

L A W
OF REPUBLIC OF ARMENIA

Adopted July 7, 2006

ON DECLARATION OF PROPERTY AND INCOME OF PHYSICAL PERSONS

CHAPTER 1

GENERAL PROVISIONS

Article 1. Purpose of the Law and Subject of Regulation

The purpose of this Law is to secure public confidence towards declaration of property and income of those submitting declarations (hereinafter: Declarant), towards control of fulfillment of duties of physical persons in regard to state and community budgets (hereinafter: budget) of the Republic of Armenia through declaration of property and income, acting entities for combat against corruption.

This Law regulates relationships in terms of declaration of property and income by the right of ownership of individuals. It stipulates the processes, deadlines for submitting declarations, for receiving information on property and income of Declarants, as well as accountability for breaking the law.

(Article 5 edited, supplemented by AL-239-N of October 24, 2007)

Article 2. Legal Regulation of Declaration

1. The relationship to property and income declaration of physical persons is regulated by this Law and other legal acts.

2. If other norms are prescribed by international treaties of the Republic of Armenia than envisaged by this Law, norms of the treaties shall apply.

CHAPTER 2

THE DECLARATION

Article 3. Concept of the Declaration

1. The property and income declaration (hereinafter: declaration) stipulated by this Law is the written statement of the Declarant about the property subject to declaration that is in possession with him by ownership law, about income and their sources, about tax privileges and calculating and paying duties towards the budget.

2. The form of the declaration and its completion are determined by the Government of the Republic of Armenia (hereinafter: government).

3. The declaration can have an attachment. The calculation for annual income provided by the Law of the Republic of Armenia on Income Tax is the attachment to the

declaration prescribed by this Law, which the individuals submitting calculations on annual income present as stipulated by the Law of the Republic of Armenia on Income Tax.

4. With the exception of the cases indicated in Part 2 of Article 8 of this Law, the declaration is submitted for tax year, which is the period from January 1 to December 31.

Article 4. Requirements for Filling in the Declaration

1. The declaration is completed in ink or typed with a typewriter or on a computer by a physical person or his/her proxy (physical or legal person) as provided by law.

2. The Declarant signs all the pages.

3. Changes made the by Declarant are verified by the signature of the latter.

4. Data subject to be filled in shall be completely filled in by the Declarant unless otherwise prescribed by the government.

5. The property belonging to joint general ownership right is declared by one of the owners with the permission of the others. Each of the joint general owners reflects in the declaration the part that he/she has actually received from alienation or use (including use as production means) of the property belonging by the joint general ownership right.

6. The property owned by partial general ownership right is indicated in the declaration by each Declarant to the extent of his/her share.

7. The Declarant declares the property and income belonging by ownership (including general joint or general partial) right (hereinafter: belonging by ownership right) to him/her and his/her guardian.

8. In the declaration the Declarant reflects foreign currency in the nominal cost of the latter.

9. In-kind (non monetary) income or property is reflected in the manner established by the government.

10. A Republic of Armenia resident declares the possessed property and/or income in the Republic of Armenia and/or outside the Republic of Armenia.

11. *(Part 11 is no longer valid since December 12, 2007, AL-300-N)*

12. Provision of Parts 5, 6, 7 of this Article do not refer to multi-apartment buildings' joint general service and to the premises, constructions, property and property rights prescribed for maintenance that belong to all residents of the construction by partial general ownership right. *(Article 4 5 edited, supplemented by AL-300-N of December 12, 2007)*

CHAPTER 3

THE PERSON SUBMITTING THE DECLARATION, PROPERTY AND INCOME SUBJECT TO DECLARATION

Article 5. The Declarant

1. In accordance with this Law, the Declarant shall be:

1) A resident of the Republic of Armenia, in case the resident owns property and (or) income defined by this law in the Republic of Armenia or outside the territory of the Republic of Armenia.

For the meaning of this Law, a resident of the Republic of Armenia is a natural person, who spends a total of 183 days or more in the Republic of Armenia during any 12-

month period, beginning or ending in a tax year or whose center of vital interests is in the Republic of Armenia.

Within the meaning of this Law, the center of vital interests is the place where the center of family or economic interests of the physical person is concentrated. In particular, it shall be considered that the center of vital interests of a natural person is in the Republic of Armenia in case the house or apartment where the family of the physical person resides, or where major private or family property of the physical person (the family of the physical person) or the major place of business (professional activity) are located.

2) (Point 2 repealed by No 300-N of December 18, 2007).

