle or to all species of livestock.

We discussed the practical difficulties of verifying the number of livestock an individual held on the assessment date, 1 July, when grazing livestock would be dispersed in mountain pastures.

In the final analysis, a review of the question of taxing livestock would seem to be in order given the complications of administering the tax and the fact that most agricultural assets owned by enterprises would seem to be exempt.

## F. PRIVILEGES

Task 8 of the Government's implementation program (ARK055.DOC) concerns proposals to establish property tax privileges (exemptions) for properties in populated border areas damaged in the conflict with Azerbaijan. The intent would be to encourage redevelopment. In this connection, we discussed property tax privileges generally.

The current Law on Land Tax and Law on Property Tax continue many Soviet-era privileges. The most noteworthy aspect of the list of privileges is the favorable treatment given the agricultural sector.

### 1. The Rationale for Granting Privileges

I was asked about principles for conferring privileges. In my view, there are:

- (1) Privileges should be kept to a minimum. By reducing the overall property tax base, privileges (a) increase the tax burdens of un-privileged taxpayers and (b) reduce the overall yield from the property tax (here "property tax" is used in its generic, western sense). Privileges can distort economic behavior. Specifically, they make it easier to hold property and not use it or not use it in a productive, socially desirable way.
- (2) A rationale for granting some privileges is administrative practicality. Property owned by the unit of government granting privileges often is exempt from property taxation. This eliminates the need to "take money from one pocket and put it in another." Similarly, certain non-governmental organizations may be granted a privilege if they perform services that the government otherwise would have to perform.

Of course, the government granting the privilege may not be the one affected by the loss of revenue. If local governments receive property tax revenue to provide services to the owners and occupants of property in their territories, a privilege granted by the central government means that the local government must provide services while receiving no tax revenues in return. If tax-exempt properties are concentrated in a few municipalities (such as the national capital), the financial strain on the local government (and the non-privileged taxpayers) can become substantial.

A solution to this problem can be grants that are approximately proportional to the lost property tax revenue.

- (3) Privileges provide an incentive to carry out some socially or economically desirable activity. Common incentive privileges encourage agricultural land preservation, historic preservation, environmental improvements, new industrial development, housing renovation, and the like.
- (4) Privileges may be granted in appreciation for past service. Veterans often are granted privileges (as is the case in Armenia).

## 2. Administration

Privileges increase the administrative complexity of a property tax. The basic problem is the more strictly the privilege is administered, the more costly administration becomes. In other words, there is a tradeoff between the revenue lost from privileges and the cost of administration. But if privileges are not strictly enforced, some ineligible taxpayers will receive a privilege.

A common situation is a tax-exempt organization that uses all or part of its property for non-privileged purposes (such a restaurant in a hospital). Desirably any property used for non-exempt purposes would be taxed. In some systems, the entire exemption could be lost.

The fact that enterprises established in the communist era own housing and social service property raises issues as to how much of their property should be exempt from property taxation. The Parliament Commission on Budgeting compiles list of enterprises enjoying privileges, a good practice.

It also is a good practice to publish lists of privileged organizations and statistics on amount of property that is privileged.

## G. RELIEF

There is considerable concern that ordinary citizens will not be able to pay their property taxes in the current economic situation in Armenia. The Law on Property Tax reduces the taxable value of a citizen's taxable property by the greater of (a) 850 times the minimum monthly salary (as of 1 July of each year) or (b) 300 times the minimum monthly salary per family member. The minimum monthly salary currently is 475 drams month and is expected to rise to 540 drams per month on 1 July 1995. There are a number of additional personal privileges. Typical tax bills are estimated at 200 to 600 drams per month in regional centers (approximately \$20 per year).

It would be desirable to develop additional estimates of tax bills based on different types of construction, sizes of housing units, and family sizes for different regions of the country. If it appears that tax bills for any groups are likely to be onerous, it would be desirable to develop additional property tax relief mechanisms. Such mechanisms are likely to become more important as progress is made in converting to a market value based tax.

## ANNEX A. LIST OF PERSONS INTERVIEWED

### USAID & ICMA

Ray Morton

Steven Anlian, Resident Advisor

Melik Karapetian

Nelly Malkhasian, Interpreter

Anton Yergat

Eugene Sienkiewicz

Armine Hovhannissian

Giovanni Caprio

### GOVERNMENT DEPARTMENT OF URBAN POLICY

Andranik Andreassian, Director

Sirekan Ohanian, Head of Section on Urban Policy

### STATE TAX INSPECTORATE

Pavel D. Safarian, Chief of the State Tax Inspectorate

Armen Alaverdian, Deputy Head

Aharon Chilingarian, Deputy Head of the Department of Taxes and Methodology

Hratchik Mkrтчian, Head of Division of Property Tax

Samvel Abrahamian, incoming head of new Department of Property Tax

Anna Karapetian, Chief Inspector

Karen Galafian, Senior Inspector

Levon Houghannesian

Andranik Petrossyan, Abovian Field Office head

Tatoul Hovhannesian

### STATE DEPARTMENT OF ARCHITECTURE

Matinian

Mushegian

Sogohonian

### STATE INVENTORY DEPARTMENT

Gagik Begjamian

### YEREVAN INVENTORY OFFICE

Arsen Bagratian

## ANNEX B. REFERENCES

### LIST OF GOVERNMENT DOCUMENTS REVIEWED

99.doc	1994. Instruction for Land Tax Calculation and Its Payment.
(Draft)	1994. The Law of the Republic of Armenia on Land Tax.
ARK030.DOC	1995. The Law of the Republic of Armenia on Property Tax
ARK043.DOC	1995. Protocol and Resolution "On Confirmation of the List of the Property of Enterprises, Institutions, and Organizations Qualified as Item not Taxable with Property Tax."
ARK044.DOC	1995. Protocol and Resolution "On Regulation for Valuation of the Property Qualified as Item Taxable with Property Tax."
ARK045.DOC	1995. Regulations for Assessment and Payment of Property Tax by Citizens.
ARK046.DOC	1995. Regulations for Assessment and Payment to the Budget of Property Tax by Enterprises and Organizations.
ARK055.DOC	1995. Minutes of the Meeting of the Government of the Republic of Armenia, 18 January 1995, No. 6, and the Program of Arrangements Related to the Introduction of Property Tax in the Territory of the Republic of Armenia.
KCh001.doc	1994. The Decision of the Supreme Council of the Republic of Armenia on Implementation of the Land Tax Law of the Republic of Armenia.
KCh002.doc	1994. Decision No. 251, June 1, 1994, "On Approval of the State Land Cadastre as of January 1, 1994."

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## ANNEX C. SUGGESTED REVISIONS TO VALUATION FORM

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 Taxpayer Identification Number

Cadastral Number

### Consolidated Calculation of Valuation of Structures

Name of the Owner

Name of Structure

Address (Place of Location, Including Unit Number)

Valuing Body (name)

Date

19

Type

Type Code

Number of Stories

Name of Factor	Number of the Index
1. Area (M <sup>2</sup> ) or Volume (M <sup>3</sup> ) of the Valued Structure	
2. Construction Type Per-unit Value Rate	
3. Technical Condition Category    0 (1.0) <input type="checkbox"/> 1 (0.95) <input type="checkbox"/> II (0.85) <input type="checkbox"/> III (0.50) <input type="checkbox"/> IV (0.0) <input type="checkbox"/>	
4. Building Age Category    1 1-5 Years (0.98) <input type="checkbox"/> 2 6-10 Years (0.95) <input type="checkbox"/> 3 11-15 Years (0.91) <input type="checkbox"/> 4 16-20 Years (0.87) <input type="checkbox"/> 5 21-25 Years (0.82) <input type="checkbox"/> 6 26-30 Years (0.75) <input type="checkbox"/> 7 31-40 Years (0.68) <input type="checkbox"/> 8 41 and more Years <input type="checkbox"/>	
5. Facilities (All (0.5) <input type="checkbox"/> )    1 Electricity (0.09) <input type="checkbox"/> 2 Gas (0.07) <input type="checkbox"/> 3 Water (0.09) <input type="checkbox"/> 4 Sewerage (0.07) <input type="checkbox"/> 5 Central, Local Heating ((0.05) <input type="checkbox"/> 6 Telephone ((0.05) <input type="checkbox"/> 7 Radio (0.05) <input type="checkbox"/> 8 Elevator (0.03) <input type="checkbox"/>	(0.5 plus sum of checked blocks)
6. Floor of Flat Basement <input type="checkbox"/> Semi-Basement <input type="checkbox"/> Floor Number ____	
7. Zone I (1.0) <input type="checkbox"/> II (0.71) <input type="checkbox"/> III (0.57) <input type="checkbox"/> IV (0.43) <input type="checkbox"/> V (0.28) <input type="checkbox"/> VI (0.14) <input type="checkbox"/>	
8. Value of Structure	

Notes

## ANNEX D. MEMORANDUM TO MR. ALAVERDIAN

Date: 27 April 1995

To: Armen Alaverdian

From: Richard Almy

Subject: Answers to questions posed by you and your colleagues.

I thought it might be helpful if I responded in writing to some of the questions we have discussed. This is the first of a series of memorandums that I will prepare during this visit to Armenia. Of course, I will be happy to discuss these matters further if you would like.

**Question:** *Why should the property of enterprises be taxed when the incomes of enterprises are taxed?*

**Answer:** Of specific concern here is the income generated by land and buildings, as opposed to the income generated by the other factors of production of an enterprise (management, labor, and other forms of capital investments).

I can think of three justifications for taxing property income under a property (land and building) tax. Although not a justification, I can think of no western country that exempts enterprise property from property taxation.

First, it is not uncommon for different tiers of government to use different forms of taxation. That is, local governments commonly receive the revenue from property taxes while higher-tier governments receive the revenue from income taxes. In this situation, local governments would receive no property tax revenues from enterprise property if that property were exempt from property taxation. At the same time, local governments would have to provide services, such as police and fire protection, to enterprises. Of course, if enterprise property *is* subject to property taxation, property tax payments should be deductible (that is, an allowable expense) for income tax purposes to avoid double taxation.

Second, the income concepts usually differ. Under the income tax, the income that is taxed is the actual net income of the period (year) in question. Under the property tax, the income that is taxed could be the actual income (as in the income tax), but it usually is the income that the property would be expected to generate under specified assumptions about the respective responsibilities of the owner and the tenant and the quality of property management. Furthermore, under a capital value tax, the property income that is taxed is the expected *future* income of the property in question. In effect, the property tax can tax unrealized capital gains.

Particularly if income tax rates are progressive, the income tax tends to "penalize" successful, efficient enterprises and "reward" unsuccessful, inefficient enterprises. In contrast, taxing property income implicitly or explicitly under the property tax tends to have the opposite effect.

Third, by taxing property income under the property tax *and* taxing remaining enterprise income under the income tax, it is less likely that any property income will escape taxation due to deficiencies in tax administration. The current Law on Land Tax in Armenia, under which farmers are exempt from income taxation, provides an example of how problems with tax administration can result in low taxation of certain types of income. As long as the cadastral values for farmland are below market values, farmers will enjoy favorable treatment relative to other kinds of enterprises.

Of course, merely because a tax policy can be justified does not mean that policy is the best policy for a country.

**Question:** *How should Armenia deal with illegal construction under the property tax?*

**Answer:** I think the approach outlined by the State Tax Inspectorate is appropriate. As you propose, "illegal" (that is, land captures, buildings, and additions to buildings constructed without formal permission in the previous regime) should be registered and taxed just as other land and buildings are taxed.

I do not think the property tax is not an appropriate means for punishing current owners or users of property for unapproved acts, particularly for acts done more than a few years ago.

In addition, there is a school of thought, with which I agree, that holds that large-scale illegal or informal property ownership reflects a failure of a society and its legal system. This school of thought also holds that the solution is to transform the property system so that illegal land uses are formally recognized. It would be counter-productive to confiscate the property and demolish the buildings. Of course, dangerous situations should be dealt with. (I am giving to Steven Anlian a paper by John McLaughlin and Hernando DeSoto that outlines a general program for reforming the property system to deal with "illegal" property such as is common in Armenia. The title of the paper is "Property Formalization: The PROFORM Solution.")

Indications of cadastral and land and property tax work load

Type of unit	Number	Production rate	Years of work
Land plots	635,000-750,000	20	
Peasant farms	476,000		
Gardening plots	80,000		
Collectives	28,000		
State enterprises	1,000		
Yerevan urban	50,000		
Buildings			
One-family houses	300,000	35	43
Farm houses	238,000		
Urban houses			
Yerevan	45,000		
Apartment blocks	20,000	10	10
Yerevan	6,500-8,000		
Other	20,000	10	10
Housing units	500,000	50	50
Yerevan	230,000-240,000		
Registered	200,000		
Privatized	110,000		
Ownership units	650,000-847,000		
Peasant farms	238,000		
Gardening plots	80,000		
Collectives	28,000		
State enterprises	1,000		
Urban housing units	500,000		
Taxpayers	887,000	50	89
Current potential	300,000		

Notes: Production rates are per-person per day. They are highly preliminary and should be used with extreme caution. Years of work are based on a 200-day work year. The work loads associated with land plots relate chiefly to completing the land register and compiling parcel (cadastral) maps. Work loads associated with buildings and housing units relate chiefly to completing the building registers. Work loads associated with taxpayers relate chiefly to processing tax notices and payments; they suggest that a staff of 89 eventually will be needed for that purpose.

Sources: Almy, Armenian Urban Research Institute, Holstein 1993, State Tax Inspectorate, and Wunderlich

**Attachment A**  
Minutes of the Meeting of the  
Government of the Republic of Armenia  
18 January 1995, No. 6

<p>Mon 24 Apr 95 No scheduled meetings—genocide commemoration.</p>	<p>Mon 1 May 95 STI discussion of tasks:</p> <ul style="list-style-type: none"> <li>• Principles and mechanisms of the fiscal cadastre</li> <li>• Expertise of property assessment</li> </ul>
<p>Tue 25 Apr 95 STI situation analysis re implementation of the property tax</p>	<p>Tue 2 May 95 Visit to regional tax inspectorate and inventory bureau</p>
<p>Wed 26 Apr 95 STI review of <u>program</u> for implementation of the property tax</p>	<p>Wed 3 May 95 A scheduled meeting with Supreme Council Permanent Committee was canceled because the Committee earlier had reached its scheduled decisions.</p>
<p>Thu 27 Apr 95 STI discussion of tasks related to the property tax at STI:</p> <ul style="list-style-type: none"> <li>• Principles of determination of structures subject to property tax</li> <li>• Assessment of untaxed structures</li> <li>• Selection of citizens' taxable objects</li> </ul>	<p>Thu 4 May 95 Presentation to STI and other officials</p>
<p>Fri 28 Apr 95 STI discussion of tasks</p> <ul style="list-style-type: none"> <li>• Principles of privileges</li> <li>• Forms and methods of collection. Administration</li> </ul>	<p>Fri 5 May 95 Exit briefings and meetings on market monitoring.</p>
<p>Sat 29 Apr 95 STI discussion of administrative issues</p>	<p>Sat 6 May 95 Travel day</p>

The STI's work plan closely paralleled the tasks in my scope of work. In my judgment, tasks 1, 2, and 4 were addressed satisfactorily. Although considerable progress was made on the procedural issues identified in task 3, I did not make as much progress with a more detailed implementation plan as I would have liked. The reason for the lack of progress was the absence of any evident preparatory work by the inventory offices of the

"Haybnakkomtnt" State Corporation and the City of Yerevan. I have a degree of comfort with the Yerevan inventory office, but the situation with "Haybnakkomtnt" is of some concern. I think the STI and I made some progress in forcing the issue with the inventory offices in a series of meetings, including one in Andranik Andreassian's office. There was no opportunity to address task 5.

