

Eastern Partnership Territorial Cooperation (EaPTC)



# GUIDELINE FOR STARTING BUSINESS IN ARMENIA AND GEORGIA



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## BUSINESS REGISTRATION

- Registration is conducted by the State Register of Legal Entities under the Ministry of Justice of the Republic of Armenia
- Business registration can be approved within two days of the date of submission of all required documents
- An online registration platform is also available ([www.e-register.am](http://www.e-register.am))

### THE TYPES OF BUSINESS ORGANIZATIONS IN ARMENIA:

- Sole Proprietorship
- Limited Liability Company
- Joint Stock Company (Closed and Open)
- General Partnership
- Limited Partnership
- Producer Cooperative

### REGISTRATION FEES

Type of business	Price of registration (AMD)
<b>Sole Proprietorship</b>	3,000
<b>Limited Liability Company</b>	0
<b>Joint Stock Company</b>	0
<b>General and Limited Partnership</b>	0
<b>Producer Cooperative</b>	0

### STEPS IN COMPANY REGISTRATION

*Sole Proprietorship* - A sole proprietor application should contain the passport/ID and its copy, the document confirming the payment of state duty (payment receipt or payment made through the electronic payment system). *Legal Entity*-All the partners/founders should sign the application, which must contain the decision of partners/founders on opening the legal entity, the name of the newly established company, the legal form and address, information (passport/ID) regarding the head of the executive body of the legal entity or acting as its head

### ESTABLISHMENT OF A BRANCH OF A FOREIGN COMPANY

- The application, signed by the General Director, which must contain information on the registration number and name of the founding company, and the head of the branch (first name, last name, passport/ID data);
- The decision of the company to establish a branch or representative office, the resolutions on approving the charter and the head of the branch or representative office;

- The charter of the branch or representative office, which must be signed by the authorized body of the founder;
- The document confirming the payment of state duty.

#### **REGISTERING PROPERTY**

- The seller gets a special reference on restrictions on the property at the State Committee of the Real Estate Cadaster of the Republic of Armenia (SCREC);
- The stamp duty is paid and the sale-purchase agreement is notarized and approved by a notary;
- The local office of the SCREC registers the title and provides a registration certificate to the new owner.

#### **OPENING A BANK ACCOUNT**

- Resident and non-resident entities of Armenia can open and dispose of any accounts in both Armenian and foreign currency.
- In order to open a bank account, the entities must submit an application for opening the account signed and sealed by the authorized person of the legal entity, with documentation of the State Registration License (if available), Certificate and document certifying the Tax payer Registration number.

#### **CURRENT PRICES OF NATURAL GAS, ELECTRICITY AND WATER SUPPLY IN ARMENIA**

	<b>Price (AMD) for small entities</b>	<b>Price (AMD) for large entities</b>
<b>Natural Gas (1 m<sup>3</sup>)</b>	156	133
	<b>Daytime price (AMD)</b>	<b>Nighttime price (AMD)</b>
<b>Electricity (1 kW/h)</b>	48.78	38.78
	<b>Price (AMD) for small entities</b>	<b>Price (AMD) for big entities, wholesale price</b>
<b>Water supply (1 m<sup>3</sup>)</b>	179.78	51.49

## TAXATION SYSTEM

### PERSONAL INCOME TAX (including social security contributions)

Monthly taxable Income Range	Tax
Up to 120,000 AMD	24.4%
From 120,000 AMD to 2,000,000 AMD	29,280 AMD plus 26% of taxable income
2,000,000 AMD and more	518,080 AMD plus 36% taxable income

Taxpayers: Resident and non-resident individuals on income received from sources in the Republic of Armenia (RA).

### PROFIT TAX RATE IS 20%

Taxpayers: Residents of the RA (e.g. organizations and contractual investment funds with state registration) and non-residents, on income received from sources in the Republic of Armenia.