2. Notwithstanding the provisions of the first part of this article, for each tax year declarations shall present:

- 1) Persons occupying political or discretionary positions in the Republic of Armenia;
- 2) President of the Central Bank of the Republic of Armenia, Deputy of the President, members of the council and servants of the Central Bank of the Republic of Armenia;
- 3) Chairman of the Constitutional Court of the Republic of Armenia and its members;
- 4) Judges, prosecutors of the Republic of Armenia, persons occupying key and highest positions within the judiciary in accordance with the laws of the Republic of Armenia "On the Judiciary Service" and "On the Prosecutor's Office";
- 5) Persons occupying the position of consul general and higher in accordance with the law of the Republic of Armenia "On Diplomatic Service";
- 6) Chairman of the Control Chamber of the Republic of Armenia, the Deputy of the Chairman and members of its Council;
- 7) Chairman of the State Fund of Social Insurance of the Republic of Armenia, the deputies, heads of its structural and territorial subdivisions;
- 8) Heads (their deputies) and members of permanent bodies (commissions, services, councils), created on the basis of the laws of the Republic of Armenia;
- 9) Persons serving in political, tax, customs, judicial acts compulsory enforcement, police, national security, penitentiary, and rescue services, as well as persons serving in defense republican executive authority of the Republic of Armenia. Whereas the declarations shall be submitted by:
 - a. those who occupy civil service positions: by persons occupying highest and chief civil service positions,
 - b. servants of tax authorities,
 - c. servants of customs authorities,
 - d. servants of judicial acts compulsory enforcement authorities,
 - e. those who occupy positions in the police: by persons occupying highest, chief, senior, middle and equivalent positions in the police,
 - f. those who occupy positions in national security republican executive authorities: by persons occupying highest, chief and senior national security positions,
 - g. those who occupy penitentiary service positions: by persons occupying highest and chief, as well as leading group positions in penitentiary service,
 - h. those who occupy rescue service positions: by persons occupying highest, chief and leading rescue service positions,
 - i. those who occupy positions in defense republican executive authority of the Republic of Armenia: by heads of the subdivision of this authority;
- 10) persons occupying chief and leading positions in community service;
- 11) physical persons who submit statements of income as defined by the law of the Republic of Armenia "On Income Tax".

3. Declarations shall also be submitted by persons related with the Declarants (hereinafter referred to as “the officials”) mentioned in points 1-10 of the third part of this Article. In accordance with this Law, related persons are:

- 1) spouse, parent and a minor (younger than 18 years old) that live in the same dwelling;
- 2) if the official is not married and has no children, a parent and an adult (18 years old and older) single sister or brother that live in the same dwelling;
- 3) if the official is not married, a single adult (18 years old and older) child and a parent that live in the same dwelling.

4. The officials and related persons shall submit a declaration for the tax year if the official occupied one of the positions listed in points 1-10 of the third part of this Article for at least one day during the tax year. The officials shall be eligible to submit declarations also within five years following the resignation (completion of the term of the office), and persons related with them shall be eligible to submit declarations within two years following the resignation (completion of the term of the office).

5. The Declarant shall submit declarations to the Tax Authority the Declarant is registered with, and in case of unavailability of the latter declarations shall be submitted to the Tax Authority of the permanent residence (hereinafter referred to as “the place of registration”) in the Republic of Armenia, with the exception of the cases mentioned in parts six and seven of the present Article.

6. The Government may define a different procedure for submission of declarations for persons occupying certain positions in republican executive authorities of the national security and the police of the Republic of Armenia.

7. The Declarant submits the declaration to the higher Tax Authority in case this is defined by the tax authority.

(Article 5 edited, supplemented by AL-300-N of December 18, 2007)

Article 6. Property Subject to Declaration

1. Declarants specified in parts two and three of Article 5 of this Law shall declare the following items that belong to the Declarant by the right of property:

1) real estate (plots of lands, part of subsoil, separate water objects, forest, perennial seedlings, buildings, structures, other property attached to the land, i.e., the objects detachment of which from the land is impossible without causing disproportionate damage to the purpose of that property (hereinafter referred to as "real estate")) alienated or acquired within the tax year;

2) movable property (automotive transport, wheel, track or self-propelled, air or water vehicles (hereinafter referred to as “movable property”)) alienated or acquired within the tax year. The transportation vehicles, the cubic capacity of which exceeds 50 square centimeters, and maximum speed exceeds 50 km/h, as well as trailers and semi-trailers of various carrying capacity shall be referred to as automotive transportation vehicles;

3) securities (bonds, checks, promissory notes, shares and other documents referred to the law of the Republic of Armenia as securities, with the exception of bank certificates) and (or) other documents in support of the investment (share) (hereinafter referred to as "securities and (or) other investments”) alienated or acquired within the tax year;

4) loans that the Declarant lent or that were returned to the Declarant within the tax year. Within the meaning of this Law, loan shall mean transfer of money (amount of loan) or other property defined by specific character to the ownership of a different subject on terms of returning of the same amount of money or property of equivalent amount, type and quality (hereinafter referred to as “loan”);

5) any property not mentioned in points 1-4 of this part and having a value of eight million drams or equivalent value in currency (hereinafter referred to as “valuable assets”) alienated or acquired within the tax year;

6) cash assets (including cash assets in bank).