My suggestions for my next TDY follows the outline in my scope of work. Subject to the approval of the State Tax Inspectorate, I would propose to continue work on elaborating a detailed project plan for the implementation of the property tax, including the development of specific procedures for registering property for the property tax, streamlined valuation procedures, transmitting information from the inventory offices to the STI, public information, and so forth. It also might be useful to provide input at an early stage in the planning for the 1996 work program.

Detailed work on a training strategy can begin now that some key decisions have been made. Although some of the training will deal with basic principles, much will have to be related to specific procedures and tasks. However, I believe I can help.

I also would like to address a number of issues related to market monitoring. In connection with obtaining and securing local political support for the property tax, some pilot work on tax impacts would be highly desirable. This work would be based on the approved valuation procedure. However, it also would be desirable to compare valuations produced under the regulation with market evidence with the dual objective of refining the valuation regulation and illustrating tax inequities, which could be addressed by improvements in valuation methods.

**MINUTES  
OF THE MEETING OF THE GOVERNMENT  
OF THE REPUBLIC OF ARMENIA**

18 January 1995 No.6

On the Schedule of the Discussions to Be Held in the Supreme Council  
of the Republic of Armenia Regarding the Program of Social and  
Economic Development of RA for 1995, the State Budget of the RA  
for 1995, the Program of Monetary and Credit Policy of RA for 1995

3. To approve the attached List of Decisions of the Government of the Republic of Armenia to be adopted under the Law of the Republic of Armenia "On Income Tax" and the Law of the Republic of Armenia "On Property Tax", together with deadlines and performers, as submitted by the State Tax Inspection of the Republic of Armenia (P.Safarian).

The Prime-Minister  
of the Republic of Armenia

H.BAGRATIAN

**ENGLISH TRANSLATION BY :**

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ICMA PRINTING DATE: April 26, 1995

The Program of Arrangements Related to the Introduction  
of Property Tax in the Territory of the Republic of Armenia

No	Priority Tasks and Arrangements	Person Responsible for Arrangements	Name and Type of Document (law, resolution, order, regulation, etc.)	Performer organization (the first one is responsible)	Deadline for submission to the Government	Deadline for submission by the Government to the Supreme Council
1	To approve the list of property of enterprises, institutions and organizations not taxable with property tax	State Minister G.Martirosian	Resolution of the Government of RA approved by the Presidium of the Supreme Council of RA	State Tax Inspection of RA, Ministries of Economy and Finance of RA, State Department for Statistics of RA, Department for Registration and Denationalization of State Property under the Government of RA	30.01.1995	13.02.1995
2	Establishment of Regulation for valuation of property taxable with property tax	State Minister G.Martirosian	Resolution of the Government of RA approved by the Presidium of the Supreme Council of RA	State Tax Inspection of RA, Ministries of Economy, Finance and Justice of RA, State Department for Statistics of RA, "Haybnakkomntn" State Corporation, Executive Committee of Yerevan City Council, Department for Registration and Denationalization of State Property under the Government of RA, State Department for Architecture and Urban Planning of RA	03.02.1995	13.12.1995

No	Priority Tasks and Arrangements	Person Responsible for Arrangements	Name and Type of Document (law, resolution, order, regulation, etc.)	Performer organization (the first one is responsible)	Deadline for submission to the Government	Deadline for submission by the Government to the Supreme Council
3	Drafting of Regulation for assessment and payment of property tax	Chief of State Tax Inspection of RA P.Safarian	Regulations	State Tax Inspection of RA, Ministries of Finance and Justice of RA	One week after the adoption by the Government of Resolutions referred to in Sections 1 and 2 of this Program	
4a	Resolution of matters related to inventory of illegally built structures and registration of them as property (adoption of a respective resolution, approval of regulation for inventory of illegally built structures and their registration as property)	State Minister G.Martirosian	Resolution of the Government of RA	State Department for Architecture and Urban Planning of RA, "Haybnakkomtat" State Corporation, Executive Committee of Yerevan City Council, Ministry of Justice of RA, State Department for Registration and Denationalization of State Property under the Government of RA	24.02.1995	
4b	Financing of Inventory of illegally built structures and their registration as property	Minister of Finance of RA L.Barkhudarian	Order of the Government of RA (or it must be incorporated in the Resolution of the Government of RA referred to in Section 4a hereof)	Ministry of Finance, Staff of the Government of RA, "Haybnakkomtat" State Corporation, Executive Committee of Yerevan City Council (the last two shall submit estimated costs)	01.03-01.06.1995 according to the volume of performed works	

No	Priority Tasks and Arrangements	Person Responsible for Arrangements	Name and Type of Document (law, resolution, order, regulation, etc.)	Performer organization (the first one is responsible)	Deadline for submission to the Government	Deadline for submission by the Government to the Supreme Council
4c	Conduct of inventory and registration of illegally built structures	State Minister G.Martirosian		"Haybnakkomtnt" State Corporation, Executive Committee of Yerevan City Council	10.06.1995	
5	To put subordinate legislative acts of the Government of RA into conformity with the Law of RA "On Property Tax", and, where necessary, to submit to the Supreme Council of RA proposals regarding amendments to be made in the laws of RA pursuant to this Law	Minister of Justice of RA V.Stepanian	Law of RA, Resolution of the Government of RA	Ministries of Justice, Finance, Economy, State Department for Statistics of RA, State Tax Inspection of RA, "Haybnakkomtnt" State Corporation, Executive Committee of Yerevan City Council, Department for Registration and Denationalization of State Property under the Government of RA	17.03.1995	When necessary
6	Valuation of structures owned by citizens					
6.1	Financing of works regarding valuation of structures owned by citizens	Minister of Finance of RA L.Barhudarian		Ministry of Finance of RA, "Haybnakkomtnt" State Corporation, Executive Committee of Yerevan City Council	Within 2 months after the adoption of Regulation for valuation of property taxable with property tax	

No	Priority Tasks and Arrangements	Person Responsible for Arrangements	Name and Type of Document (law, resolution, order, regulation, etc.)	Performer organization (the first one is responsible)	Deadline for submission to the Government	Deadline for submission by the Government to the Supreme Council
6.2 a	Regarding privatized residential buildings, flats and houses in Yerevan	Chairman of Yerevan City Council V.Khachatrian	Order of the Government of RA	Inventory office of the city of Yerevan	Within 2 months after the adoption of Regulation for valuation of property taxable with property tax	
6.3 b	Regarding own garages and other structures in Yerevan	Chairman of Yerevan City Council V.Khachatrian	Order of the Government of RA	District Executive Committees in Yerevan	Within 2 months after the adoption of Regulation for valuation of property taxable with property tax	
7	To approve the norms of livestock not taxable with property tax	State Minister G.Shahbazian	Resolution of the Government of RA approved by Permanent Committee of Supreme Council of RA on Finance, Credit and Budget Matters	Ministry of Agriculture of RA, Ministry of Economy of RA, Ministry of Finance of RA, Ministry of Justice of RA	15.02.1995	01.03.1995
7b	To approve precise rates of property tax			Ministry of Finance of RA, Ministry of Economy of RA		

No	Priority Tasks and Arrangements	Person Responsible for Arrangements	Name and Type of Document (law, resolution, order, regulation, etc.)	Performer organization (the first one is responsible)	Deadline for submission to the Government	Deadline for submission by the Government to the Supreme Council
8	Submission of proposals regarding establishment of property tax privileges in the populated areas of border districts	Staff of the Government of RA	Resolution of the Government of RA approved by Permanent Committee of Supreme Council of RA on Finance, Credit and Budget Matters	Ministry of Economy of RA, Ministry of Finance of RA, State Tax Inspection of RA, Ministry of Justice of RA	15.02.1995	01.03.1995
9	To confirm the results of inventory referred to in Sections 4 and 6 of this Program, as well as Regulation for submission of other data to taxation bodies and citizens who own property, as prescribed in Law of RA "On Property Tax"	Chief of State Tax Inspection of RA P.Safarian	Resolution of the Government of RA	State Tax Inspection of RA, "Haybnakkomtnt" State Corporation, Executive Committee of Yerevan City Council, State Automobile Inspection of the Ministry for Internal Affairs, Ministry of Agriculture of RA	01.05.1995	
10	Popularization of Law of RA "On Property Tax" among tax-payers, provision of publicity of the results of property valuation	Staff of the Government of RA	Approval by respective departments of the programs of popularization of property tax introduction, procedure for assessing and paying property tax	State Tax Inspection of RA, "Haybnakkomtnt" State Corporation, Executive Committee of Yerevan City Council, district (town) Executive Committees, State Department for Television and Broadcasting	01.03-01.06.1995	

No	Priority Tasks and Arrangements	Person Responsible for Arrangements	Name and Type of Document (law, resolution, order, regulation, etc.)	Performer organization (the first one is responsible)	Deadline for submission to the Government	Deadline for submission by the Government to the Supreme Council
11a	Arrangements aimed at technical provision of property tax introduction	Staff of the Government of RA	Order of the Government of RA on financing necessary for photocopying of property tax declaration forms and property tax statement forms	Staff of the Government of RA, Ministry of Finance of RA, State Tax Inspection of RA	Within one month after the adoption of the Law	
11b	Elaboration of forms of declarations and statements	Chief of State Tax Inspection of RA P.Safarian	Relevant forms	State Tax Inspection of RA, Ministry of Finance of RA	Within one month after the adoption of the Law	
11c	Provision of tax-payers with necessary forms of declarations and statements	Chief of State Tax Inspection of RA P.Safarian		State Tax Inspection of RA	One month prior to established deadlines for tax payment, after the Law is adopted	
12	Consultations in the Government of RA regarding the results of the introduction of property tax program	Prime-Minister of RA H.Bagratian	Resolution of the Government regarding results and further actions, development of mechanisms for application of property tax	Ministries, administrations of RA, local bodies of power		

**Attachment B**

Protocol: On the Confirmation of the List of the Property of  
Enterprises, Institutions and Organizations, Qualified as Item  
not Taxable with Property Tax

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03/26/95 10:10 AM

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Word account: 478

ICMA PRINTING DATE: April 17, 1995

Draft No. 9

**Protocol**

**On Confirmation of the List of the Property of Enterprises, Institutions and Organizations, Qualified as Item not Taxable with Property Tax.**

To approve the Draft Resolution of the Government of the Republic of Armenia "On Confirmation of the List of the Property of Enterprises, Institutions and Organizations, Qualified as Item not Taxable with Property Tax" and to submit it to the Presidium of the Supreme Council of the Republic of Armenia for approval.

A. Alaverdian

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03/26/95 10:10 AM

Draft

**THE GOVERNMENT OF THE REPUBLIC OF ARMENIA**

**RESOLUTION**

**"On Confirmation of the List of the Property of Enterprises, Institutions  
and Organizations, Qualified as Item not Taxable with Property Tax"**

Pursuant to Section 2 (a) of the decree of the Supreme Council of the Republic of Armenia "On the Procedure for Putting the Law of the Republic of Armenia "On Property Tax" Into Effect", dated 17.01.95, and taking into consideration the consent of the Presidium of the Supreme Council of the Republic of Armenia, the Government of the Republic of Armenia resolves:

To state that:

a) for enterprises, institutions and organizations enjoying the status of a legal entity (except for banks), there shall not be an item taxable with property tax any property (qualified as tangible assets) indicated as having certain value in the balance sheets (statements), which is reflected in Section 3 of the assets part of the Model Form of an Enterprise's Balance Sheet approved by the Resolution No.292 of the Government of the Republic of Armenia "On Confirmation of the Regulation on Accounting and Reporting", dated 3 June 1993, as well as in the following articles of Sections 1 and 2 thereof:

Capital Investments  
Long-Term Financial Investments  
Settlements with Founders  
Forthcoming Period Expenses

b) for banks, there shall not be an item taxable with property tax any property indicated as having certain value in the assets articles of all sections (excluding sections 4, 22 and 24) of balance sheets (statements) applicable to banks in accordance with legislation of the Republic of Armenia, as well as the property indicated in the following articles of Sections 4, 22 and 24:

Revaluation of Precious Metals	059
Settlements of the Bank with Enterprises and Organizations in Respect of the Fixed Assets	922
Capital Expenses for Buildings Leased by the Bank	923
Capital Investments	930
Debtors and Creditors in Respect of Capital Investments	932
Forthcoming Period Expenses	941
Transaction Expenses	970
Paid out Penalties, Fines and other Charges	979
Current Year Losses	980
Previous Year Losses	981

**Attachment C**

Protocol: On Regulation for Valuation of the Property Qualified  
as Item Taxable with Property Tax

R. Almy

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04/03/95 6:30 PM

ENGLISH TRANSLATION BY :

04/03/95 6:30 PM

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Word account: 2567

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Draft No. 10

**Protocol**  
**On Regulation for Valuation of the Property Qualified as Item Taxable with**  
**Property Tax**

To approve the Draft Resolution of the Government of the Republic of Armenia "On Regulation for Valuation of the Property Qualified as Item Taxable with Property Tax", and to submit it to the Presidium of the Supreme Council of the Republic of Armenia for approval.

A. Alaverdian

*Approved by Parliament  
28 Apr 95  
c.f.f.*

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04/03/95 6:30 PM

Draft

**THE GOVERNMENT OF THE REPUBLIC OF ARMENIA****RESOLUTION****"On Regulation for Valuation of the Property  
Qualified as Item Taxable with Property Tax"**

Pursuant to Section 2 (a) of the decree of the Supreme Council of the Republic of Armenia "On the Procedure for Putting the Law of the Republic of Armenia "On Property Tax" into Effect", and taking into consideration the consent of the Presidium of the Supreme Council of the republic of Armenia, the Government of the republic of Armenia resolves:

1. To confirm Regulation for Valuation of the Property Qualified as Item Taxable with Property Tax (appended).
2. To state that:
  - a) according to Regulation confirmed by Section 1 of this Resolution, valuation of residential houses, flats, summer houses, trailers, dwellings and structures, other buildings (hereinafter referred to as "structures") owned by the citizens shall be carried out by the Executive Committee of Yerevan City Council (for Yerevan) and "Haybnakkomtnt" Republic's Corporation under the Government of the Republic of Armenia (for the rest of the Republic's territories);
  - b) for the purpose of considering the location of structures owned by the citizens in the course of their valuation, to apply zoning set forth by the Resolution No. 61 of the State Commission for Privatization and Denationalization of the Republic of Armenia "On Adjustment Coefficients for Valuation of the Premises of Privatized "Small" Units", dated 14 June 1994.
3. To instruct the State Department for Architecture and Urban Planning of the Republic of Armenia:
  - a) within one month, to set out the procedure for current indexation of the value of structures on the basis of changes in the value of structures, having obtained the consent of the Ministry of Finance, Ministry of Economy and State Department for Statistics, State Register and Analysis of the republic of Armenia;
  - b) by 1 July, this year, to submit to the Government of the Republic of Armenia proposals regarding technical criteria for qualification of unfinished (semi-built) construction units as structures (according to the level of completeness) for the purpose of taxing them with property tax.

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4. To instruct the Department for Registration and Denationalization of State Property under the Government of the Republic of Armenia, within one month, to communicate to the Executive Committee of Yerevan City Council (for Yerevan) and "Haybnakkomtat" Republic's Corporation under the Government of the Republic of Armenia (for the rest of the Republic's territory) necessary materials related to zoning referred to in Section 2 (b) of this Resolution.