- For residents: it is the taxable profit obtained within and beyond the RA boundaries.
- Non-residents: it is the total profit received from RA sources.

### PROFIT TAX RATES FOR NON-RESIDENTS

Type of profit	Tax rate
Insurance compensation, reinsurance payments and income received from freight	5%
Income from the lease of property, passive income (with the exception of the income received from freight)	10%
Other services provided by a non-resident organization, as well as the income received for the provision of services for the subdivision of the non-resident	20%

### VALUE ADDED TAX RATE IS 20% OF THE TAXABLE TURNOVER OF GOODS AND SERVICES

*Taxpayers:* Companies whose annual turnover exceeds AMD 115 million.

The export of goods and import of certain products under the Foreign Economic Activity Commodity Nomenclature classification system (FEACC) (especially used in agriculture) are VAT exempt.

### EXCISE TAX

*Taxpayers - All physical and legal persons producing or importing excisable goods in the territory of Armenia.*

Taxable commodities, according to the law, are beer and wine (with the exception of brandy spirits) and alcoholic drinks, cigars, cheroots, cigarillos & cigarettes, unmanufactured tobacco, tobacco refuse, diesel, oil etc.

## TURNOVER TAX

Turnover tax (TT) is a substitute to VAT and/or profit tax for sole proprietors, trade organizations. If the return on sales of delivered goods and services (performed tasks) of individuals or their turnover during the previous calendar year without VAT does not exceed AMD 115 million with respect to all types of their activities, then they are required to pay turnover tax. The tax object is the return on sales of goods and services (performed tasks) delivered by the TT payer during the reporting period, as well as other received incomes. The reporting period for this tax is every three months.

Income type	Rate
Income from trading activity	5%
Income from production activity	3.5%
Income from lease, interests, royalties, disposal of assets (including real estate)	10%
Income from notarial activity	20%
Income from other activity	5%

**PROPERTY TAX:** 0.1- 0.8% of the cadastral value of the property located in Armenia.

**IMPORT TAX:** The rates are 0% or 10% and depend on the type of imported goods.

**OBJECT OF THE TAX:** Goods transferred through the customs of Armenia.

**DOUBLE TAX TREATIES** with more than 40 countries.

## SPECIAL TAX REGIMES

**TAXATION OF BORDER COMMUNITIES:** Individuals, sole proprietors and organizations operating in state border communities are exempt from turnover, income, VAT or profit taxes. Exceptions from this rule consist of products that are subject to excise.

**TAXATION OF FAMILY BUSINESS:** Exceptions apply also when family members (parents, spouses, children, siblings) establish a family business. In this case, family members entitled to the family business are exempt from all types of taxes connected with that activity. Only residents of the RA are eligible to form such businesses. The turnover resulting from a family business should not exceed AMD 18 million during a taxable year. Individuals entitled to a family business have to pay only AMD 5,000 for each person as income tax.

**FREE ECONOMIC ZONES (FEZ):** Legal Entities operating in the FEZ are exempt from VAT, Profit and Property Tax and custom tariffs.

**CERTAIN GOODS WITH VAT EXEMPTION:** Surgical bacteria sterilizers for surgery and laboratory use, and some other bacteria sterilizers, dishwashing machines, equipment for washing bottles or other items, equipment for filling and stamping bottles and similar items, various types of cranes and lifting trusses, some types of bulldozers, machines for plowing land, presses, crushers or similar equipment, equipment for producing paper or similar products, some types of printing machines, some types of sewing machines, equipment for producing leather, machines for producing electronic lamps or other products, equipment for making cigarettes, electrical machinery and mechanical appliances.

## EXEMPTION PERIOD SUBJECT TO THE ASSERTION TIME AND VALUE OF COMMODITIES

Timeframe	Customs Value
1 year	< AMD 70 million
2 years	AMD 70 million – 300 million
3 years	> AMD 300 million

## MICRO AND SMALL BUSINESS TAXATION PRIVILEGES

- VAT exemption (annual turnover less than AMD 115 million)
- Tax exemption of family business (family income should not exceed AMD 18 million during a tax year)

## LICENSES AND PERMITS

The law “On Licensing” provides for two types of licenses: simple and compound (automatic and non-automatic).