2. Officials and related persons submitting the declaration shall, in accordance with this Law, also include the real estate, movable property, securities and (or) other investments, loans and cash assets (including cash assets in bank) belonging to them by the right of property as of January 1 and December 31 of the tax year.

3. Declarants not specified in parts two and three of Article 5 of this Law shall declare the following items that belong to the Declarant by the right of ownership:

1) real estate, if the total price (value) of transactions for acquisition or alienation of real estate within the tax year exceeded 50 million drams. Whereas if the total price (value) of acquisition or alienation transactions exceeds 50 million drams, all transactions of real estate acquisition and alienation shall be subject to declaration;

2) movable property, if the total price (value) of transactions for acquisition or alienation of movable property within the tax year exceeded 8 million drams. Whereas if the total price (value) of acquisition or alienation transactions exceeds 8 million drams, all transactions of movable property acquisition and alienation shall be subject to declaration;

3) securities and (or) other investments, if the total price (value) of transactions for acquisition or alienation of securities and (or) other investments within the tax year exceeded 8 million drams. Whereas if the total price (value) of transactions for acquisition or alienation of securities and (or) other investments exceeds 8 million drams, all transactions for acquisition and alienation of securities and (or) other investments shall be subject to declaration;

4) loans, in case the total price (value) of transactions for transfer or return of loans within the tax year exceeded 8 million drams. Whereas if the total price (value) of loan transfer or return transactions exceeds 8 million drams, all transactions of loan transfer or return shall be subject to declaration;

5) valuable assets that were alienated or acquired within the tax year.

4. For the purpose of determining the price (value) of property or income in foreign currency as specified by this Law, the equivalent of the foreign currency shall be estimated based on the mean exchange rate developed in currency markets and published by the Central Bank of the Republic of Armenia, and for the purpose of defining the price (value) of in-kind transaction it shall be estimated based on the price (value) defined through reflection of the in-kind (non-cash) income or property in the declaration.

5. The following shall be reflected when declaring property:

1) in the case of real estate: type of real estate, address of the location, existence at the beginning and at the end of the tax year, the price (value) and currency of acquisition or alienation;

2) in the case of movable property: type, make and serial number of movable property, existence at the beginning and at the end of the tax year, the price (value) and currency of acquisition or alienation;

3) in the case of securities and (or) investments: currency of the security and (or) investment, existence at the beginning and at the end of the tax year, the price (value) and currency of acquisition or alienation;

4) in the case of loans: name or family name, first name, patronymic, and address of the debtor, currency of the loan, price (value) of the loan at the beginning and at the end of the tax year, price (value) of the loan transferred and repaid during the tax year;

5) in the case of valuable assets: name of the asset, existence at the beginning and at the end of the tax year, the price (value) and currency of acquisition or alienation of the asset;

6) in the case of cash assets: currency of the cash asset, amount as of the beginning (January 1) and as of the end (December 31) of the tax year.

(Article 6 edited by AL-300-N of December 18, 2007)

Article 7. Income Subject to Declaration and Sources of the Income

1. In accordance with the manner and within the terms defined by this Law, the Declarant shall declare the income drawn in the tax year as defined in this Article, as well as the sources thereof.

The source of income of the Declarant is the person that paid the income, as defined by this Article, to the Declarant within the tax year. In particular, the sources of drawing income may be state government and local self-government authorities, commercial, non-commercial organizations, establishments, branches, representations, private entrepreneur (hereinafter referred to as “organizations”) or natural persons not having the status of private entrepreneurs.

If the taxes and (or) other compulsory payments are deducted from the source of income in the manner established by the legislation, the Declarant declares the income without such payments. The aforementioned does not refer to physical persons, who submit statements of income as defined by the Law of the Republic of Armenia “On Income Tax”.