5. To instruct the Ministry of Justice of the Republic of Armenia, by 1 May, this year, to submit, jointly with the Executive Committee of Yerevan City Council and "Haybnakkomtat" Republic's Corporation under the Government of the Republic of Armenia, to the Government of the Republic of Armenia proposals regarding process of valuation of property by the appropriate state authorities conducting registration and inventory of property owned by the citizens, the rights and duties of valuers and the procedure for appealing against their actions.

(5)

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Confirmed by Resolution No. \_\_\_\_\_  
of the Government of the Republic of Armenia,  
dated \_\_\_\_\_

## REGULATION

### FOR VALUATION OF PROPERTY QUALIFIED AS ITEM TAXABLE WITH PROPERTY TAX

#### I. General Provisions

1. This is to set out the procedure for valuation of property qualified as item taxable with property tax and subject to reflection in value, in accordance with the Law of the Republic of Armenia "On Property Tax". This Regulation shall apply only for the purpose of property taxation, unless otherwise provided for by legislation of the Republic of Armenia.

Property to be taxed according to this Regulation shall be the property indicated in balance sheets (statements) of enterprises, institutions, organizations and banks enjoying the status of a legal entity (hereinafter referred to as "enterprises") and residential houses, flats, summer houses, trailers, dwellings and other structures and buildings (hereinafter referred to as "structures") owned by the citizens of the Republic of Armenia, foreign citizens and stateless persons (hereinafter referred to as "citizens").

2. Valuation of the citizen's structures shall be conducted as of 1 July of each year. ✓

#### II. Valuation of the Property of Enterprises

3. The property of enterprises, qualified as taxable item, shall be valued independently by themselves on the basis of the value of such property, as reflected in the balance sheets (statements) in the specified manner.

Valuation of fixed assets, not valuable and quickly depreciating articles shall be conducted according to their residual value.

#### III. Valuation of Citizens' Structures

4. Any structures owned by citizens, which are registered by appropriate state bodies conducting their inventory and registration or by enterprises and organizations authorized by the latter, shall be subject to valuation.

5. The valuation of structures shall be conducted separately for each structure on the basis of the normative base of construction prices for 1984 and data indicated in their inventory, passport and other initial documents. In the absence of inventory, passport and other initial documents, the valuation shall be based on the norms specified by the Resolution No. 370



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Table 2.

No.	Duration of Operation of a Structure	Depreciation in per cents	Factor
1	1 - 5 years	2	0.98
2	6 - 10	5	0.95
3	11 - 15	9	0.91
4	16 - 20	13	0.87
5	21 - 25	18	0.82
6	26 - 30	25	0.75
7	31 - 40	32	0.68
8	41 and more years	40	0.60

d) the factor characterizing provision of a structure with municipal and communication facilities takes into account the influence of factors indicated in Table 3 of this Regulation on the structure's value, and it shall apply only to residential houses, flats and summer houses. Provided that the factor "availability of an elevator" shall apply only to flats located on the 5th or higher floors. For lower floors and other structures, that factor shall be equal to 0. It shall be calculated by way of adding 0.5 to the respective numbers of factors characterizing the given structure:

Table 3.

No.	Indices Showing Provision	Number of Factor
1	Electricity Supply	0.09
2	Gas Supply	0.07
3	Water Supply	0.09
4	Sewerage	0.07
5	Central, Local Heating	0.05
6	Telephone Line	0.05
7	Radio Line	0.05
8	Availability of an Elevator	0.03
	Total	0.5

*subtracted  
it also*

For the rest of structures, the influence of the aforementioned factor shall not be considered, and "T" coefficient shall apply.

c) the factor characterizing height shall apply according to Table 4 of this Regulation only to flats. In other cases, "1" coefficient shall apply. For basements and semi-basements, "0.45" and "0.65" coefficients shall apply respectively.



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7. The form of a consolidated calculation of the results of structures' valuation in accordance with this Regulation, as well as examples of valuation are listed in Annexes 1 and 2 to this Regulation.

Annex 1      Legal status      directive or illustration

To Regulation for Valuation  
of Property Qualified as  
Item Taxable with Property Tax

Consolidated Calculation  
of Valuation of Structures

Name of the Owner \_\_\_\_\_  
Name of the Structure \_\_\_\_\_  
Address (Place of Location) \_\_\_\_\_  
Type \_\_\_\_\_  
Valuing Body \_\_\_\_\_  
(name)

\_\_\_\_\_ 19\_\_

*From Annex 2*

Name of the factor	Number of Index
1. The Value of Calculation Unit of the Structure (sq.m or cubic m)	
2. Area or Volume of the Valued Structure	
3. Factor Characterising the Technical State of the Structure <i>condition</i>	
4. Structure Value Alteration Factor (Index)	
5. Level of Depreciation of the Structure	
6. Factor Characterising Provision of the Structure with Municipal and Communication Facilities	
7. Height Characterising Factor	
8. Factor Characterising Location	
9. Value of the Structure (1 . 1x1 . 2x1 . 3x1 . 4x1 . 5x1 . 6x1 . 7)	

*constant*

*11.03.2006  
11.03.2006  
Focus based  
type*

*TP MW  
Ced. no  
2101, 1001 00*

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**Annex 2**  
**To Regulation for Valuation**  
**of Property Qualified as**  
**Item Taxable with Property Tax**

**Examples of Valuation of Structures**  
**Owned by the Citizens**

Example 1. Example of valuation of a residential house.

1000 m<sup>3</sup>  
333 m<sup>2</sup>

Type of a structure according to consolidated table indicated in Section 5: BT-11k; 2-storey house, made from straight-type Artik tufa on the basis of composite cement mix; plastered from the inside; covering of the first floor made from ferre-concrete materials; covering of the second floor made from wood; shelter made from roofing slate; 1st zone; 1960; 1000 sq.meters subject to valuation; provided with sewerage, telephone, heating, water supply and electricity supply. The technical state of the structure conforms with the normatives; level of damaging is equal to 0.

Let us conditionally assume that the value of a calculation unit is taken on the basis of norms of state mandatory insurance, equal to 0.1127 Drams per cubic meter.

Imagine that the valuation is conducted in 1995, and factor of the structure's price alteration is conditionally taken as 74500.

- the factor characterizing the technical state of the structure according to Table 1 is equal to 1 (0 group);
- the factor of depreciation according to Table 2 is equal to 0.68 (35 years);
- the factor characterizing provision of the structure with municipal and communication facilities according to Table 3 will be equal to 0.85 (0.5 + 0.07 + 0.07 + 0.09 + 0.09);
- the factor indicating the location of the structure according to Table 5 is equal to 1.

Thus, the calculation will be of the following form:

Name of Factor	Number of Index
1. Value of Calculation Unit of the Structure (sq.m or cubic m)	✓ 0.1127 Drams per cubic meter
2. Area or Volume of the Valued Structure	• 1000 cubic meters
3. Factor Characterising the Technical State of the Structure	• 1 (0.95, 0.85, 0.5)
4. Factor (Index) of the Structure's Value Alteration	• 74,500
5. Level of Depreciation of the Structure	• 0.68 (0.82)

8.4 x 10<sup>4</sup> Drams

34.500.000

20.000.000

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6. Factor Characterising Provision of the Structure with Municipal and Communication Facilities	0.85
7. Factor Characterising the Floor (Height)	1 (0.9)
8. Factor Characterising Location of the Structure	1 (0.71, 0.57, 0.43, 0.28, 0.14)
9. Value of the Structure	$0.1127 * 1000 * 1 * 74500 * 0.68 * 0.85 * 1 * 1 - 4852975$ Drams

*60 - 100 1000  
30: 1000*

Example 2. Example of valuation of a flat located in a multi-storey residential building.

According to initial documents, the value of 1 square meter of the building amounts to 0.85 Drams; it was built in 1965; located in the 2nd territory valuation zone; the total area of the flat amounts to 70 square meters, located in the 5th floor of a 9-storey building; has no telephone, and the factor of alteration of the given structure is accepted as 74500. The structure is of the 1st group of damaging.

- the factor characterizing the technical state of the structure according to Table 1 is equal to 0.95 (1 group);
- the factor of depreciation according to Table 2 is equal to 0.75 (30 years);
- the factor characterizing provision of the structure with municipal and communication facilities according to Table 3 will be equal to 0.95  $(0.5 + 0.09 + 0.07 + 0.09 + 0.05 + 0.05 + 0.03)$ ; *= 0.88*
- the factor characterizing the floor (height) is equal to 0.9;
- the factor indicating the location of the structure according to Table 5 is equal to 0.71.

Thus, the calculation will be of the following form:

Name of Factor	Number of Index
1. Value of Calculation Unit of the Structure (sq.m or cubic m)	0.85 Drams per sq. meter
2. Area or Volume of the Valued Structure	70 sq. meters
3. Factor Characterising the Technical State of the Structure	0.95
4. Factor (Index) Characterising the Alteration of the Structure's Value	74,500
4. Level of Depreciation of the Structure	0.75
5. Factor Characterising Provision of the Structure with Municipal and Communication Facilities	0.95
6. Factor Characterising the Floor (Height)	0.9
7. Factor Characterising the Location	0.71
8. Value of the Structure (1. 1x1. 2x1. 3x1. 4x1. 5x1. 6x1. 7)	$0.85 * 70 * 0.95 * 74500 * 0.75 * 0.95 * 0.9 * 0.71 - 1917267$ Drams

*63,325 sq. m  
4.4 x 10<sup>6</sup>  
≈ 10, 100 615  
250/3  
4500  
500 10-*

*60*

**Attachment D**  
Regulations for Assessment and Payment of Property  
Tax by Citizens

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# REGULATIONS

## for Assessment and Payment of Property Tax by Citizens

**ENGLISH TRANSLATION BY :**

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IV. Property Tax Privileges .....	4
V. Duties and Liability of Payers .....	4
VI. Appeals against the Actions of Officers of State Tax Inspection Bodies .....	5

## I. Property Tax Payers and Taxable Items

1. Any citizens of the Republic of Armenia, foreign citizens, stateless persons, owners of individual (family) enterprises (including agricultural farms) and members of commercial partnerships that are not legal persons (individuals, individual businessmen, owners of an individual (family) enterprise), who own within the territory of the Republic of Armenia any property specified in the Law of the Republic of Armenia "On Property Tax" and listed in Section 2 of these Regulations which is deemed as tangible property (taxable item), shall be property tax payers in the manner prescribed by these Regulations. The above persons shall hereinafter be referred to as "payers".

Issued related to ownership title to property shall be governed by the Law of the Republic of Armenia "On Ownership in the Republic of Armenia" and other normative acts.

2. The following property owned by payers as defined in these Regulations shall be deemed as taxable item:

- a) residential houses, flats, summer houses, trailers, dwellings and structures, other buildings (hereinafter referred to as "structures") in a part of their value exceeding 850-times minimum salary as specified in legislation of the Republic of Armenia. For families consisting of three or more members, a part of the value of the structures exceeding 300-times minimum salary specified in

*Newly added  
value  
...*

legislation of the Republic of Armenia as calculated on a per-person basis shall be deemed as taxable item.

If individuals transfer structures to enterprises for use, their full value shall be deemed as taxable item.

Valuation of structures owned by individuals in the Republic of Armenia and qualified as taxable items shall be carried out in accordance with the provisions of legislation of the Republic of Armenia (see Annex 1);

- h) livestock in a part exceeding the norms set forth in accordance with legislation of the Republic of Armenia (see Annex 2);
- c) wheeled and caterpillar vehicles and other automobiles and mechanisms.

## II. Rates of Property Tax

3. Property tax shall be assessed at the following annual rates:

- a) 0.2 per cent of the sum exceeding a non-taxable part of the calculated value of structures;
- b) for livestock exceeding norms specified in accordance with legislation of the Republic of Armenia - 25 per cent of the minimum salary as specified in legislation of the Republic of Armenia;
- c) 3 per cent of minimum salary specified in legislation of the Republic of Armenia per horse-power of the engine of an air transport or 4.08 per cent per kilowatt power;
- d) 1.5 per cent of the minimum salary specified in legislation of the Republic of Armenia per horse-power of the engine of a water transport or 2.01 per cent per kilowatt power;
- e) 1 per cent of the minimum salary specified in legislation of the Republic of Armenia per horse-power of the engine of wheeled and caterpillar vehicles, other automobiles and mechanisms or 1.36 per cent per kilowatt power.

4. The rates established by subsections (b)-(e) of Section 3 shall be calculated on the basis of the minimum salary specified in legislation of the Republic of Armenia, as of 1 July of the reported year.

## III. The Procedure for Assessing Property Tax and Terms of Payment

- 5. Individuals shall independently pay property tax on the basis of the value of property registered and calculated by the appropriate state bodies maintaining inventory and registration\* or by enterprises and organizations licensed by the latter, as of 1 July of the given year, as well as on the basis of the bills of assessed tax payment prepared by the State Tax Inspection of the Republic of Armenia and forwarded to them prior to 1 September of each year.
- 6. Property tax for the property shared or jointly owned by individuals shall be paid separately by each of them according to their share in that property, or, if so agreed by them (shared or joint owners), by one of them.
- 7. Property tax shall be assessed beginning from the month following the month in which the ownership title to property arose. In the event that the property is alienated, duties regarding property tax shall be effective until the month of alienation inclusive.

\* A non-taxable part of a structure's value shall be determined on the basis of the minimum salary specified in legislation of the Republic of Armenia, as of 1 July of the given year.

The respective bodies of the Executive Committee of Yerevan City Council shall maintain inventory and registration of structures own by individuals within the territory of Yerevan; the respective bodies of "Haybnakkomint" Republic's Corporation - for the rest of the territory of the Republic of Armenia; the State Automobile Inspection of the Republic of Armenia shall maintain inventory and registration of wheeled and caterpillar vehicles, other automobiles and mechanisms; local government bodies shall maintain inventory and registration of live-stock.

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**Variant 1.**

In the event of alienation of a structure (wheeled and caterpillar vehicles, other automobiles and mechanisms, during a period from 1 January to 1 July, the former owner shall assess the tax from 1 January to the month of alienation on the basis of the ratio of the sum of tax as of the previous year to the factors of structure value alteration. And payment in a whole amount corresponding to that period shall be made until the moment of alienation.

*Example 1.* Mr. Simonian sold his own structure to Mr. Petrosian on 15 May 1996. In 1995, the sum of annual tax amounted to 12,000 Drams, and the factor of structure value alteration amounted to 95,000 as of 1 July 1995. Mr. Simonian shall pay tax for the period of time until 1 June 1996. The tax assessment will be of the following form:

$12000 \times 95000 / 5400 \times 5 / 12 = 6300$  Drams (where 5 is a number of months when property tax obligations in respect of that structure were effective, and 12 is a number of months of a year). In that case, Mr. Petrosian shall pay tax for the period of time from 1 June to 31 December. The annual sum of tax for the structure valued on 1 July amounted to 17,000 Drams; therefore, the new owner shall pay  $17000 / 12 \times 7 = 9917$  Drams.

**Variant 2.**

In the event of alienation by individuals of structures (wheeled and caterpillar vehicles, other automobiles and mechanisms), during the period of time from 1 January to 1 July of the reported year, the property tax shall be paid by the former owner up to the moment of alienation (provided that property tax shall be assessed for those months by multiplying the annual sum of property tax as of the previous year by the number of months elapsed after acquisition of ownership title to that structure, and then dividing the result by 12); and the new owner shall pay the tax beginning from the month following the month of acquisition of the ownership title and within the period provided for in Section 18 of these Regulations. For example, the structure owner Mr. S. Petrosian alienated his structure to Mr. G. Manukian on 10 May 1996. In 1995, 25,000 Drams of property tax were charged for S. Petrosian's structure. In 1996, S. Petrosian shall pay 10,400 Drams of property tax ( $25000 \times 5 / 12$ ), and G. Manukian shall pay 17,500 Drams ( $30000 \times 7 / 12$ ).