Type of license	Issue period
Simple	3 days
Compound	30 days

Licenses can be obtained online ([www.e-gov.am/licenses](http://www.e-gov.am/licenses)).

**THE ONE STOP SHOP PRINCIPLE, UMBRELLA PRINCIPLE, AND SILENCE IS CONSENT PRINCIPLE** are lacking in the current licensing law. The licenses to exercise and to use are used in practice of Armenia



## CONSTRUCTION PERMIT

In total, it takes 84 days to get a construction permit.

N	Procedure	Time to complete	Associated cost
1	Apply and obtain architectural-construction assignment	15 days	no charge
2*	Request and obtain technical conditions approval from Yerevan Water and Sewage Company, Electrical Networks of Armenia	15 days	no charge
3*	Request and obtain technical conditions approval on Fire Safety from the Ministry of Emergency Situations	3 days	no charge
4	Request and obtain building permit from Yerevan Municipality	15 days	AMD 350,000
5*	Notify State Inspection of the Ministry of Urban Development of the start of construction works	1 day	no charge
6	Receive inspection by the Municipality	1 day	no charge
7	Receive inspection by State Inspection of Urban Development of the Ministry of Urban Development	1 day	no charge
8	Request water and sewage services inspection and obtain connection	9 days	AMD 2,600
9	Submit the construction logbook to the Municipality and request occupancy permit	1 day	no charge
10*	Notify the Ministry of Urban Development about the completion of construction works	1 day	no charge
11	Receive final inspection from the Ministry of Urban Development	1 day	no charge
12	Receive final inspection from the Ministry of Emergency Situations	7 days	no charge
13*	Receive final inspection from the Municipality	1 day	no charge
14	Obtain occupancy permit from the Municipality	28 days	AMD 100,000
15	Register the building with the Cadaster	2 days	AMD 127,332
16*	Receive on-site inspection for building registration	1 day	AMD 200,000
	* Takes place simultaneously with another procedure.		

Source: [doingbusiness.org](http://doingbusiness.org)

# TRADE

## PREFERENTIAL TRADE REGIMES

- Free Trade Agreement (FTA) with CIS countries
- Most Favored Nation of WTO
- Eurasian Economic Union Membership
- Generalized System of Preferences (GSP and GSP +)
- Export is exempt from tax and does not have any licensing requirements.
- Armenia has introduced a “one-stop shop” process to provide the rules of Certificates of Origin. To receive the certificate, the proprietor needs to apply to “Ekspertiza” Limited Liability Company of the Chamber of Commerce and Industry of Armenia.

## IMPORT LICENSES AND PERMITS

In Armenia, restrictions of import include requiring authorization for pharmaceutical products and medicines, phytoprotection chemicals, weapons, components used in the production of weapons, explosives, nuclear materials, poison, drugs, strong psychotropic substances, devices for use in opium smoking, and pornographic materials.

- The import of medicines must be authorized by the Ministry of Health
- The import of agricultural chemicals must be authorized by the Ministry of Agriculture
- The import of armament and some military equipment must be authorized by the Ministry of Defense
- The import of some chemical products and endangered species of flora and fauna must be authorized by the Ministry of Nature Protection

## ARMENIAN FOOD SAFETY SERVICE ISSUES THREE TYPES OF PERMITS/CERTIFICATES

- *Veterinary certificate for import and transit of products*
- *Phyto-sanitary certificate for import of products*
- *Food safety certificate for import of products*

## EXPORT LICENSES AND PERMITS

- Pieces of art and other products having cultural value leaving the country need to be accompanied by an export authorizing document from the Ministry of Culture.
- Medicines being exported must be authorized by the Ministry of Health.
- Agricultural chemicals being exported must be authorized by the Ministry of Agriculture.
- Armaments and some military equipment being exported must be issued by the Ministry of Defense.
- Chemical products and endangered species of flora and fauna being exported must be issued by the Ministry of Nature Protection.