2. In accordance with this Law, the following income received in drams of the Republic of Armenia, foreign currency or in-kind (non-cash) shall be subject to declaration:

1) compensation or other equivalent payments;

any royalty and remuneration for use or right to use literature, art or scientific works, for use or exercise the right to a copyright, patent, trademark, design or model, plan, secret formula or process, software or database for electronic computing machines, or provision of industrial, commercial, and scientific equipment, or for providing information regarding industrial, technical, organizational, commercial, and scientific experiment;

3) interest and other compensation received for loans taken or given;

4) dividends;

5) income (winnings) received in casinos or other gambles;

6) item or cash winnings (prizes) from contests and competitions, as well as lotteries;

7) property and cash (except received for labor or service) received as a gift or aid;

8) property received as inheritance (including cash assets);

9) insurance compensation;

10) income from commercial activities;

11) income received from alienation (including alienation not mentioned in Article 6 of this Law) of property (except cash assets);

12) payment or other compensation received for leasing, income received from other civil agreements;

13) lump-sum compensation;

14) income from property rights.

3. Other income not specified in part two of the present Article shall also be subject to declaration by specifying their types and sources.

4. When declaring income, the following shall be specified:

1) type of income;

2) source of income, name of the payer of income or family name, first name and patronymic, the address of the latter;

3) size (amount) of income;

4) the currency of income.

(Article 7 edited, supplemented by AL-300-N of December 18, 2007)

CHAPTER 4

PROCEDURE FOR SUBMITTING DECLARATION

Article 8. Procedure and Terms for Submission of Declaration

1. Declarants submit the declaration annually no later than April 15 of the year following the tax year.

2. Before the end of the tax year and termination of the activities (the source of income), as well as before the exit from the country for permanent residence, the Declarant must submit the declaration no later than one month before his/her leaving.

3. The Declarant may submit the declaration personally or via mail, by e-mail in the event an electronic signature is required under the legislation, through the physical or legal persons having power of attorney in the manner provided by the legislation of the Republic of Armenia. If the declaration is sent, a copy of the document, established by legislation and in the manner established by the Tax Authority, confirming the identity of the Declarant, shall be attached.

4. In the event of a requirement for provision of declaration on property or income by any other law of the Republic of Armenia, the declaration shall be submitted in the terms and manner established by that law.

Article 9. Persons not Submitting a Declaration

1. According to Article 5, a physical person mentioned in Chapters 3 and 5 of this Law need not submit a declaration if the following conditions exist simultaneously:

1) during the tax year the alienation or acquisition transactions of property has not been executed or the general prices of transactions of alienated or acquired property have not exceeded the price terms of provided transactions according to the paragraph 1-5, Article 6, Chapter 3 of this Law;

2) during the tax year, pecuniary and property subject to declaration natural income has not exceeded AMD 8 million (stated by the Armenian dram, or by the Armenian dram and equivalent foreign currency, or equivalent foreign currency).

(Article 9 edited, supplemented by AL-300-N of December 18, 2007)

CHAPTER 5

INFORMATION RECEIVED ON PROPERTY AND INCOME

Article 10. Submission of Information on Property.

1. The organization registering property or the right to the property as well as the notary ratifying document on property transaction shall, in the manner established by the government, shall submit information on property subject to declaration at the regional registration Tax Authority once a quarter no later than the 1st day of the month following the reporting quarter.

2. The organization must, based on the requirement of the Tax Authority, submit information on transactions, subject to declaration, related to the property of physical persons in the manner and terms established by the government.

Article 11. Provision of Information on Income.

1. The organizations shall provide the information, subject to declaration, on paid income of physical persons related to the property transactions in the manner established by the Tax Law of the Republic of Armenia.

2. Physical persons or organizations must, upon the requirement of physical persons, provide the reference of the Tax Authority on registration and paid income as well as fulfilled deduction and exempt taxes for the submission to the Tax Authority.

3. Information deemed to be bank secrecy shall be provided to the Tax Authority in the manner established by law of the Republic of Armenia.

Article 12. Verification of Information

If a mistake is identified independently for the prior accounting period of the submitted information, the organizations shall submit to the Tax Authority verified information, except the period when the Tax Authority carries out supervision activities in the organizations established by law.

CHAPTER 6

RIGHTS AND LIABILITIES OF THE DECLARANT

Article 13. Rights of the Declarant.

1. The Declarant has the right to:

1) submit to the Tax Authority verified declaration for the accounting period during one calendar year following the given accounting period;

2) submit an additional written explanation concerning the declaration or the attached documents;

3) not carry out the orders or requirements of a tax officer, which contradict the Law.

2. The Declarant has other rights provided by legislative acts.

Article 14. Obligations of the Declarant.