The bodies registering the alienation of property (notary offices, State Automobile Inspection, local government bodies, etc.) shall notify taxation bodies of the administrative district in which that property is located about the fact of alienation, and register the alienation only upon presentation by the taxation body of an evidence that property tax has been paid for the given period.

8. To respectively reduce the amount of annual tax already assessed in the case that the property was alienated within the period from 1 July to 1 December of the reported year, the previous owner of the property shall present to the taxation body of the administrative district in which the property is located a statement of registration of alienation of the property, which shall be confirmed by the body that has registered that alienation.

A new owner of the property shall independently assess property tax for the reported year for the period from the month following the month of acquisition of the ownership title to the close of the year, on the basis of value of the property as valued on 1 July of the reported year (when the previous owner held the ownership title), and by dividing the acting annual rate by 12 and multiplying by the number of months in which he has been holding the ownership title.

9. A tax for inherited property shall be assessed and paid beginning from the month following the month of acceptance of the inherited property.
10. A tax for inherited property shall be assessed and paid in the manner and terms prescribed in Sections 7 and 8 of these Regulations.
11. The respective state bodies that conduct registration of property owned by individuals shall be obliged to communicate any details necessary for property taxation to the bodies of the State Tax Inspection of the Republic of Armenia in an agreed upon manner and terms.

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*destroyed*

12. Should the structures be destroyed or ruined, the execution of property tax shall be canceled from the month, in which the structure is destroyed or ruined. A statement given by the respective authorities shall be deemed as a ground for such cancellation.
13. No later than 1 September of each year, the taxation bodies shall forward to individuals a bill of payment, in which an amount of tax payable and period of payment shall be indicated.
14. The individuals who are registered (reside) in one district (town) and own a property in another administrative district (town) shall be registered as tax payers and shall pay the tax for their own property at the district (town) in which the property is located.  
*clarify*  
 In that case, the value of a non-taxable part of the property shall be subtracted from the value of a property located at the main place of the owner's residence (registration) in the course of tax assessment, and if a sum of the non-taxable part is outstanding, then it shall be subtracted from the value of a property located in other districts on the basis of corresponding statements given by the bodies of the State Tax Inspection of the Republic of Armenia at the place of permanent residence.
15. The tax payment shall be made in equal parts by 15 November of the reported year and by 15 April of the following year.

#### IV. Property Tax Privileges

16. The following persons shall be exempted from property tax exacted for structure, in a part amounting up to 1000-times minimum salary specified by legislation of the Republic of Armenia:
- all first and second category disabled persons (they shall submit \_\_\_\_\_ documents);
  - invalids of the first and second world wars, the persons who have become disabled due to injuries or diseases caught at the front when defending the Republic of Armenia and the former USSR, or performing other military service duties (they shall submit \_\_\_\_\_ documents);
  - former partisans who have become disabled, family members of a person who died when defending the Republic of Armenia and the former USSR (they shall submit \_\_\_\_\_ documents);
  - military servants who are passing temporary military service, their family members, officers and warrant officers of the Armed Forces of the Republic of Armenia (they shall submit \_\_\_\_\_ documents);
  - participants of military actions undertaken to defend the interests of the former USSR, persons awarded with title of a Hero of the USSR, or awarded with 3 categories of the Glory Order, and their family members (they shall submit \_\_\_\_\_ documents);
  - double-side orphan children, until the end of the year that they reach the age of 18, or, for full-time students and pupils, the age of 24 (they shall submit \_\_\_\_\_ documents).
17. The persons who are entitled to a privilege shall submit relevant documents evidencing their right to a privilege to the bodies of the State Tax Inspection of the Republic of Armenia until 1 July.

#### V. Duties and Liability of Payers

18. Property tax payers shall:
- a) pay in full and in due course to the budget the sums of tax to be paid for the reported period, as well as the sums of tax additionally assessed due to mistakes and inaccuracies as revealed in result of inspections conducted by the bodies of the State Tax Inspection;
  - b) submit to the appropriate body, in the course of technical examinations of taxable items as referred to in Section 20 of these Regulations, a statement about payment of property tax (such a statement shall be confirmed by the appropriate taxation body).
  - c) In addition, if a taxpayer appears for technical examination before 15 April, he shall present to the respective body conducting technical examination a receipt of payment of property tax as paid on 15 November of the previous year, and if a technical examination is held after 15 April, the taxpayer shall present receipts of payment of the previous year's annual property tax (as paid on 15 November, and 15 April of the next year);
  - d) to present by 1 July to the bodies of the State Tax Inspection of the Republic of Armenia a statement about the number of family members, which shall be confirmed by the appropriate body.

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19. In the event of any delay in payment of tax, a penalty in an amount of 0.5 per cent of the due sum per delayed day shall be exacted from the payer.
20. The exaction of penalties and fines specified by legislation of the Republic of Armenia for failure to perform tax duties shall be effected through a court.

## **VI. Appeals against the Actions of Officers of State Tax Inspection Bodies**

21. The actions of officers of State Tax Inspection bodies may be appealed against to the bodies, to which those officers are directly subject.

The appeals shall be processed and resolved on no later than 30 days after the appeal is received. Such resolutions may be appealed against to the superior State Tax Inspection body or to a court within one month from the date of handing in a copy of the resolution to the appellant.

Appeals against those actions of officers of State Tax Inspection bodies, which are concerned with imposition of administrative fines, shall be made in accordance with legislation of the Republic of Armenia regarding administrative offences.

- ✓ Bringing of an appeal against the actions of officers of State Tax Inspection bodies shall not suspend exaction of the tax. The body processing the appeal shall be entitled to suspend the tax exaction until the  
? appeal is resolved on.  
(

**Attachment E**  
Regulations for Assessment and Payment to the Budget of  
Property Tax by Enterprises and Organizations

R. Almy

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*Balances indicated for interest?*

# REGULATIONS

## for Assessment and Payment to the Budget of Property Tax by Enterprises and Organizations

These Regulations are adopted pursuant to the Law of the Republic of Armenia "On Property Tax", "On Taxes and Duties in the Republic of Armenia", "On Property in the Republic of Armenia" and other legislative acts, and they govern general issues related to assessment and payment of property tax by payers, as defined in Section I of these Regulations.

*many people in bank  
who make no distinction  
between bank and other  
accounts*

*seems ok*

### I. Property Tax Payers

1. The following shall be deemed as property tax payers in accordance with the provisions of these Regulations:
  - a) any enterprises having legal personality of any organizational forms prescribed by the Law of the Republic of Armenia "On Enterprises and Entrepreneurial Activity", organizations, institutions and banks;
  - b) those separated subdivisions of enterprises, institutions and banks (such as branches, subsidiaries, representations), which have an independent balance and a settlement bank account.

The payers referred to in subsections (a) and (b) of Section I of these Regulations shall hereinafter be referred to as "payers".

2. The property of individual (family) enterprises (including agricultural farms) is individually (jointly) owned by the owner(s) of an individual (family) enterprise. The issues regarding assessment and payment of property tax in respect of such property are governed by the Regulations "For Assessment and Payment of Property Tax in Respect of Property Owned by Individuals".
3. Commercial partnerships (general or limited) shall not be deemed as independent property tax payers. The tax shall be paid by partners, each for the property qualified as a taxable item which is invested and owned or held by him by virtue of the right to full (partial) economic disposal, as well as for a part of the property derived (acquired) in the course of the partnership's operation and distributable according to the partners' contributions or in any other manner.  
The partners in a partnership, which have legal personality, shall assess and pay property tax in accordance with the general rules set forth by these Regulations; and the partners who are not legal entities shall assess and pay property tax in accordance with the provisions of Regulations "For Assessment and Payment of Property Tax by Citizens".

*cf. cit. 2001  
§ 6*

### II. Taxable Items

4. Any property indicated in value in the balance sheets (statements) of payers, except for property specified by the Government of the Republic of Armenia by the consent of the Presidium of the Supreme Council of the Republic of Armenia (see Annex 1), shall be deemed as taxable item.  
Liabilities indicated in value in the balance sheets (statements) of payers, as defined in these Regulations, shall not be deemed as taxable item as well.
5. For payers that conduct accounting in accordance with "Accounting Plan" approved by the Ministry of Finance of the Republic of Armenia in 1993, the property recorded at the following accounts of the above

*91 property tax  
or other taxes  
subject to...*

*68*

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mentioned Accounting Plan (without sums indicated in the respective subaccounts regarding calculation of value added tax paid to suppliers in respect of them):

ie. net of VAT?

01	"Fixed assets" in their residual value
07	"Equipment subject to installation"
10	"Materials"
11	"Live-stock being bred and fed"
12	"Small-value and quickly depreciating articles" in their residual value
15	"Procurement and acquisition of materials"
20	"Main production"
21	"Self-manufactured semi-finished products"
23	"Subsidiary production"
29	"Serving production and industrial unit"
30	"Non-major works"
40	"Finished products"
41	"Goods" (at purchase prices)
44	"Turnover costs: on remaining goods"

6. Property indicated in the following accounts of the "Republic's of Armenia Banks Accounting Plan" (without sums indicated in the respective sub-accounts regarding calculation of value added tax paid to suppliers in respect of them) shall be deemed as taxable item for payers that apply that Plan:

050	"Precious metals"
051	"Precious metals scrap"
052	"Articles made from precious metals"
053	"Precious stones"
054	"Precious metals delivered for realization"
920	"Building and structures"
921	"Household property"
924	"Leased machines, equipment, transport and other facilities (leasing)"
926	"Museum rarities"
931	"Building and other materials"
937	"Equipment to be installed"
940	"Household materials"
942	"Small-value and quickly depreciating articles" in their residual value
971	"Staff maintenance costs"

7. The property deemed as taxable item for payers shall be calculated in the value of that property as indicated in their balance sheets (statements) in accordance with legislation of the Republic of Armenia.

### III. Tax Rates

8. The payers shall assess the tax at the rates of 0.2-0.8 per cent of the average annual value of the property subject to taxation.  
Precise tax rates shall be specified in a manner prescribed by legislation of the Republic of Armenia.

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#### IV. The Procedure for Assessing Property Tax and Terms of Payment

9. The payers shall independently assess property tax in a progressive order, and taking into account privileges provided for by current legislation and tax rates, and they shall submit to the taxation bodies calculations (the form of calculation is attached as Annex 2 hereto) along with quarterly and annual balance statements (sheets).
10. A sum of property tax shall be assessed by payers as a product of the average value of each group of property taxable with property tax (according to balance-sheet articles) and the amounts of tax assessed on the basis of the annual rates specified for the given group, for the reported period.
11. Property tax for each group of the property qualified as taxable item (according to balance-sheet articles) shall be assessed by the following method:

$$T_p = P_{av} * R * C / 100$$

where  $T_p$  is the sum of property tax for the given group of property in the reported period;  $P_{av}$  is an average value of the given group of property in the reported period;  $R$  is an annual rate of tax specified for the given group of taxable property;  $C$  is a coefficient which is equal to 0.25 for quarterly assessment, 0.5 for semi-annual assessment, 0.75 for 9-month period assessment, and 1 for annual assessment.

$P_{av}$  shall be determined by dividing the sum of the half of the balance values of the given group of taxable property (product of material values), as of the first month of the reported period and first days of the month following that period, and the balance value of the given group of taxable property (a sum of material values), as of the first day of the rest of the months of that period, by the number of months of that period.

12. The sum of tax shall be paid to the budget within 5 days following a day specified for submission of quarterly accounting reports (balance sheets) or within 10 days following a day specified for submission of annual accounting reports (balance sheets).

#### V. Property Tax Privileges

13. The following shall not be taxed with property tax:
- the property of budget organizations and institutions;
  - the property that is used exclusively for the purpose of production, reprocessing and protection of agricultural goods, fish breeding, catching and reprocessing;
  - property used for prosthetic and orthopedic purposes;
  - the property of newly established enterprises - for a period of one year, except for the enterprises to which the privilege granted pursuant Article 22 of the Law of the Republic of Armenia "On Profit Tax" is not applied;
  - property used for scientific (scientific research, experimental designing, projecting and exploration) needs;
  - the property used exclusively for educational, cultural and sport needs (except for professional sport and paid education system property);
  - the property of enterprises providing municipal services (except for hotels);
  - the property of housing-municipal and social-cultural importance, indicated in the balance sheets of enterprises;
  - the property of environmental protection and anti-fire importance;
  - communication roads (including motor ways), communication and power transmission lines, as well as property used for the purpose of their direct operation.

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*what if unprofitable*

## VI. The Procedure for Accounting Property Tax

13. The sum assessed property tax shall be registered as a payment out of the balance profit; and in banks and credit institutions, it shall be registered as other expenses.

The accounting of transactions between enterprises (except banks) and the budget in respect of property tax shall be carried on through a newly-opened "Property tax payments" subaccount of Account N 68 ("Payments to Budget").

The sum of tax duly assessed shall be indicated in the credit part of Account N 68 ("Payments to Budget") and in the debit part of Account N 81 ("Use of Profit").

The transfer of the sum of property tax shall be indicated in the debit part of Account N 68 ("Payments to Budget") and in the credit part of Account N 51 ("Settlement Account").

14. The accounting of payments to the budget by banks in respect of property tax shall be carried on through a separate sub-account titled "Payments of Property Tax" of the Balance Account N 904 ("Other Debtors and Creditors"). Banks shall indicate the sum of duly assessed property tax each quarter in the credit part of Account N 904 ("Other Debtors and Creditors") and in the debit part of a sub-account titled "Property Tax Payment" of Account N 970 ("Operational and other Costs").

Banks shall indicate transfer of the sum of property tax to the budget in the debit part of Account N 904 ("Other Debtors and Creditors") and in the credit part of Account N 161 ("Corresponding Accounts of Banks with the Central Bank of the Republic of Armenia").

## VII. Final Provisions

15. Any issues regarding rights and duties of payers and taxation bodies, as well as liability for violation of the Law "On Property Tax" shall be governed by the Law of the Republic of Armenia "On Taxes and Duties in the Republic of Armenia" and other legislative acts.
16. The Government of the Republic of Armenia, by the consent of the Permanent Committee of the Supreme Council of the Republic of Armenia for Financial, Credit and Budget Matters, may set out for certain payers or payers' groups fixed payments of property tax, other rates and amounts, other procedure for and privileges in assessing and paying property tax.

