

Doing Business in Armenia — Payroll Operations

1. Government requirements

Registration requirements

Tax registration

Pursuant to Republic of Armenia (RA) Tax Code, the company obtains a Tax Identification Number (TIN) together with the general registration documents at the point of its setup. There is no specific registration requirement for the company for Personal Income Tax (PIT) purposes. The company will have PIT withholding obligations on the taxable income provided to employees. It is the obligation of the company to register the employees in the electronic system of the tax authority (State Revenue Committee) for PIT and social contributions reporting purposes.

Ongoing compliance requirements

Personal income tax (PIT)

In accordance to RA Tax Code, the company is obliged to withhold PIT from the employee's pay on a monthly basis and settle this on behalf of the employee. The company should submit the monthly PIT return electronically to local tax authorities and settle the PIT payable before the 20th of the month following the reporting month. Starting 1 January 2020, PIT is calculated at a flat rate of 23%. This rate will be reduced by one percentage point for each consecutive year to reach a flat rate of 20% as shown below:

| Time-period | PIT rate |
|-------------------------|----------|
| Starting 1 January 2020 | 23% |
| Starting 1 January 2021 | 22% |
| Starting 1 January 2022 | 21% |
| Starting 1 January 2023 | 20% |

2. Pension requirements

Registration requirements

Social security

There is no specific registration requirement for the company. However, as mentioned above, the company should register its employees electronically in the system of the tax authorities and, as a tax agent, is responsible for calculating and transferring the corresponding social contributions.

Employees born after 1 January 1974 are automatically considered as social contributions payers. Those born prior to 1974 can voluntarily become participants by submitting an application for making social contributions.

Ongoing compliance requirements

Monthly social contributions

The company is obliged to withhold social contributions from employees' pay (including foreign employees) on a monthly basis and settle them on their behalf. The company should report the amounts of social contributions in its monthly PIT return and settle them before the 20th of the month following the reporting month.

The social contributions shall be calculated by the company at the following general rates:

- If the total monthly salary of the employee does not exceed AMD500,000: 5%

- If the total monthly salary exceeds AMD500,000: the difference between 10% of the total monthly gross salary and AMD25,000
- If the total monthly salary exceeds 15 times of the monthly minimum salary defined by the law, (hereinafter the Cap): the difference between 10% of the Cap and AMD25,000

This amount shall be transferred to the savings account of the employee on a monthly basis.

The following temporary exceptions are defined by the law from the above general rates:

1. Until 1 July 2020, social contribution shall be calculated at 2.5% of the monthly salary, but shall not be more than AMD12,500.
2. Starting 1 July 2020 to 31 December 2020, the social contribution shall be calculated at the following rates:
 - if the total monthly salary of the employee does not exceed AMD500,000: 2.5%
 - If the total monthly salary exceeds AMD500,000: the difference between 10% of the total monthly salary and AMD37,500
 - If the total monthly salary exceeds the Cap: the difference between 10% of the Cap and AMD37,500
3. Starting 1 January 2021 to 31 December 2021, the social contribution shall be calculated at the following rates:
 - If the total monthly salary of the employee does not exceed AMD500,000: 3.5%
 - If the total monthly salary exceeds AMD500,000: the difference between 10% of the total monthly salary and AMD32,500
 - If the total monthly salary exceeds the Cap: the difference between 10% of the Cap and AMD32,500
4. Starting 1 January 2022 to 31 December 2022 the social contribution shall be calculated at the following rates:
 - If the total monthly salary of the employee does not exceed AMD500,000: 4.5%
 - If the total monthly salary exceeds AMD500,000: the difference between 10% of the total monthly salary and AMD27,500
 - If the total monthly salary exceeds the Cap: the difference between 10% of the Cap and AMD27,500
5. Starting 1 January 2023, the general rates will apply.

3. Employment obligations

Minimum monthly salaries

The minimum monthly salary in the RA is AMD68,000 net of taxes.

Working time

In accordance with RA Labor Code, the duration of a standard working time should not exceed 40 hours per week. Daily working time should not exceed a duration of eight hours, except for cases prescribed by the domestic legislation.

The maximum working time should not exceed 12 hours per day, including the break taken for rest and lunch, and 48 hours per week.

Annual paid leave

In accordance with RA Labor Code regulations, the minimum annual leave duration for a five-day workweek is 20 days and for a six-day workweek it is 24 working days. Annual

leave for the first year of employment is provided to employee after six months of continuous employment. The company and employee may agree for the annual leave to be granted in parts. In such case, one of the parts of the annual leave should be at least 10 days for a five-day workweek and 12 days for a six-day workweek.

Sick leave allowance

Pursuant to RA Law on Temporary Disability and Maternity Allowance, the employee may be granted sick leave allowance on the provision of a temporary disability certificate for the working days of the disability period, starting from the second working day.

The temporary disability allowance is calculated on 80% of the employee's average monthly salary (income). If this amount exceeds 10 times the sum of the minimum monthly gross salary, then the temporary disability allowance is calculated on the amount of the minimum monthly gross salary at the time of temporary disability multiplied by 10.

Maternity leave and allowance

In accordance with Labor Code regulations, working women may be granted maternity leave as follows:

- Leave of 140 days (70 days before childbirth and 70 days after childbirth)
- For complicated childbirth cases, 155 days (70 days before childbirth and 85 days after childbirth)
- In the case of having more than one child, 180 days of leave (70 days before childbirth and 110 days after childbirth)

In accordance with the RA Law on Temporary Disability and Maternity Allowance, the corresponding allowance is calculated on the basis of the employee's average monthly salary. If the average monthly salary of the employee exceeds 15 times the minimum monthly gross salary set at the time of the disability, then the maternity allowance is calculated on the minimum monthly gross salary multiplied by 15. If the average monthly salary of the employee is less than 50% of the minimum monthly gross salary set at the time of the disability, then the maternity allowance is calculated on 50% of the minimum monthly gross salary.

4. Payroll requirements

Salary payment

In accordance with Labor Code regulations, salary shall be calculated and paid to employees at least once a month by the 15th of the next month.

Payslips

In accordance with Labor Code regulations, when making salary payments, upon an employee's request, the company shall provide the employee with the payslip indicating the calculated pay and amounts withheld from it.

5. Banking requirements related to payroll

In accordance with Labor Code regulations, the company pays salaries in the currency of the RA (AMD) and payment can be made either as cash or noncash using banking orders, checks or transfers to bank accounts specified by employees. Starting 2020, those employers who carry out activities in Yerevan and have 10 and more employees must pay salaries only on a noncash basis.