Type of permit	Product subject to control	List of documents required for permit	Duration of permit
<b>Permit for import and transit of some products subject to veterinary control</b>	Livestock, animal products and raw materials (fur, fluff, feather, endocrine and gastrointestinal, blood, bones), animal feed and feed mixes, collection of animal origin	Application package must contain: Exporter's name, place of residence, in case of a legal entity: full name and address, name of the importing country. Recipient's name and address, in case of a legal entity: full name and location, the names and quantities of exported products, receiving location.	5 days
<b>Permit for import of some products subject to phytosanitary control</b>	Agricultural, forest and ornamental plants seeds, seedlings, bulbs, blisters, fresh and dried fruits and vegetables, grain, flour, wheat, raw tobacco and spices, wood products, etc.	Application package must contain: name of the importing country, weight, and exporting duration.	14 days

## BUSINESS REGISTRATION

- Registering authority - National Agency of Public Registry (NAPR), under the Ministry of Justice.
- Business registration requires only one day for completion.
- Online registration approval.

### THE TYPES OF BUSINESS ORGANIZATIONS IN GEORGIA

- Individual Enterprise;
- Joint Liability Company;
- Commandite Company;
- Limited Liability Company;
- Joint Stock Company and Cooperative.

### REGISTRATION FEES

Type of business Price of Registration (GEL)		
	Within one working day	Immediately (on the same day)
Individual Enterprise	20 GEL	50 GEL
Joint Liability Company	100 GEL	200 GEL
Commandite Company	100 GEL	200 GEL
Limited Liability Company	100 GEL	200 GEL
Joint Stock Company	100 GEL	200 GEL
Cooperative	100 GEL	200 GEL

### STEPS IN COMPANY REGISTRATION

Individual Enterprise - ID and application (name, ID number, signature, address and the date of application submission).

Legal Entity - Application signed by all partners. The application should contain:

- The name of the newly established company, the legal form and legal address;
- The managing body of the company and information on the partners or commandites in the case of an LLC or commandite company;
- The name, address and ID number of the managers of the company.

### ESTABLISHMENT OF A BRANCH OF A FOREIGN COMPANY

- The decision of the enterprise management on creating a branch;
- A copy of the statutes of the enterprise and branch;
- The decision on appointment of a branch manager or warrant giving him/her power of attorney, and a copy of his/her passport.

## TRANSFER OF IMMOVABLE PROPERTY

To purchase immovable property:

- Submit a legalized (notarized) document indicating ownership and an extract of the purchaser's registration.
- The seller and purchaser could also submit an application for registration.
- The title to agricultural land plots is granted to citizens of Georgia and private legal entities registered according to Georgian legislation.

## OPENING A BANK ACCOUNT

- Resident and nonresident entities of Georgia can open and dispose of any accounts in national as well as any other foreign currency.
- In order to open a bank account, entities are obliged to submit a document confirming their registration with NAPR or the tax authorities.

## TAXATION SYSTEMS

**Personal Income Tax** - flat rate of 20%.

Taxpayers: non-residents and tax resident individuals, only on income received from Georgian sources.

**Profit Tax**- flat rate of 15%

Taxpayers: Legal entities incorporated in Georgia and legal entities incorporated abroad on income from Georgian sources or income from performing business activities through their permanent establishment in Georgia.