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### Calculation of Property Tax by Enterprises

<.....> 19\_\_

Reported data: up to	01.01	
	01.02	
	01.03	
	01.04	
	01.05	
	01.06	
	01.07	
	01.08	
	01.09	
	01.10	
	01.11	
	01.12	
1. Average value of property in the reported period		
2. Average value of property not subject to property taxation		
3. Average value of property subject to property taxation (line 1 - line 2)		
4. Annual rate of property tax		
5. Sum of property tax payable to budget for the reported period (line 3 * line 4 / 100)		
6. Sum of property tax assessed for the previous year		
7. Subject to:		
a) additional payment to budget (line 5 - line 6)		
b) deduction at the cost of forthcoming payments (refund budget) (line 6 - line 5)		

#### **Fixed Assets**

Equipment Subject to Installation  
 Live-Stock Being Bred and Fed  
 Materials  
 Small-Value and Quickly Depreciating Articles  
 Procurement and Acquisition of Materials  
 Main Production  
 Self-Manufactured Semi-Finished Products  
 Subsidiary Production  
 Serving Production and Industrial Unit  
 Non-Major Works  
 Finished Products  
 Goods (at purchase prices)  
 Turnover Costs (on remaining goods)  
 Total

- 72 -

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## Calculation of Property Tax by Banks

&lt;.....&gt; 19\_\_

Reported data: up to	01.01	
	01.02	
	01.03	
	01.04	
	01.05	
	01.06	
	01.07	
	01.08	
	01.09	
	01.10	
	01.11	
	01.12	
1. Average value of property in the reported period		
2. Average value of property not subject to property taxation		
3. Average value of property subject to property taxation (line 1 - line 2)		
4. Annual rate of property tax		
5. Sum of property tax payable to budget for the reported period (line 3 * line 4 / 100)		
6. Sum of property tax assessed for the previous year		
7. Subject to:		
a) additional payment to budget (line 5 - line 6)		
b) deduction at the cost of forthcoming payments (refund budget) (line 6 - line 5)		

Precious Metals
Precious Metals Scrap
Articles Made from Precious Metals
Precious Stones
Precious Metals Delivered for Realization
Buildings and Structures
Household Property
Leased Machines, Equipment, Transport and other facilities (Leasing)
Museum Rareties
Building and other Materials
Equipment to Be Installed
Household Materials
Small-Value and Quickly Depreciating Articles
Staff Maintenance Costs
Total

B

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**ENGLISH TRANSLATION BY :**

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Government Apparatus  
Republic of Armenia  
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ICMA PRINTING DATE: April 19, 1995

74

## THE LAW OF THE REPUBLIC OF ARMENIA ON PROPERTY TAX

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**THE LAW OF THE REPUBLIC OF ARMENIA  
 ON PROPERTY TAX**

**Chapter 1. General Provisions**

Article 1. Property tax is a charge exacted to the state budget on the property qualified as tangible property, which is owned or held by the persons specified in this Law by virtue of the right to full (partial) economic disposal.

**Chapter 2. Property Tax Payers and Taxable Items**

Article 2. Any persons who may enjoy ownership rights provided for by the Law of the Republic of Armenia "On Ownership in the Republic of Armenia", and who own in the territory of the Republic of Armenia or hold by virtue of the right to full (partial) economic disposal any property qualified as tangible property (taxable item) in accordance with this Law, shall be qualified as property tax payers.

Article 3. The following shall be taxable items:

- a) property indicated as having certain value in the balance sheets (statements) of enterprises of any organizational and legal form prescribed by the Law of the Republic of Armenia "On Enterprises and Entrepreneurial Activities", institutions, organizations and banks (hereinafter referred to as "enterprises"), except for property designated by the Government of the Republic of Armenia upon the approval of the Presidium of the Supreme Council of the Republic of Armenia.
- b) residential houses, flats, summer houses, trailers, dwellings and structures, other buildings (hereinafter referred to as "buildings") owned by the citizens of the Republic of Armenia, foreign citizens and stateless persons (hereinafter referred to as "citizens"), in a part of their total value 850 times exceeding the minimum salary specified in the legislation of the Republic of Armenia, but not less than the part 300 times exceeding the minimum salary, as calculated per family member, livestock in a part of its value exceeding the norms established by the Government of the Republic of Armenia upon the approval of Finance, Credit and Budget Permanent Committee of the Supreme Council of the Republic of Armenia, wheeled and caterpillar vehicles, other automobiles and mechanisms.

Should any building be transferred by the citizens to the enterprises for use, its full value shall be deemed as a taxable item.

The method of valuation of property which is qualified as a taxable item in the Republic of Armenia shall be set forth by the Government of the Republic of Armenia upon approval of the Presidium of the Supreme Council of the Republic of Armenia.

### **Chapter 3. Rates of Property Tax**

Article 4. Property tax shall be calculated at the following annual rates:

- a) for enterprises: 0.2% - 0.8% of the average annual value of property qualified as a taxable item. The Government of the Republic of Armenia shall be authorized to establish more detailed rates upon approval of the Finance, Credit and Budget Permanent Committee of the Supreme Council of the Republic of Armenia.
- b) for citizens:
  - 0.2% of a sum exceeding a non-taxable part of the estimated value of buildings;
  - 3% of the minimum salary specified in the legislation of the Republic of Armenia, per horsepower of the engine of an air transport, or 4.08% per kilowatt power;
  - 1.5% of the minimum salary specified in the legislation of the Republic of Armenia per horsepower of the engine of a water transport, or 4.08% per kilowatt power;
  - 1.0% of the minimum salary specified in the legislation of the Republic of Armenia per horsepower of the engine of a wheeled or caterpillar vehicle or another automobile or mechanism;
  - 25% of the minimum salary specified in the legislation of the Republic of Armenia - for the quantity of livestock exceeding the norms specified in the manner prescribed by Section (b) of Article 3 of this Law.

### **Chapter 4. The Procedure for Paying Property Tax and Terms of Payment**

Article 5. The enterprises shall independently assess property tax and submit the assessments to the taxation bodies together with quarterly and annual accounting reports (balance sheets). The sum of tax shall be paid to the budget within five days following the date of filing quarterly accounting reports (balance sheets), and within ten days following the date of filing annual reports (balance sheets).

Article 6. The citizens shall independently assess property tax on the basis of property registered at the appropriate authorities as of 1 July of that year, as well as on the basis of a bill of payment to be furnished to them by the bodies of State Tax Inspection by 1 September of each year. The sum of tax shall be paid in equal parts: by 15 November of the accounting year and by 15 April of the next year.

The citizens that enjoy the right to tax privileges in accordance with this Law shall submit appropriate documents to the bodies of State Tax Inspection of the Republic of Armenia.

The property tax for shared property shall be assessed in accordance with these shares.

The tax for the property jointly owned or shared by the citizens shall be paid by them separately or, if so agreed upon by the co-owners, by one of them.

The property tax shall be assessed from the month following the month when the title to property arises. In the event of property being alienated, the previous owner shall pay the tax for the period beginning from 1 January of that year up to the month of alienation inclusive.

Article 7. For inherited property, the tax shall be assessed and paid for the month following the month of accepting the inheritance.

Article 8. The appropriate state bodies which carry on inventory and registration of the property owned by citizens shall be obligated to communicate to the bodies of State Tax Inspection of the Republic of Armenia information necessary for assessment of property tax.

## **Chapter 5. Property Tax Privileges**

Article 9. The following shall be exempted from property tax:

- the property of budget organizations and institutions;
- the property that is used exclusively for the purpose of production, reprocessing and protection of agricultural goods, fish breeding, catching and reprocessing;
- property used for prosthetic and orthopedic purposes;
- the property of newly established enterprises - for a period of one year, except for the enterprises to which the privilege granted pursuant Article 22 of the Law of the Republic of Armenia "On Profit Tax" is not applied;
- property used for scientific (scientific research, experimental designing, projecting and exploration) needs;
- the property used exclusively for educational, cultural and sport needs (except for professional sport and paid education system property);
- the property of enterprises providing municipal services (except for hotels);
- the property of housing-municipal and social-cultural importance, indicated in the balance sheets of enterprises;
- the property used for creating state reserves, pursuant to the resolutions of the Government of the Republic of Armenia;
- the property of environment protection and anti-fire importance;

- communication roads (including motor ways), communication and power transmission lines, as well as property used for the purpose of their direct operation.

Article 10. The following citizens shall be exempted from property tax imposed on buildings to the extent of their value equal to 1000 minimum salaries specified in the legislation of the Republic of Armenia:

- all first and second category disabled persons;
- invalids of the first and second world wars, the persons who have become disabled due to injuries or diseases caught at the front when defending the Republic of Armenia and the former USSR, or performing other military service duties;
- former partisans who have become disabled, family members of a person who died when defending the Republic of Armenia or the former USSR;
- military servants who are passing temporary military service, their family members, officers and warrant officers of the Armed Forces of the Republic of Armenia;
- participants of the first and second world wars or participants of military actions undertaken to defend the interests of the former USSR, persons awarded with the title of a Hero of the USSR, or awarded with 3 categories of the Glory Order, and their family members;
- double-side orphan children, until the end of the year that they reach the age of 18, or, for full-time students and pupils, the age of 24.

## Chapter 6. Final Provisions

Article 11. Any issues regarding the rights and duties of taxpayers and tax authorities and those related to liability for breach of this Law shall be governed in accordance with legislation of the Republic of Armenia.

Article 12. For certain taxpayers or taxpayers' groups, the Government of the Republic of Armenia, by the consent of Finance, Credit and Budget Permanent Committee of the Supreme Council of the Republic of Armenia, may establish fixed payments of property tax, other rates and limits, other manner of payment and privileges

Yerevan

3 February 1995

HN-1131-1-HO-129

L. TER-PETROSIAN,

The President of the Republic of Armenia

THE SUPREME COUNCIL  
OF THE REPUBLIC OF ARMENIA

D E C R E E

On the Procedure for Putting  
the Law of the Republic of Armenia  
"On Property Tax" into Effect

The Supreme Council of the Republic of Armenia hereby decrees:

1. To put the Law of the Republic of Armenia "On Property Tax" into effect from the beginning of the quarter following the approval of the Regulation for Property not Qualified as a Taxable Item and Property Valuation, referred to in Article 3 of the Law.

2. To oblige the Government of the Republic of Armenia:

a) within the three-month period after the enactment of the Law:

- to determine the property of enterprises, institutions and organizations which shall not be qualified as taxable items;
- to approve regulations for valuation of the property not qualified as a taxable item;
- to approve the norms of non-taxable livestock, referred to in Section (b) of Article 3 of the Law;
- to submit proposals on establishing property tax privileges in the populated areas of borderlands;

b) within the three-month period after the enactment of the Law, to put resolutions of the Government of the Republic of Armenia into conformity with the Law, and to submit to the Supreme Council of the Republic of Armenia proposals regarding alterations and amendments to be made to the laws of the Republic of Armenia by virtue of the Law.

c) within the six-month period after the enactment of the Law:

- to ensure solution of problems related to calculation and registration of illegally built structures, in accordance with the legislation of the Republic of Armenia;
- to perform organization and completion of the works connected with due valuation of structures taxable with property tax.

3. Upon putting the Law into effect:

a) to cease charging payments for the use of fixed industrial assets from state enterprises, institutions and organizations of the Republic of Armenia;

b) to repeal the Regulation "On Local Taxes" approved by Decree No.3819 of the Presidium of the Supreme Soviet of USSR, dated 26 January 1981.

B. ARARKTSIAN,  
Chairman of the Supreme Council of the Republic of Armenia

17 January 1995  
Yerevan  
Minutes No.426, item 8  
H.n.-1132-1

**Attachment F**  
The Law of the Republic of Armenia on Property Tax

**Attachment G**

The Law of the Republic of Armenia on Land Tax

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# THE LAW OF THE REPUBLIC OF ARMENIA ON LAND TAX

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## CHAPTER 1.

### THE OBJECT OF TAXATION AND THE TAXPAYERS

**Article 1.** Land owners as well as permanent and temporary users of land owned by the State <sup>are</sup> shall be considered land taxpayers.

The tax of land ~~owned by the State~~ but leased for use shall be exacted from the lessor. ?  
~~taxes~~

**Article 2.** For agricultural lands, the net income, determined through cadastre appraisal of land, shall be the object of taxation.

The cadastre value of land <sup>is</sup> shall be the object of taxation for non-agricultural lands.

## CHAPTER 2

### THE LAND TAX RATES AND THE CALCULATION METHODS THEREOF

**Article 3.** The land tax rates <sup>is</sup> shall not be dependent on the results of economic activities of taxpayers, and shall be established in a form of fixed annual payment per unit-area of the parcel of land.

**Article 4.** The land tax on these parcels of agricultural land, and also, in rural areas, on those parts of plots attached to a house, which are already developed or occupied by building materials, shall be imposed at a rate of <sup>15</sup> twenty percent of the net income, determined through cadastre appraisal thereof.

The agric. land tax (including those allocated for housing, dacha, and the ones attached to single family houses) is imposed at 15% of net income.

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b)

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c) Other lands of non-agricultural use are **DRAFT** imposed taxes at a rate of 0.1 percent of the cadastre value. residential

Article 5. The tax on lands allotted for gardening (dacha plots) shall be imposed at a rate of ten percent of the net income, determined through cadastre appraisal of land at the moment of their allotment.

Article 6. The tax on privatized lands either for use in cities, settlements, resorts, and recreation areas (non-agricultural lands) shall be imposed at a rate of 0.4 percent of the cadastre value of the lands of those populated areas.

Art 6. The lands occupied by buildings and building materials, and the areas necessary for their maintenance, as well as the sanitary-protection, technical and other zones of projects shall be included in the taxable areas.

Art 5. Tax rates for non-agricultural land are as follows: *the rates of taxes on*

Article 7. The tax on lands of industry (including mines, and areas damaged by industrial production activities), transportation, communication, broadcasting, television, lands occupied by gas pipelines, lands being used for defense purposes, as well as lands of water reserves, shall be imposed at a rate of 0.1 percent of the cadastre value of the land of given category in the corresponding cadastre of surrounding zones.

*Q. commercial (state) organizations (2) (a) (c)*

Article 8. The tax on lands of the forest areas shall be imposed at a rate of one percent of the average cadastre value of unusable lands in the corresponding cadastre of surrounding zones.

*- 1% in urban areas  
- 0.5% outside urban areas*

Article 9. Only land tax shall be exacted from the payers for their agricultural activities. They shall be exempted from other taxes (profit tax or income tax) except agricultural enterprises of industrial character.

The taxes levied in relation with non-agricultural activities shall be calculated and paid according to regulations established by the legislation of the Republic of Armenia. For this purpose, the payers shall be obligated to manage separate registration of production and turnover expenses, as well as separate registration of production related to non-agricultural activities.

~~This privilege shall not be applicable to the agricultural enterprises of industrial disposition, having their own accounting balance (hotbed and fur-farming enterprises, livestock breeding-complexes, integrated agro-plants, poultry factories, etc.), except the peasant and peasant collective farms, as well as those enterprises, the list of which shall be approved by the Government of the Republic of Armenia fixing it with the Permanent Commission on Finance, Credit, and Budgetary Issues of the Supreme Council of the Republic of Armenia.~~

*The tax payers, whose incomes or salaries from non-agric. activities exceed 25 per cent of the total earnings are not exempt from income tax for those activities. They are obliged to keep records of production and turnover expenses as well as separate registration of real estate activities.*

Article 8. The land tax shall be calculated starting from the month, which follows the month of obtaining the right of ownership in the parcel of land, or the right to use it permanently or temporarily.

Article 9. Tax exaction, from a taxpayer who is entitled to tax privilege during the year, shall be terminated starting from the month he has been entitled to the privilege.

In case the right to the privilege is lost during the year, the tax shall be calculated starting from the month following its loss.

### CHAPTER 3

#### THE LAND TAX PRIVILEGES

Article 10. The following ~~shall be~~ <sup>are</sup> exempt from land tax:

- a) budgetary institutions and organizations;
- ~~b)~~ State reserves, National Parks, public gardens, botanical parks, and lands of historic-cultural significance; *except, rented or for special use*
- ~~c)~~ peasant and peasant collective farms created during land reform and privatization - for a term of two years starting from the month when the title of ownership in land has been obtained;

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*set by legislation of Rep of Ar.*

~~special stretches of land along the State frontiers of the Republic of Armenia, identified by the legislation of the Republic of Armenia;~~

~~those owners, permanent and temporary users of lands, unusable for agricultural purposes (virgin lands, lands beyond agricultural turnover); to whom the latter have been allocated under terms of exemption from income tax during periods identical first five years of use for agricultural purposes; first ten years - in the mountainous, marginal, and abandoned villages; first five years - in the devastated towns, settlements, and villages in the disaster zone;~~

~~lands of public use in populated areas, owned by the State (squares, streets, passages, roads, parks, public gardens, reservoirs, gardens, etc.);~~

~~educational-production and experimental plots of professional technical schools (vocational schools) and secondary schools.~~

Article 11. *4) newly planted and young vineyards and orchards (before full productivity) (defined by agrotechnical directions for each variety and in hect.)*  
The following shall be entitled to land tax-exempt on fifty percent:

- a) agricultural and forestry research organizations, testing experimental, educational-experimental, seed-growing, planting, pedigree livestock-breeding, and sort-testing enterprises, stations and other establishments according to the list confirmed by the Government of the Republic of Armenia - regarding those lands, which are being used exclusively for scientific and educational, as well as for agricultural, forestry, and crops sort-testing purposes;
- b) citizens, exempted from income tax under the legislation of the Republic of Armenia - regarding lands owned by them.

