

Tax Incentives for IT Sector

January 2023



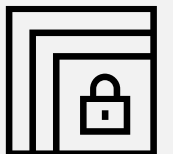


Development of IT sector is one of the most important stimulus for increasing productivity of the economy and development of innovative and scientific-educational systems of the countries all over the world as well as Republic of Armenia.

Due to development of IT sector and need to increase ranking and competitiveness of Armenia as a country with a developed IT sector in the region, the Law "On State Support to the Information Technology Sector" was adopted in 2014. Subsequently, two more programs came into force: Government decrees on the state support to organizations and individual entrepreneurs of IT sector N 399-L, dated 24 March 2022 and N 1863-L, dated 1 December 2022.

This presentation contains a brief information about the programs provided by the Government of the Republic of Armenia to support startups and existing companies in IT sector.

Please be informed that this presentation is for informational purposes only and does not imply PwC advice.



1. Law “On State Support to the Information Technology Sector” (N 245-Ն, dated 17 December 2014)



The system of granting tax incentives to Information Technology (IT) startups first came into force in 2015 on the basis of the law “On State Support to the Information Technology Sector” and has been extended to **31 December 2023**.



Tax breaks are granted to IT startups **exempting them from paying corporate tax of 18%** (rate effective from 2020), as well as providing a reduced personal **income tax flat rate of 10%** (instead of general 21% rate effective for 2022, and 20% – rate effective for 2023) for employees.



IT startups should apply to the certification commission within 3 months from the moment of registration for receiving a certificate to enjoy tax benefits for the next years.



There are certain types of activities which are subject to tax incentive. In particular software development, computer system management activities, data processing, network distribution and related activities, electronic systems design, testing and production, computer animation and modelling.

There are certain requirements to be met in order to enjoy tax incentive

In particular:



Number of employees should not exceed **30**



At least 70% of turnover must be derived from the types of activities defined by the Law



The applicant should not be created as a result of the reorganization of another legal entity



2. Government decree on the state support to organizations and individual entrepreneurs of IT sector (N 399-L, dated 24 March 2022)



The purpose of this incentive is to **return 50% of paid personal income tax** to legal entities and individual entrepreneurs operating in IT sector for the newly created jobs



The state support can be calculated and provided to beneficiaries starting from March 2022 and the following 11 months.



There are certain types of activities and requirements to be met in order to enjoy this benefit.



There are certain types of activities which are subject to the tax incentive. In particular, production of electronic components, production of computers and peripheral equipment, data processing, network distribution and related activities, activities related to web portals

There are certain requirements to be met in order to enjoy the tax incentive

In particular:



At least 90% of turnover must be derived from the types of activities defined by the Decree

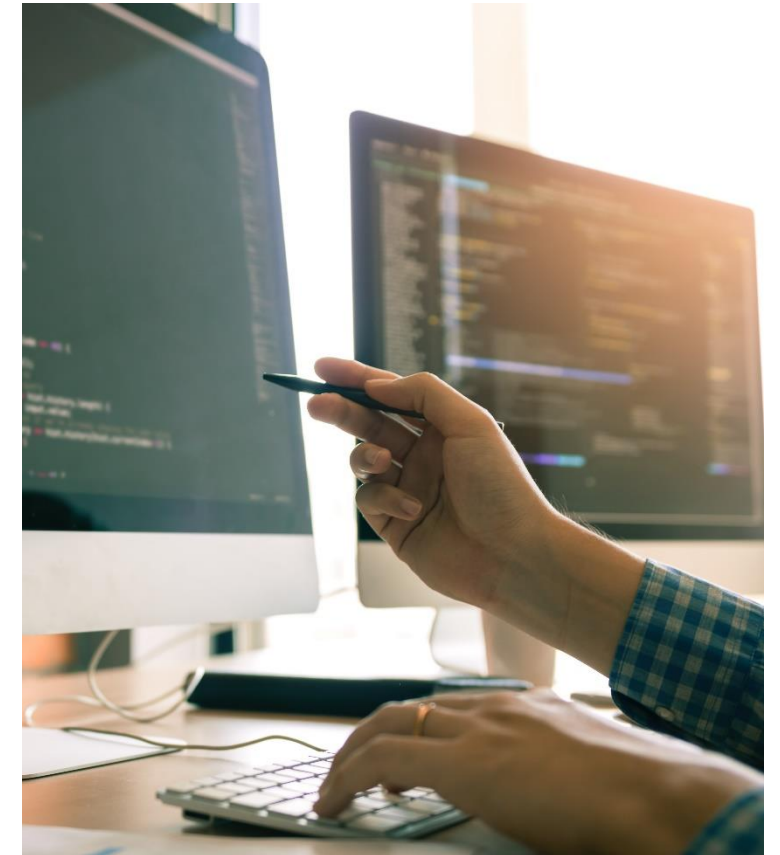


The number of employees must be increased by at least **10** for the period from 1 March 2022 to the month requiring the state support



For companies registered after 1 March 2022 the number of employees involved should be at least 10

IT startups, which already enjoyed tax benefits due to the Law “On state support to the IT sector” N 245-Ů dated 17 December 2014, can not apply for this incentive.



3. Government decree on state support to organizations and individual entrepreneurs of IT sector (N 1863-L, dated 01 December 2022)



The purpose of the decree is **to return up to 95% of personal income tax** paid to the state budget.



State support can be calculated and provided to beneficiaries for the period 1 June 2022 – 1 October 2022.



The deadline for applying for the state support is **1 February 2023**.



There are certain types of activities which are subject to tax incentive. In particular, data processing, software development, computer systems management activities.

There are certain requirements to be met in order to enjoy the tax incentive

In particular:



At least 80% of turnover must derive from the types of activities defined by the decree



The income received from the activity with 0% rate of VAT should be at least 70% of the turnover

IT companies who have already enjoyed the benefits provided by the Government Decree N399-L, dated 24 March 2022, can also apply for this privilege and receive the remaining balance of the income tax.



Contact information and how we can help

Contact information

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How we can help?

We can advise if the tax incentives are applicable to your business and support to prepare required documents to enjoy the tax benefits.





Thank you

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