<b>Income from Georgian Sources</b>	<b>Current Tax Rate</b>
Dividends	5%
Interest	5%
Oil and gas subcontractors	4%
International telecommunication and transportation services	10%
Royalties	10%
Management fees	10%
Income received in the form of wages	20%
Payments to non-residents by other	10%
Georgian-based income source not connected to their Permanent Establishment in Georgia	

## SPECIAL TAX REGIMES

**Special Trading Company:** A foreign entity that renders its economic activities in Georgia through its permanent establishment has the right to be granted the status of a Special Trading Company and register a separate permanent establishment only in case the permanent establishment renders the activities of the Special Trading Company envisaged by the Tax Code. A Special Trading Company is exempt from profit tax.

**International Financial Company:** A financial institution that, on the basis of the application by its authorized representative, is granted the status of an International Financial Company. As the primary objective of International Financial Companies is to serve offshore companies with as little cost as possible, they benefit from certain tax exemptions as provided in the Tax Code.

**Tourist Enterprise:** A legal entity which builds hotels, supplies hotel assets/part of assets to another person in order to gain returns in the form of rent and makes buildings operate as hotels according to the conditions of a Tourist Enterprise, as envisaged by the Georgian legislation. Tourist Enterprises enjoy certain tax exemptions as provided in the Tax Code.

**Free Industrial Zone:** Offers extended tax benefits as well as operational simplicities to the companies based in the Zone. Businesses registered in the Zone benefit from lower taxes, and easy access to the transport corridor.

**Micro and Small Business**

Micro Business Small Business	
<b>How is the status granted?</b>	
The status of micro business is granted to a physical person who independently carries out economic activity and whose total annual income does not exceed 30,000 GEL.	The status of small business is granted to an individual entrepreneur whose total annual income does not exceed 100,000GEL.
<b>How are micro and small businesses taxed?</b>	
Micro businesses are fully exempt from income tax. They are not obliged to use a cash register, except for special economic activities prescribed by the government.	Small business is taxed at the rate of 5% of income tax. It is taxed at a 3% rate if -the enterprise approves that its expenses are 60% of its total income; - the economic activity is conducted within the special trade zone.

### **Value Added Tax - 18%**

- Taxpayers - the companies whose annual turnover exceeds 100,000 GEL.
- Two types of exempted transactions exist - with VAT input and without VAT input rights. The export of goods is exempt with VAT input rights, while import of certain medicines, passenger cars, publications, mass media and baby products are exempt without input VAT rights.

**Excise Tax:** Taxpayers: All physical and legal persons producing excisable goods on the territory of Georgia, or importing excisable goods.

**Property Taxes:** 0.05-1% of the fair market value of the property located in Georgia, differing based on the amount of annual income of the individual person. Up to 1% of the taxable property value for legal entities. **Import Tax:** Rates of 0%, 5% or 12% and depending on the type of goods being imported. Subject of the tax: Goods transferred through the customs system of Georgia. **Double Tax Treaties:** With more than 50 countries.

### **The following activities are forbidden for micro business:**

- activities which need licenses or permits;
- currency exchange;
- medical, architecture, notary and advocate, audit;
- gambling;
- trade (except when the processing and supply of purchased goods is conducted).

## **LICENSES AND PERMITS**

**ONE-STOP SHOP PRINCIPLE:** The issuing agency is responsible for collecting all relevant information from different government agencies.

**STATUTORY TIME LIMITS:** The following statutory time limits are imposed: 30 days after filing an application for a decision on granting a license and 20 days after filing an application for issuing a permit.

**"SILENCE-IS-CONSENT" RULE:** If the agency fails to respond within the defined statutory time limits, the license or permit is automatically granted.

**"UMBRELLA PRINCIPLE":** General and specialized licenses have been introduced and the holder of a general license is not required to apply for a specialized license.

The license to exercise and license to use are used in practice in Georgia.

### **CONSTRUCTION PERMIT**

#### **Three stages in order to obtain the Permit:**

**Stage I** - Determination of construction terms from the date of submission of the application on approval of terms for usage of a land plot for construction, appended with the required documents - 15 days.