Article 10. The Government of the Republic of Armenia, with the consent of the Permanent Commission on Finance, Credit, and Budgetary Issues of the Republic of Armenia, may establish other tax rates, methods of tax calculation and payment, and tax privileges for certain payers or groups of payers.

*9/*

CHAPTER 4

**THE METHOD OF TAX REGISTRATION AND PAYMENT TO THE BUDGET**

Article 15. The documents, certifying the right to own the land or use it permanently or temporarily, shall serve as a basis for calculating the land tax.

Article 16. The enterprises, <sup>(other than agricultural)</sup> regardless of the type of their organizational-legal form, institutions, organizations, as well as the peasant collective farms shall calculate the land tax themselves, shall pay annually no later than 1st of September, and shall submit to the agencies of the State Tax Department calculations for every taxable parcel of land.

The tax calculations for newly allocated parcels of land must be submitted to the tax agencies within one month from the day of obtaining the right to use the land.

Article 17. The tax on citizens' and peasant farms' lands shall be calculated <sup>the land tax</sup> by the agencies of the State Tax Department, who shall annually deliver ~~to the payers notices for tax payment by to be made by 1st of September.~~

Article 18. The registration of payers and the tax calculation shall <sup>is</sup> be made <sup>acc.</sup> according to the situation <sup>by</sup> the 1st of July every year.

The agencies of the State Tax Department shall conduct the registration of payers, establish control for accuracy of tax calculations and timely payments.

Article 19. The amounts of calculated tax shall be paid to the <sup>State</sup> budget in equal parts:

central implications  
acquiring evidence  
of taxability How?  
will need  
forms & instructions  
& means of distribution

Central implications  
proof of service  
1 Jul

by the citizens - owners of plots of land attached to the house, and gardening plots (dacha plots), as well as by the peasant farms - no later than by 15th of November of the taxable year and 15th of April of the next year;

by the enterprises, institutions, organizations, ~~as well as by the peasant collective farms~~ - quarterly to be paid by the twenty fifth of the month after the given quarter.

Article ~~107~~ The land tax shall be entered into the incomes of the State budget of the Republic of Armenia in a ~~manner~~, <sup>accordance with</sup> established by the ~~Law~~ of the Republic of Armenia, "~~On the State Budget of the Republic of Armenia~~".

Local govts  
to receive 20%  
revenue

## CHAPTER 5

### OTHER PROVISIONS

Article ~~18~~ The payers and the officials <sup>of enterprises, organizations and institut</sup> ~~shall~~ <sup>shall</sup>, in a manner established by the legislation of the Republic of Armenia, ~~take responsibility~~ for infringement of this law.

19. The Govt of Arm. Rep. in consent. ~~with~~ (Art. 14)

Article ~~22~~ <sup>20</sup> The instructions for implementing this law shall be elaborated and published by the State Tax Department of the Republic of Armenia with the consent of the Ministry of Finance of the Republic of Armenia, the Ministry of Agriculture of the Republic of Armenia, and the Ministry of Justice of the Republic of Armenia.

ENGLISH TRANSLATION BY :

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# THE LAW OF THE REPUBLIC OF ARMENIA ON LAND TAX

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## CHAPTER 1.

### THE OBJECT OF TAXATION AND THE TAXPAYERS

**Article 1.** Land owners as well as permanent and temporary users of land owned by the State shall <sup>are</sup> be considered land taxpayers.

The tax of land ~~owned by the State~~ but leased for use shall be exacted from the lessor. ?  
~~lessor~~

**Article 2.** For agricultural lands, the net income, determined through cadastre appraisal of land, shall be the object of taxation.

2) <sup>profit</sup>  
b) <sup>is</sup> The cadastre value of land shall be the object of taxation for non-agricultural lands.

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## CHAPTER 2

### THE LAND TAX RATES AND THE CALCULATION METHODS THEREOF

**Article 3.** The land tax rates <sup>is</sup> shall not be dependent on the results of economic activities of taxpayers, and shall <sup>is</sup> be established in a form of fixed annual payment per unit-area of the parcel of land.

**Article 4.** The land tax on these parcels of agricultural land, and also, in rural areas, on those parts of plots attached to a house, which are already developed or occupied by building materials, shall be imposed at a rate of <sup>15</sup> twenty percent of the net income, determined through cadastre appraisal thereof.

university

The agric. land tax (including <sup>plots</sup> those allocated for housing, dachas, <sup>gardens</sup> and the ones attached to single families houses) is imposed at 15% of

**The Decision of the Supreme Council of the Republic of Armenia  
on Implementation of the Land Tax Law of the Republic of Armenia**

The Supreme Council [i.e. the Parliament] of the Republic of Armenia hereby resolves to:

1. Implement the Land Tax Law of the Republic of Armenia starting from April 1, 1994.

2. Establish that:

- applies to  
seems correct*
- a) the acting regulation of 1993 for fixed payments of profit tax (income tax) shall remain effective in respect to the state agricultural enterprises, collective farms, peasant collective farms, peasant farms, as well as other agricultural/land users, unless the Land Tax Law of the Republic of Armenia becomes effective; ← 5?
- b) agricultural and non-agricultural activities mentioned in Article 7 of the Land Tax Law of the Republic of Armenia shall be classified in a manner established by the Government of the Republic of Armenia;
- c) the privilege established by Article 10, Item (b) of the Land Tax Law of the Republic of Armenia shall apply, also, to the peasant and peasant collective farms created prior to the effective date of the Land Tax Law;
- d) the privilege established by Article 10, Item (c) of the Land Tax Law of the Republic of Armenia shall be applicable, also, in cases where the subject lands were allocated prior to the effective date of the Land Tax Law;

3. Charge the Government of the Republic of Armenia with the responsibility:

- a) within one month, to establish the lists referred to in Article 7 and Article 11, Item (a) of the Land Tax Law;
- b) within one month, to establish the regulation referred to in Item 2, (b);
- c) within three months, to concur the sub-legislative acts of the Government of the Republic of Armenia with the requirements set by the Land Tax Law of the Republic of Armenia as well as submit proposals on making amendments, inspired by the Land Tax Law, to the acting laws of the Republic of Armenia.

4. Terminate, from the moment the Land Tax Law becomes effective, in the territory of the Republic of Armenia:

- a) the land tax provisions of the Regulation on Local Taxes approved by the Decree No. 3819 of the Presidium of the Supreme Council of the USSR, dated January 26, 1981;
- b) the Agricultural Tax Law of the USSR, dated August 8, 1953.

**Chairman of the Supreme Council  
of the Republic of Armenia**

**B. Ararktsian**

*Incorporates  
experience on the  
Law on Land Tax*

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Agreed upon by:

Ministry of Finance of the  
Republic of Armenia

Ministry of Agriculture of the  
Republic of Armenia

Ministry of Justice of the  
Republic of Armenia

\_\_\_\_\_, \_\_\_\_\_, 1994  
N \_\_\_\_\_

\_\_\_\_\_, \_\_\_\_\_, 1994  
N \_\_\_\_\_

\_\_\_\_\_, \_\_\_\_\_, 1994  
N \_\_\_\_\_

*Notion of a tax being  
the equivalent of rent*

Approved by the  
State Tax Inspectorate  
of the Republic of Armenia  
\_\_\_\_\_, \_\_\_\_\_, 1994  
N \_\_\_\_\_

### Instruction for Land Tax Calculation and its Payment

#### I. General Provisions

1. This Instruction is developed and published in compliance with Article 20 of the Land Tax Law of the Republic of Armenia, dated April 27, 1994, to regulate the issues related to the calculation of land tax and its crediting to the budget.
2. In the Republic of Armenia land shall be used on a paid basis. Land use fee shall be established in the form of land tax.

#### II. Taxpayers

3. Land owners as well as permanent and temporary users of State-owned lands shall be the payers of land tax.

Issues related to the right of ownership of land as well as to land use shall be governed by the Property Law of the Republic of Armenia, the Land Code of the Republic of Armenia, and other legislative acts. (Extracts from the stated legislative acts shall be italicized.)

- 3.1. The following shall be the forms of land ownership in the Republic of Armenia:

- ownership by the citizens of the Republic of Armenia;
- collective ownership;
- state ownership; and
- ownership by other States for their diplomatic and consular representation needs.

Land shall be allocated to any citizen of the Republic of Armenia to own it:

- for managing a peasant or peasant collective farm;

- as a land plot attached to the house as well as for construction and servicing of a dwelling house; and
- for gardening (dacha).

Collective ownership of land shall be created through voluntary association of land plots owned by separate land owners or through allocation of land for collective ownership.

Those lands which are not objects of ownership of citizens, collective ownership, or ownership of other States shall be State-owned lands.

State-owned lands of the Republic of Armenia may be allocated to the ownership of other States exclusively for the needs of diplomatic and consular representative offices.

3.2. Land use for which no definite time limit is established shall be considered permanent. (i.e., 10 yrs ?)

State-owned lands shall be allocated for permanent use:

- to citizens of the Republic of Armenia;
- to persons/entities entitled to the right of collective ownership;
- to state enterprises, institutions, as well as to public and religious organizations; and
- for defense needs.

State-owned lands shall be allocated for permanent use during the entire period of activities of the above-mentioned persons or entities.

Legislation of the Republic of Armenia, also, may provide other instances where land is allocated for permanent use.

State-owned lands shall be allocated, in a due manner, to citizens, enterprises, institutions, and organizations of the Republic of Armenia for temporary use on a short-term (up to three years) or long-term (from three to ten years) basis. These time limits may be prolonged, if necessary for economic reasons.

State-owned lands shall be allocated, in a manner established by legislation, to other States, foreign legal entities and citizens, international organizations and associations, and joint-ventures only for temporary use, except for cases where land may be allocated to the ownership of other States for their diplomatic and consular representation needs.

Time limits for temporary use of lands owned by citizens as well as lands of collective ownership shall be determined and set forth in contract upon the mutual agreement of the contracting parties.

4. Tax for a leased land shall be collected from the lessor.

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For use under a lease contract, land shall be allocated to citizens, legal entities, and other economic organizations of the Republic of Armenia and other States, as well as to international organizations and associations.

The Government of the Republic of Armenia as well as the appropriate Local Councils of Deputies, each within its jurisdiction, shall be the lessors of State-owned lands. Citizens and owners of lands of collective ownership shall be the lessors of their own lands.

Lease conditions shall be determined and set forth in contract upon the mutual agreement of the contracting parties. Sub-lease of lands shall be permitted, if so provided by the lease contract.

Land tax for leased lands shall be calculated and credited to the budget in the general manner established by this Instruction, unless otherwise provided by the legislation of the Republic of Armenia.

### III. Object of Taxation

5. The following shall be objects of land taxation:

- a) estimated net income determined on the basis of cadastre appraisal of land, for agricultural lands; and
- b) cadastre value of land, for non-agricultural lands.

According to the intended use of land, the Republic of Armenia's land stock shall include:

- agricultural lands;
- lands of inhabited areas (i.e. cities/towns, urbanized settlements, and villages);
- industrial, transportation, communication, defense, and other lands;
- natural preservation, health and recreation, leisure, sports, as well as culturally and historically valuable lands;
- lands belonging to the forest stock;
- lands belonging to the water stock; and
- lands belonging to the reserve stock.

Arable lands, lands covered by perennial plants, grass and grazing lands, as well as other lands intended for agricultural use shall be considered as agricultural lands.

Agricultural lands shall be allocated:

- to citizens for managing peasant or peasant collective farms or for gardening (dacha);
- to agricultural enterprises and organizations for conducting agricultural activities; and
- to scientific research, educational, and other agricultural enterprises and institutions, as well as to agricultural vocational schools and village schools for

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research and educational purposes to introduce advanced experience and conduct agricultural activities.

#### IV. Rates and Calculation Order of Land Tax

6. Land tax is a mandatory fee to be credited to the State budget. Its amount shall not be dependent on the results of economic activities of taxpayers and it shall be established as a fixed annual payment per unit surface area.

7. Land tax rate for agricultural lands (including land plots allocated for the construction of dwellings, land plots attached to houses, and land plots for gardening [dacha]) shall be fifteen percent (15%) of the net income estimated on the basis of their cadastre appraisal.

8. Land tax for non-agricultural lands shall be imposed at the following rates:

- a) one percent (1%) of the cadastre value of a given land plot (unusable) inside the inhabited areas and half a percent (0.5%) of the cadastre value of a given land plot (unusable) outside the inhabited areas in respect to lands for industrial (including mines and areas damaged from industrial activities), transportation, communication, radio and television broadcasting, and defense use as well as lands occupied by gas pipelines and lands belonging to the water stock;
- b) one percent (1%) of the average cadastre value of unusable lands included in the appropriate cadastre zone in respect to lands belonging to the forest stock (except for lands in that stock that are used for agriculture); and
- c) one percent (1%) of the cadastre value of a given land plot (unusable) in respect to other non-agricultural lands.

9. Surface areas subject to taxation shall also include the lands occupied by buildings and structures, areas necessary for their maintenance as well as the areas allocated for sanitation, technical, and other zones.

10. Taxpayers engaged in agricultural activities (agricultural production) shall pay land tax. They shall be exempted from profit tax (income tax), except for those agricultural enterprises of industrial nature (e.g., green houses, animal farms, husbandry complexes, agribusiness, aeries, and so on) the list of which shall be approved by the Government of the Republic of Armenia upon the agreement of the Permanent Finance-Credit and Budgetary Commission of the Supreme Council of the Republic of Armenia.

Those tax-payers, more than twenty-five percent (25%) of proceeds (income) of which is gained from non-agricultural activities, shall not be exempted from profit tax (income tax) for the stated activities and shall pay profit tax (income tax) in a manner established by legislation. For this purpose tax-payers shall be obligated to keep separate accounts for the expenses of agricultural and non-agricultural production and distribution.

To differentiate agricultural activities from non-agricultural activities, it is necessary to be directed by the "General Classification Guideline for All Types of Economic Activities"

(1993 Yerevan) developed and approved by the Republic of Armenia's State Department of Statistics, State Register, and Analysis.

11. Land tax shall be calculated starting from the month following the month the right to ownership, permanent use, or temporary use of a given land plot has been obtained.

For example, if land is allocated, in a manner established by legislation, in the month of May, then land tax must be calculated only for seven (7) months (i.e., June-December) of the year the land has been allocated.

During the taxable year, any taxpayer having a land tax privilege shall be exempted from payment of the tax starting from the month the privilege has emerged.

For example, if a privilege has emerged in the month of October, then it shall be effective for three (3) months (i.e., October-December).

In the event a land tax privilege terminates during the taxable year, the tax shall be calculated from the month following the month of termination of the privilege. If the time-limit for a privilege established by legislation expires during the taxable year, then the land tax shall be recalculated for the appropriate months of the given year.

For example, if a peasant farm has obtained the right to the use of a land plot in March 1992 and the two years privilege established by legislation has terminated in March 1994, then the land tax for the year of 1994 must be calculated only for nine (9) months (i.e., April-December).