1. The Declarant is obligated to:

1) submit declaration to the Tax Authority in the manner provided by this Law;

2) upon the request of the Tax Authority and during the period of supervision activities of the same authority, in the manner established by the government, substantiate the existence of property subject to declaration, the right of ownership with respect to it or the source and size of the income;

3) carry out other obligations provided by legislative acts.

CHAPTER 7

FUNCTIONS OF TAX AUTHORITIES

Article 15. Tax Authorities

The Tax Authority:

- 1) adopts administrative normative acts providing the enforcement of this Law;
- 2) Maintains registration of Declarants;
- 3) Assures the registration and maintenance of declarations;
- 4) Applies liability measures provided by this Law;
- 5) Carries out other functions provided by the legislation of the Republic of Armenia

Article 16. Use of Information and Data; Confidentiality

1. The data included in the declaration as well as the information regarding the property and income of Declarants may, in cases provided by tax legislation, serve as a basis for calculation (recalculation) of the obligations of the Declarant to the budget.

2. The list of the data to be included in the declaration of officials subject to publication and the order of provision thereof is established by the Government.

3. The Tax Authority shall provide the confidentiality of data not covered under part (2) of this Article. These data shall be submitted to third persons by the tax authorities upon the Declarant's agreement ratified by notary.

4. The data included in the declaration, subject to publication shall, in the manner established by the Government, be delivered to the mass media bearing permanent name, serial number and date, being issued periodically on tangible carriers in the Republic of Armenia, the quantity of whose copies, having the same content, is not less than three-thousand.

(Article edited, supplemented by AL-300-N of December 18, 2007)

Article 17. Control over Implementation of the Requirements of the Law

1. The control over implementation of the requirements of this law shall be carried out by the Tax Authority in the manner established by law.

2. With the aim of verifying the reliability of the data in the declaration submitted by the Declarant the Tax Authority may, in the manner established by law, conduct studies at the other party of the transaction.

Article 18. Personal Files of Declarants

1. The Tax Authority maintains personal files on each Declarant, where the data on Declarant, declarations of Declarants, information regarding thereto, reference explanations or copies thereof and other documents are kept.

2. The term of maintenance of the personal files of the Declarants is established by the Government.

CHAPTER 8

LIABILITY FOR BREAKING THE LAW

Article 19. Liability for Breaking this Law

Persons breaking this Law are subject to liability in the manner established by laws of the Republic of Armenia.

Article 20. Not Submitting Declaration Due to which Income Has Not Been Declared

If declaration is not submitted a fine equal to 10% of income not declared shall be imposed. This fine shall not be applied if:

- 1) the action of not declaring the income imposes tax obligations;
- 2) the income not declared was taxed in the manner established by the tax legislation of the Republic of Armenia;
- 3) the source and size of income is substantiated in the manner established by the Government.

Article 21. Concealing the Income or Showing it Less Than is in the Declaration or Inclusion of Income Not Received or More than Received

1. If income is concealed or shown less than real in the declaration a fine equal to 10% of the income shall be imposed.

This fine shall not be applied if:

- 1) the action of concealing the income or showing it less than real imposes tax obligations under the tax legislation of the Republic of Armenia;
- 2) the income concealed or shown less than real was taxed in the manner established by the tax legislation of the Republic of Armenia;
- 3) the source and size of income is substantiated by the Government of the Republic of Armenia.

2. If income not received or that shown more than received is included in the declaration a fine equal to 10% of that income shall be imposed.

Article 22. Failure to Provide Information by Organizations

If information is not provided in the manner established by Articles 10 and 11 of this Law, a fine equal to AMD 5,000 for failure to provide information per physical person shall be imposed.

CHAPTER 9

FINAL SECTION

Article 23. Entry Into Force of this Law

1. This Law shall enter into force on the tenth day after its official publication,
 - 1) The Declarants shall submit the first declaration for 2008 in the manner established by this law no later than 15 April of 2009; Paragraph (3) of Article 3 of this Law shall enter into force on January 1, 2008;
 - 2) Organizations shall introduce the first annual information on income established by Article 11 of this law for the year of 2008;
 - 3) Article 22 shall enter into force from January 1, 2007;

4) Officials of the Authorities of the Republic of Armenia shall submit the declarations for 2007 in the manner established by the Law HO-212 of the Republic of Armenia "On Declaration of Property and Income of Officials of the Authorities of the Republic of Armenia" of July 27, 2001;

5) The Law "On Declaration of Property and Income of Officials of the Authorities of the Republic of Armenia" shall cease to be in force on January 1, 2009.

(Article 23 edited, supplemented by AL-300-N of 18.12.07)

President of the Republic of Armenia

R. Kocharyan

July 29, 2006

Yerevan

AL-164-N