**Stage II** - Agreement on the architectural-construction project - 20 days;

**Stage III** - Issuance of the Permit - 10 days.

There are some exceptions to this rule in case of buildings of special importance, which require a longer period, but not exceeding 60 days. The Permit for all buildings and structures are issued by local self-government bodies.

# TRADE

## PREFERENTIAL TRADE REGIMES

- Most Favored Nation of WTO
- Free Trade Agreements (FTA) with the EU, CIS countries and Turkey
- Generalized System of Preferences (GSP) - US, Canada, Japan, Switzerland and Norway.
  - No non-tariff restrictions (prohibitions, licensing) in international trade are included in the Georgian legislation except cases where health, security, safety and environmental issues are concerned.
- Export or re-export is tax exempt in Georgia.
- A certificate of origin is needed for exporting to some countries. A certificate of origin is issued by the Ministry of Economy and Sustainable Development, the Revenue Service, the Ministry of Finance and Economy of the Adjara Autonomous Republic and by the Chamber of Commerce and Industry. For goods being exported under DCFTA, the certificate of origin is issued only by the Revenue Service.

## EXPORT LICENSES AND PERMITS

- Electronic surveillance facilities – issued by the Ministry of Internal Affairs;
- Some chemical products – issued by the Ministry of Environment and Natural Resources Protection;
- Products of dual purpose – issued by the Ministry of Economy and Sustainable Development;
- Armaments and some military equipment – issued by the Ministry of Defense;
- Medical products subject to special control - issued by the State Regulatory Agency for Medical Activities under the Ministry of Labor, Health and Social Affairs;
- Endangered species of flora and fauna - issued by the Ministry of Environment and Natural Resources Protection;
- Products having cultural values – issued by the Ministry of Culture and Monument Protection of Georgia.

## IMPORT LICENSES AND PERMITS

- Electronic surveillance facilities – issued by the Ministry of Internal Affairs;
- Products subject to veterinary, sanitary and phyto-sanitary control – issued by the National Food Agency;
- Some chemical products – issued by the Ministry of Environment and Natural Resources Protection;
- Products of dual purpose – issued by the Ministry of Economy and Sustainable Development;
- Armaments and some military equipment – issued by the Ministry of Defense;
- Medical products subject to special control - issued by the State Regulatory Agency for Medical Activities under the Ministry of Labor, Health and Social Affairs;
- Endangered species of flora and fauna - issued by the Ministry of Environment and Natural Resources Protection;
- Non-iodized salt – issued by the Ministry of Agriculture and Ministry of Labor, Health and Social Affairs.

### **The National Food Agency issues two types of permits:**

- Permit for import and transit of some products subject to veterinary control;
- Permit for import of some products subject to phyto-sanitary control.



Type of permit	Products subject to control	List of documents required for permit	Duration of permit
<b>Permit for import and transit of some products subject to veterinary control</b>	Livestock, animal products and raw materials, livestock feed (food additives), biological, medical and chemical-pharmaceutical products used for veterinary purposes	<ul style="list-style-type: none"> <li>• Application;</li> <li>• Invoice confirming payment for the permit;</li> <li>• Veterinary certification;</li> <li>• Statement from public register</li> </ul>	1 month
<b>Permit for import of some products subject to phyto-sanitary control</b>	Products subject to phyto-sanitary quarantine, items which may cause the dissemination of materials subject to quarantine	<ul style="list-style-type: none"> <li>• Application;</li> <li>• Invoice confirming payment for the permit;</li> <li>• Veterinary certification;</li> <li>• Statement from public register</li> </ul>	6 months



The “Cross-border Economic Development” project is co-funded by the European Union within the framework of the Eastern Partnership Territorial Cooperation (EaPTC). EaPTC opens an opportunity for Eastern Partnership countries to identify and jointly address common challenges in their border regions towards sustainable economic and social development at local level. EaPTC comprises four territorial cooperation programmes: Armenia-Georgia, Azerbaijan-Georgia, Belarus-Ukraine and Moldova-Ukraine.



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