## **V. Land Tax Privileges**

12. The following shall be exempt from land tax:

- a) Budgetary institutions and organizations, as well as State reserves, National Parks, public gardens, botanical parks, and lands of historic-cultural significance, except for leased lands and lands allocated as service plots.

Enterprises, institutions and organizations in the field of transportation, forestry, forest industry, communication, water management, fishing and hunting, as well as other branches of economy may, upon the decision of their administration, allocate service land plots assigned to them for use to their employees who do not own land.

The size of a service land plot shall be determined by the administration of a given enterprise, institution, or organization taking into account the lands for that purpose and under its disposal as well as the number of employees.

- b) Peasant and peasant collective farms created during land reform and privatization for a term of two years started from the month, when the title of ownership in land has been obtained.

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This privilege shall apply also to the peasant and peasant collective farms created prior to the implementation (April 1, 1994) of the Land Tax Law of the Republic of Armenia.

- c) In a manner established by legislation of the Republic of Armenia, those owners, permanent and temporary users of lands to whom the plots have been allocated under terms of exemption from income tax for a certain period of time shall be exempted from land tax during the same period of time, particularly:
- peasant and peasant collective farms organized by refugees permanently residing in the territory of the Republic of Armenia, during a three year period, starting from the month of obtaining the ownership title of the land ;
  - non-agricultural lands (unusable lands, unexploited lands, and lands not included for agricultural use) allocated to the ownership of citizens for managing peasant farms, during a five year period\*\* ;
  - lands allocated to the ownership of citizens for managing peasant and peasant collective farms in abandoned areas, during a five year period, and non-agricultural lands (unusable lands, unexploited lands, and lands not included for agricultural use) allocated to the ownership of citizens for managing peasant farms in villages, during a ten year period (the lists were approved on March 15, 1991 by Decision No. 219 of the Council of Ministers of the Republic of Armenia "On Approval of the Lists of Marginal, Mountain, and Abandoned Villages")\*\* ;
  - non-agricultural lands (unusable lands, unexploited lands, and lands not included for agricultural use) allocated to the ownership of citizens for managing peasant farms in marginal and mountain villages, during a ten year period (the lists were approved on March 15, 1991 by Decision No. 219 of the Council of Ministers of the Republic of Armenia "On Approval of the Lists of Marginal, Mountain, and Abandoned Villages", on April 6, 1991 by Decision No. 262 of the Council of Ministers of the Republic of Armenia "On Making Amendments to the Decision No. 219 of the Council of Ministers of the Republic of Armenia 'On Approval of the Lists of Marginal, Mountain, and Abandoned Villages' dated March 15, 1991", and on July 13, 1992 by Decision No. 393 of the Government of the Republic of Armenia "On Making Amendments to the Decision No. 219 of the Council of Ministers of the Republic of Armenia 'On Approval of the Lists of Marginal, Mountain, and Abandoned Villages' dated March 15, 1991")\*\* ;
  - peasant and peasant collective farms in the devastated areas of the Disaster Zone, during a five year period (the list of which was approved on October 27, 1993 by Decision No. 545 of the Government of the Republic of Armenia "On Approval of the List of the Devastated Areas of the Disaster Zone")\*\* .

Approved list  
to be approved  
9/2/91

- d) State owned lands for public use in populated areas (squares, streets, passages, roads, parks, public gardens, reservoirs, and so on).
- e) Educational-production and experimental plots of professional technical schools (vocational schools) and secondary schools.
- f) Finally, newly planted and young grape vineyards and fruit gardens provided their surface area is 0.1 hectare and more, until their production reaches full capacity (i.e., within periods of time established by agro-technical guidelines for each sort).

13. The following shall be entitled to a fifty percent (50%) land tax exemption:

- a) agricultural and forestry research organizations, testing, experimental, seed-growing, planting, pedigree stock-breeding, and sort-testing enterprises, stations and other institutions of scientific-research and educational establishments, according to the list confirmed by the Government of the Republic of Armenia, regarding those lands, which are being used exclusively for scientific and educational, as well as for agricultural, forestry, and crop sort-testing purposes; and
- b) citizens, exempted from income tax under the legislation of the Republic of Armenia, for lands owned by them.

This privilege shall be assigned to citizens completely exempted from income tax on the basis of documents required for income tax exemption (e.g., the Soviet Union Hero's identification card, the booklet of a Merit Badge, the certificate of disability and the relevant privileges, the notice of the military commission, the notice of the commission for medical-occupational examination, and so on). This privilege shall apply to peasant farms, provided the head of the household is fully exempt from the payment of income tax.

#### **VI. Regulation for Land Tax Calculation and Crediting to the Budget**

14. The documents, certifying the right to own the land or use it permanently or temporarily, shall serve as a basis for calculating the land tax.

The right to ownership and permanent use of land is established by a State act issued by the Executive Committee appropriate Local Council of Deputies.

The State act for ownership of land shall include the names of the owners, the intentions and conditions of allocation and use, name of the land plot, location,

The State act for the permanent use of land shall include the name of the user of the land, its size, boundaries, cadastre appraisal, as well as the intended use of the land and the conditions of its use.

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The forms of the State acts for the ownership and permanent use of land are established in Decision No. 164 of the Council of Ministers of the Republic of Armenia "On the Establishment of the Forms of State Acts for the Right to Ownership and Use of Land" dated 5 March 1991.

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The right to lease and temporary use of land is established by a contract to which the plan of the land plot to the leased or given for temporary use shall be attached.

NB 15. In case of the unavailability of documents establishing the right to the ownership, permanent or temporary use of land, the data contained in the registration books of the Executive Committees of Local Councils of Deputies shall temporarily serve as a basis for the calculation of the land tax. The appropriate officials shall bear responsibility for the accuracy of the above mentioned data, in a manner established by the legislation of the Republic of Armenia.

16. Enterprises (except for peasant farms), institutions, and organizations shall calculate the land tax themselves, and no later than September 1 of each year, shall submit to the agencies of the State Tax Inspectorate calculations for every taxable parcel of land.

Tax calculations for newly allocated parcels of land must be submitted to the tax agencies within one month from the day of obtaining the right to the use of the land. Calculation must be submitted separately.

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For the first and second quarters of a reporting year (within the period up to the submission of calculations), enterprises, institutions, and organizations shall calculate and pay the land tax for each quarter in the amount of the one fourth (1/4) of the tax calculated for the previous year, taking into account the amount of tax calculated for newly allocated parcels. For the third quarter, when calculations are already submitted, the amount of tax (the amount of tax for nine months) shall be determined as the difference between the three-fourths (3/4) of the amount of tax calculated for the given year and the amount of tax calculated in the above-mentioned manner for the first half of the year. The amount of tax for the fourth quarter shall be determined by deducing the amount of tax calculated for nine months from the amount of tax calculated for the given year, or in the amount of one fourth (1/4) of the tax calculated for the given year.

Examples for calculation of land tax for the first and second quarters by enterprises, institutions, and organizations are included in this Instruction.

*EXAMPLE:* The amount of land tax calculated for a peasant collective farm in 1994 is 2400 Drams. In October 1994, another parcel of land is allocated to the peasant collective farm. For this parcel of land, a new calculation of tax is submitted, according to which the amount of annual tax for the lands allocated during 1994 is equal to 1200 Drams of which 200 Drams are due (i.e., for the months of November through December: 1200 Drams -  $\{[1200 \text{ Drams} \times 10]/12\} = 200 \text{ Drams}$ , viz., the amount of annual tax is reduced by 1000 Drams or no tax is assessed for the months of January through October).

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In February 1995, yet another parcel of land is allocated to the peasant collective farm and, according to the calculation submitted for that parcel, the amount of annual tax for the land allocated during 1995 is equal to 600 Drams of which 500 Drams are due (i.e., for the months of March through December:  $600 \text{ Drams} - \{[600 \times 2] / 12\} = 500 \text{ Drams}$ , viz., the amount of annual tax is reduced by 100 Drams or no tax is assessed for the months of January through February).

The amount of tax due for the first and second quarters of 1995 (950 Drams for the first quarter [i.e.,  $900 \text{ Drams} + 50 \text{ Drams}$ ] and 1050 Drams for the second quarter [i.e.,  $900 \text{ Drams} + 150 \text{ Drams}$ ]) shall be determined by adding the amount due for the first and second quarters of 1995 (50 Drams for the first quarter [i.e.,  $600 \text{ Drams} \times 1 / 12$ ], viz., tax shall be paid only for the month of March, and 150 Drams for the second quarter [i.e.,  $600 \text{ Drams} \times 3 / 12$ ], viz., tax shall be paid for the months of April through June) calculated for the land allocated during 1995 to the one-fourth (1/4) of the amount of annual tax calculated for 1994 taking into account the land allocated during 1994 ( $[2400 \text{ Drams} + 1200 \text{ Drams}] \times 1 / 4 = 900 \text{ Drams}$ ).

17. Citizens and peasant farms shall calculate the land tax themselves based on payment notices calculated by the agencies of the State Tax Inspectorate of the Republic of Armenia and delivered to the tax-payers by September 1 of each year.

18. Registration of tax-payers and tax assessment shall be conducted using the data available as at July 1 of each year.

In case of allocation of land to citizens and peasant farms, during the period from July 1 until December 1, the agencies of the State Tax Inspectorate shall receive, by February 1 of the next year, from the Executive Committees of Local Councils or their appropriate agencies data necessary for the calculation of taxes. The amount of taxes calculated on the basis of this data shall be due by April 15. For this purpose, payment notices shall be delivered to the tax-payers by March 1.

Any change to a land, incurred after July 1, shall not be taken into account for the calculation of taxes due for the given year, unless land parcels are newly allocated.

19. The agencies of the State Tax Inspectorate shall receive, from the Executive Committees of the Local Councils or their appropriate agencies, data necessary for the registration of tax-payers, tax assessment, and establishment of privileges. The agencies of the State Tax Inspectorate shall check the accuracy of the above-mentioned data by comparing the summary data received from the Village and Town Councils with the data received from the Executive Committees of the District (City) Councils or their appropriate agencies, as well as through conducting inspections of tax-payers on a selective basis. These inspections shall not result in the recalculation of the tax amounts due. The recalculation of taxes due shall be made only after making corrections in the documents establishing the right to ownership and permanent or temporary use of land.

While conducting activities for the registration of tax-payers, tax assessment, and its crediting to the budget, the agencies of the State Tax Inspectorate may, upon the agreement of

the Executive Committees of the Local Councils, include in those activities also the employees of the Local Councils.

All the data regarding the registration of tax-payers shall be registered in the registration book in accordance with Appendix No.      of this Instruction.

20. The amounts of calculated tax shall be paid to the budget:

- by citizens and peasant farms no later than November 15 of the taxable year and April 15 of the next year in equal installments; and
- by enterprises, institutions, and organizations quarterly but no later than the twenty-fifth (25th) day of the month, following the reporting quarter.

21. Land tax shall be credited to the State budget in a manner established by the legislation of the Republic of Armenia.

Tax payment receipt forms established by Appendix No.      of this Instruction, also, may be used for the payment of tax. These receipt forms shall be considered strictly registered documents.

22. The Government of the Republic of Armenia, with the consent of the Permanent Finance-Credit and Budget Commission of the Supreme Council of the Republic of Armenia, may establish other tax rates, other tax calculation and payment methods, and other tax privileges for certain tax-payers or groups of tax-payers.

## VII. Land Tax Accounting

23. Enterprises and organizations shall conduct the accounting of land tax calculations through a separate sub-account called "Land Tax Calculations" of the Account 68 "Calculations Related to the Budget". Tax assessment shall be reflected by the debit of the Account 81 "Profit Use" and the credit of the Account 68. Tax payment shall be shown by the debit of the Account 68 and the credit of the Account 51 "Current Account".

## VIII. Tax-payers' Obligations and Liabilities

24. Land tax-payers shall be obligated:

- a) to calculate taxes and submit those calculations to the agencies of the State Tax Inspectorate within the established time-limits;
- b) prior to July 1 of a reporting year, to submit to the agencies of the State Tax Inspectorate, the documents establishing their right to land tax privileges (if the right to the said privileges has emerged prior to July 1);
- c) in a timely and complete manner, credit to the budget the amounts of tax due for a given reporting period; and

- d) make corrections to the accounting registration and calculation errors which were identified as a result of inspections conducted by the agencies of the State Tax Inspectorate.

25. In case of delays in payment of land tax within the established time-limits, a fine of one half percent (0.5%) of the overdue tax amount shall be collected from the tax-payer for each day of delay.

26. Penalties and fines established by legislation of the Republic of Armenia for the non-performance of tax obligations shall be incontrovertibly collected from legal entities. Such penalties and fines shall be collected from physical persons and other payers through a court of law.

### **IX. Appeals of Actions of Officials of the Agencies of the State Tax Inspectorate**

27. Actions of officials of the agencies of the State Tax Inspectorate may be appealed to the body to which those officials directly report to. Appeals shall be considered and decided upon no later than thirty days from the day the appeal is received. Those decisions may be appealed to the superior body of the State Tax Inspectorate or to a court of law within a period of one month from the day a copy of the decision is delivered to the person appealing.

28. Those actions of officials of the agencies of the State Tax Inspectorate which are related to the imposition of administrative penalties shall be appealed in accordance with the legislation of the Republic of Armenia on administrative legal violations and offenses. *but if there is a failure to deliver*

✓ 29. Appeals of actions of officials of the agencies of the State Tax Inspectorate shall not stop the collection of taxes. The body examining the appeals shall be entitled to stop the collection of taxes until the settlement of the dispute.

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\* This privilege was established by the Republic of Armenia's Law "On Establishing Privileges Related to Some Issues of Land Privatization for Refugees Permanently Residing in the Territory of the Republic of Armenia" adopted on July 29, 1991.

\*\* These privileges were established by February 19, 1991 Decision of the Supreme Council of the Republic of Armenia "On Privileges for Allocation of Land Plots as well as for Allocation of Non-Agricultural Lands for Agricultural Use in some Abandoned, Mountain, Marginal, and Disaster Zone Villages and on Regulations for Alienation of Those Land Plots."

**ENGLISH TRANSLATION BY :**

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ICMA PRINTING DATE: July 26, 1994

Calculation of Land Tax for the Year of 199\_\_

Dram

1	Number of the Line	According to the Data of the Tax Agency					According to the Data of the Payer				
		Appraisal Group of the Land	Area in Hectares	A. ENIDCA per Hectare B. CV per Hectare	Rate A. 15% B. 1% 0.5%	Amount of the Tax	Appraisal Group of the Land	Area in Hectares	A. ENIDCA per Hectare B. CV per Hectare	Rate A. 15% B. 1% 0.5%	Amount of the Tax
	2	3	4	5	6	7	8	9	10	11	12
A Agricultural Lands											
1 Arable Lands (Total)	1	x		x	x		x		x	x	
.....	2										
a. Irrigated	3										
.....	4										
.....	5										
.....	6										
.....	7	x		x	x		x		x	x	
.....	8										
b. Non-irrigated	9										
.....	10	x		x	x		x		x	x	
.....	11										
.....	12										
2. Perennial Plants (Total)	13										
.....	14										
a. Grape	15	x		x	x		x		x	x	
.....	16										
.....	17										
.....	18										
b. Fruit	19										
.....	20	x		x	x		x		x	x	
- Seedless											
.....											
.....											
- Pitted											
.....											
.....											
3. Grass Lands & Grazing Pastures (Total)											
.....											
a. Grass Lands											
.....											
.....											
b. Grazing Pastures											

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.....											
<b>TOTAL</b>											
B. Non-agricultural Lands:											
4.	21										
5.	22										
6.	23										
	24	x		x	x		x		x	x	
<b>TOTAL</b>											
Total Payments (line 20 + line 24)	25	x	x	x	x		x	x	x	x	
Reduction of Payments*	26	x	x	x	x		x	x	x	x	
Total Payment Due (line 25 - line 26)	27	x	x	x	x		x	x	x	x	

where:

ENIDCA - Estimated Net Income Determined by Cadastre Appraisal

CV - Cadastre Value

\* See the attached Notice

$$\text{Column 7} = \text{Column 4} \times \text{Column 5} \times \text{Column 6}$$

$$\text{Column 12} = \text{Column 9} \times \text{Column 10} \times \text{Column 11}$$

10/1

**NOTICE**  
**on Reduction of Payments of the Land Tax for the Year of 199\_\_**

Contents		Land No.	Article, Item of the Law of RA "On Land Tax"	Amount (Dram)
Amount of Annual Tax per Rates .....		1	x	
Payments are Reduced	By monthly recalculations (no tax is calculated for __ months of the year)	2		
	.....			
	Exemption from tax by __ % .....	3		
	.....	4		
	.....	5		
	<b>TOTAL</b>	6	x	
Amount of the Tax Payable .....		7	x	

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**Attachment H**

Government of the Republic of Armenia, Decision No. 251,  
01 June 1994

"On Approval of the State Land Cadastre Data as of  
01 January 1994"

**GOVERNMENT OF THE REPUBLIC OF ARMENIA****DECISION No. 251****June 1, 1994****"On Approval of the State Land Cadastre Data as of January 1, 1994"**

The Government of the Republic of Armenia hereby resolves to:

1. Approve, relying on the estimations made by using the data, as of January 1, 1994, of the Republic of Armenia's State Land Cadastre developed and presented by the Ministry of Agriculture and agreed upon by the Ministry of Economy and the Ministry of Finance of the Republic of Armenia:

- a) the amount of the average net income from and the average value of agricultural lands for each administrative region of the Republic of Armenia, according to Annex 1;
- b) the amount of the average net income from and the average value of unusable lands for each cadastral region of the Republic of Armenia, according to Annex 2;
- c) the net income normative (attached to this decision) for agricultural lands, by Village Councils of Deputies and land appraisal groups.

2. Charge the Ministry of Economy, the Ministry of Finance, and the Ministry of Agriculture of the Republic of Armenia with the responsibility to submit, prior to September 1, 1994, for the Government's consideration the indexation coefficient for the year of 1995.

3. Declare void the Decision No. 534 of the Government of the Republic of Armenia "On Approval of the Land Cadastre Data", dated October 21, 1993. 12

4. Implement this Decision starting from June 1, 1994.

**Prime-Minister of the Republic of Armenia**

**H. Bagratian**

**Manager of Affairs of the Government  
of the Republic of Armenia**

**A. Khachatrian**

**ENGLISH TRANSLATION BY :**

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ICMA PRINTING DATE: July 22, 1994

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THE AVERAGE NET INCOME AND THE AVERAGE VALUE OF AGRICULTURAL  
LANDS FOR EACH ADMINISTRATIVE REGION OF THE REPUBLIC OF  
ARMENIA (AS OF JANUARY 1, 1994)

Հավելված № 1  
ՀՀ կառավարության 1994 թվականի  
հունիսի 1 -ի № 251 որոշմամբ

Հայաստանի Հանրապետությունում գյուղատնտեսական հողատեսքերի միջին գույն  
և արժեքը և հողի միջին արժեքը ըստ վարչական շրջանների/1994 թվականի  
հունվարի 1-ի դրությամբ/

/dram/hectar/  
/դրամ/հեկտար/

NAMES OF DISTRICTS Երկրամասերի անվանումը	Վարելահող ARABLE LANDS				Բազմամյա տնկարկներ PERENNIAL PLANTS						Բուսական կեր համարյակներ GRASS AND GRAZING P. LANDS			
	IRRIGATED Հողմեր		NON-IRRIGATED անհողմեր		խաղող GRAPE		փայտեղև FRUITS				խոտհարց GRASS LANDS		արոտ GRAZING PASTURE LANDS	
	գույն և արժեք NET INCOME	մեկ հեկտարի արժեքը VALUE PER HECTAR	գույն և արժեք NET INCOME	մեկ հեկտարի արժեքը VALUE PER HECTAR	գույն և արժեք NET INCOME	մեկ հեկտարի արժեքը VALUE PER HECTAR	հնդավոր		կորիզավոր HAYING STONE		գույն և արժեք NET INCOME	մեկ հեկտարի արժեքը VALUE PER HECTAR	գույն և արժեք NET INCOME	մեկ հեկտարի արժեքը VALUE PER HECTAR
							գույն և արժեք NET INC.	մեկ հեկտարի արժեքը VAL. PER H.	գույն և արժեք NET INC.	մեկ հեկտարի արժեքը VAL. PER H.				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Ախուրյան	28354	1417700	10551	527550	-	-	62314	9115700	-	-	1977	98850	1920	66000
Ամասիա	26705	1935250	12199	609950	-	-	24068	1203400	-	-	2908	115400	1920	66000
Անի	26705	1935250	11540	577000	-	-	72205	9610350	-	-	2697	191850	1920	66000
Աշոցք	18793	989650	10220	511000	-	-	67260	3363000	-	-	1977	98850	1648	82400
Աշտարակ	23079	1159950	6265	319250	54790	2736500	60665	9093250	90002	1500100	2303	115400	1920	66000
Ապարան	23739	1186950	10220	511000	-	-	-	-	-	-	2697	191850	1920	66000
Արագած	28684	1494200	11869	593450	-	-	-	-	-	-	2697	191850	1648	82400
Արարատ	50774	2538700	4946	247900	110120	5506000	53746	2687050	46818	2340900	1648	82400	1920	66000
Արմավիր	26047	1302300	9891	494550	-	-	60006	3000300	-	-	1648	82400	989	49450
Արտաշատ	49784	2489200	7254	362700	103196	5159800	81765	4088250	59346	2967900	1920	66000	1920	66000
Բաղրամյան	26705	1935250	5274	263700	58357	2917850	51433	2571650	45029	2291450	989	49450	264	19200
Գորիս	22756	1137500	8902	448100	23079	1159950	25387	1269350	21760	1008000	1648	82400	1920	66000
Գուգարք	29018	1450650	12199	609950	-	-	42201	2110050	-	-	2478	123650	1977	98850
Եղեգնաձոր	16156	807000	4286	214300	37256	1862800	51104	2555200	30339	1516650	1648	82400	1920	66000
Էջմիածին	51439	2571600	-	-	73354	3692700	58686	2994300	47478	2973900	-	-	989	49450
Բալի	28684	1494200	7583	379150	62314	9115700	74182	3709100	41872	2093600	1977	98850	1920	66000
Բուժանյան	29344	1467200	12199	609950	52092	2604600	67589	3379450	79128	3956400	1648	82400	1648	82400
Իջևան	52641	1632050	13847	692350	63303	3155150	77480	9874000	100888	5044400	2637	131850	2908	115400
Կամո	25057	1252350	9231	461550	-	-	25056	1252800	-	-	2697	191850	1648	82400

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Ուսանողներ	20442	1022400	6265	919250	35938	1796900	20771	1098550	-	-	1920	66000	1648	82400
	Կրթական	33690	1681500	7589	379150	28359	1417950	59346	2967900	28025	1401250	2908	115400	1920	66000
	Կրթական	25047	1302950	10220	511000	-	-	-	-	-	-	2697	131850	1977	98350
	Արտադրողներ	52752	2637600	-	-	101547	5077950	89414	4170700	79205	3610250	-	-	989	49450
	Հրահանգատ	30333	1516650	12199	609950	-	-	01765	4088250	-	-	2908	115400	1920	66000
	Մասնագետներ	39564	1973200	-	-	78139	3906950	55720	2786000	52092	2604600	989	49450	660	99000
	Մարտնչական	23739	1186950	11869	593450	-	-	58636	2994900	-	-	2908	115400	1920	66000
	Մեղրի	14836	741800	4286	214900	36596	1929800	30662	1599100	26705	1335250	2802	140100	1977	98850
	Նախարարներ	29408	1170400	7589	379150	57869	2868450	74182	3709100	31651	1582550	1977	98850	660	99000
	Նոյնաբերական	34290	1714500	11869	593450	79128	3956400	79457	3972950	406824	5341200	2968	147100	2597	131850
	Շահույթ	55720	2786000	-	-	79128	3956400	78139	3906950	55389	2769450	462	23100	1648	83400
	Սևան	22750	1137500	12199	609950	-	-	-	-	-	-	2308	115400	2308	115400
	Սիսիան	21760	1088000	9231	461550	-	-	35927	1846950	21490	1071500	2637	131850	1977	98850
	Արտադրողներ	34619	1730950	9891	494550	-	-	65611	3280550	-	-	2637	131850	1920	66000
	Ստեփանավան	29679	1483650	17804	890200	-	-	27036	1351800	-	-	2637	131850	1977	98850
	Վայոց	15166	758900	4617	230850	-	-	48795	2499750	33690	1681500	2637	131850	1977	98850
	Վարդգեսի	25387	1269350	14508	725400	-	-	63969	3198150	-	-	2478	123650	1153	57650
	Յաջիր	-	-	21101	1055050	-	-	14508	725400	-	-	2697	131850	1648	82400
	Յանուար	32970	1643500	19188	659400	74842	3742100	77808	3890400	99636	4681800	2308	115400	1977	98850

ԸՆԴՈՒՄՆԵՐ  
ԳՆԱԿԱՆՈՒԹՅԱՆ ԳՈՐԾԵՐԻ  
TOTAL IN THE  
REPUBLIC

33692	1682600	10940	547000	80815	4040750	62718	3195650	60489	3024150	2355	117750	1552	77600
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ՀԱՅԱՍՏԱՆԻ ՀԱՆՐԱՊԵՏՈՒԹՅԱՆ  
ԿԱՌԱՎԱՐՈՒԹՅԱՆ ԳՈՐԾԵՐԻ  
ԿԱՌԱՎԱՐ

MANAGER OF AFFAIRS  
OF THE GOVERNMENT OF  
THE REPUBLIC OF ARMENIA

Ա. ԽԱՉԱՏՐՅԱՆ

A. KHACHATRIAN



Confirmed by the Ministry of Finance  
of the Republic of Armenia  
for Reports  
for Quarter and Annual Reports  
beginning from 1994

Form N 1

ENTERPRISE BALANCE  
As 1 \_\_\_\_\_ 199 \_\_\_\_\_

Name of Enterprise  
Type of Activity  
Economic Management Body  
Measure of Unit      Thousand Drams  
Address

Code

Sending Date  
Date of Receipt

Presentation Date

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ASSETS	Line	In the beginning	In the End of Reporting Period
1	2	3	4
<u>I. Fixed &amp; Other Working Capital</u>			
Fixed Assets Initial Cost (01).....	010	.....	.....
Residual Cost *.....	012	.....	.....
Non-material Assets Initial Cost (04).....	020	.....	.....
Residual Cost *.....	022	.....	.....
Equipment Subject to Allocation (07).....	030	.....	.....
Capital Investment (08).....	040	.....	.....
Long-term Financial Investments (06).....	050	.....	.....
Settlements with Founders (75).....	060	.....	.....
Other Extra Working Assets.....	070	.....	.....
<u>Total according Section I.....</u>	<u>080</u>	.....	.....
<u>II. Reserves &amp; Expenditures</u>			
Industrial Reserves (10,15).....	100	.....	.....
Breeding & Slaughtering Animals (11).....	110	.....	.....
Not Valuable & Quick Depreciated objects Initial Cost (12)....	120	.....	.....
Residual Cost.....	122	.....	.....
Working Process (20, 21, 23, 29, 30).....	130	.....	.....
Future Expected Expenditures(31).....	140	.....	.....
Finished Production (40).....	150	.....	.....
Goods			
Sell Price (41)*.....	160	.....	.....
Commercial Extra Charge (42).....	161	.....	.....
Purchase Price.....	162	.....	.....
Working Expenses on unrealized goods (44).....	170	.....	.....
Total According to Section II.....	180	.....	.....
<u>III. Cash, Settlements &amp; Other Assets</u>			
Settlements with Debtors			
- for goods, works, services (45, 62, 76).....	200	.....	.....
- received promissory notes (62).....	210	.....	.....
- with daughter enterprises (78).....	220	.....	.....
- with budget (68).....	230	.....	.....
- with personnel for other types of operations (73).....	240	.....	.....
- other debtors.....	250	.....	.....
Advance Payments to Suppliers & Contractors(61).....	260	.....	.....
Short-term Financial Investments (58).....	270	.....	.....
Cash			
- cash-desk (50).....	280	.....	.....
- current account (51).....	290	.....	.....
- hard currency.(52).....	300	.....	.....
- other cash resources (55, 56, 57).....	310	.....	.....
Other Working Assets.....	320	.....	.....
<u>Total according to Section III.....</u>	<u>330</u>	.....	.....
Losses Previous Years (87).....	340	.....	.....
Reporting year.....	350	X	.....
<b>BALANCE (080, 180, 330, 340, 350) lines sum.....</b>	<b>360</b>		

LIABILITIES	Line	In the beginning	In the End of Reporting Period
1	2	3	4
<b><u>I. Means of Own Resources</u></b>			
Foundation Fund (85).....	400	.....	.....
Depreciation of Fixed Assets(02).....	401	.....	.....
Depreciation of Non-material Assets(05).....	402	.....	.....
Depreciation of Not Valuable & Quick Depreciated objects (13)	403	.....	.....
Reserve Fund (85).....	410	.....	.....
Funds of Special Significance (88).....	420	.....	.....
Targeted Financing & Entries (96).....	430	.....	.....
Reni Liabilities (97).....	4404	.....	.....
Settlements with Founders (75).....	5046	.....	.....
Unallocated Profit from Previous Period (87).....	0470	.....	.....
Profit of the Reporting Year(80) *.....	471	X	.....
used (81) *.....	472	X	.....
Unallocated Profit of the Reporting Year.....	480	X	.....
<u>Total according Section I</u> .....			
<b><u>II. Long-Term Liabilities</u></b>			
Long-term Bank Credits (92).....	500	.....	.....
Long-term Bonds (95).....	510	.....	.....
<u>Total According to Section II</u> .....	520	.....	.....
<b><u>III. Settlements &amp; Other Liabilities</u></b>			
Short-term Bank Credits 90).....	600	.....	.....
Bank Credits for Personnel (93).....	610	.....	.....
Short-term Bonds (94).....	620	.....	.....
Credit Emissions Resources (98).....	625	.....	.....
Settlements with Creditors	630	.....	.....
for goods, works, services (60).....	640	.....	.....
- Promissory notes (60).....	650	.....	.....
- Payment for work (70).....	660	.....	.....
- Social Insurance & Security (69).....	670	.....	.....
- Property & Personal Insurance (65).....	680	.....	.....
- With daughter Enterprises (78).....	690	.....	.....
- Extra budgetary payments (67).....	700	.....	.....
- With budget (68).....	710	.....	.....
- With other creditors.....	720	.....	.....
Advance payments from buyers & clients (64).....	730	.....	.....
Future expenditures (83).....	740	.....	.....
Reserve for expected expenses & payments (89).....	750	.....	.....
Reserve for bad debts (82).....	760	.....	.....
Other short-term liabilities	770	.....	.....
<u>Total according to Section III</u> .....	780	.....	.....
<b>BALANCE (480, 520, 770) lines sum.....</b>			

Executor

Supervisor \_\_\_\_\_  
 Chief Accountant \_\_\_\_\_

\* - the sums are not included in the balance total.

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