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August 2020

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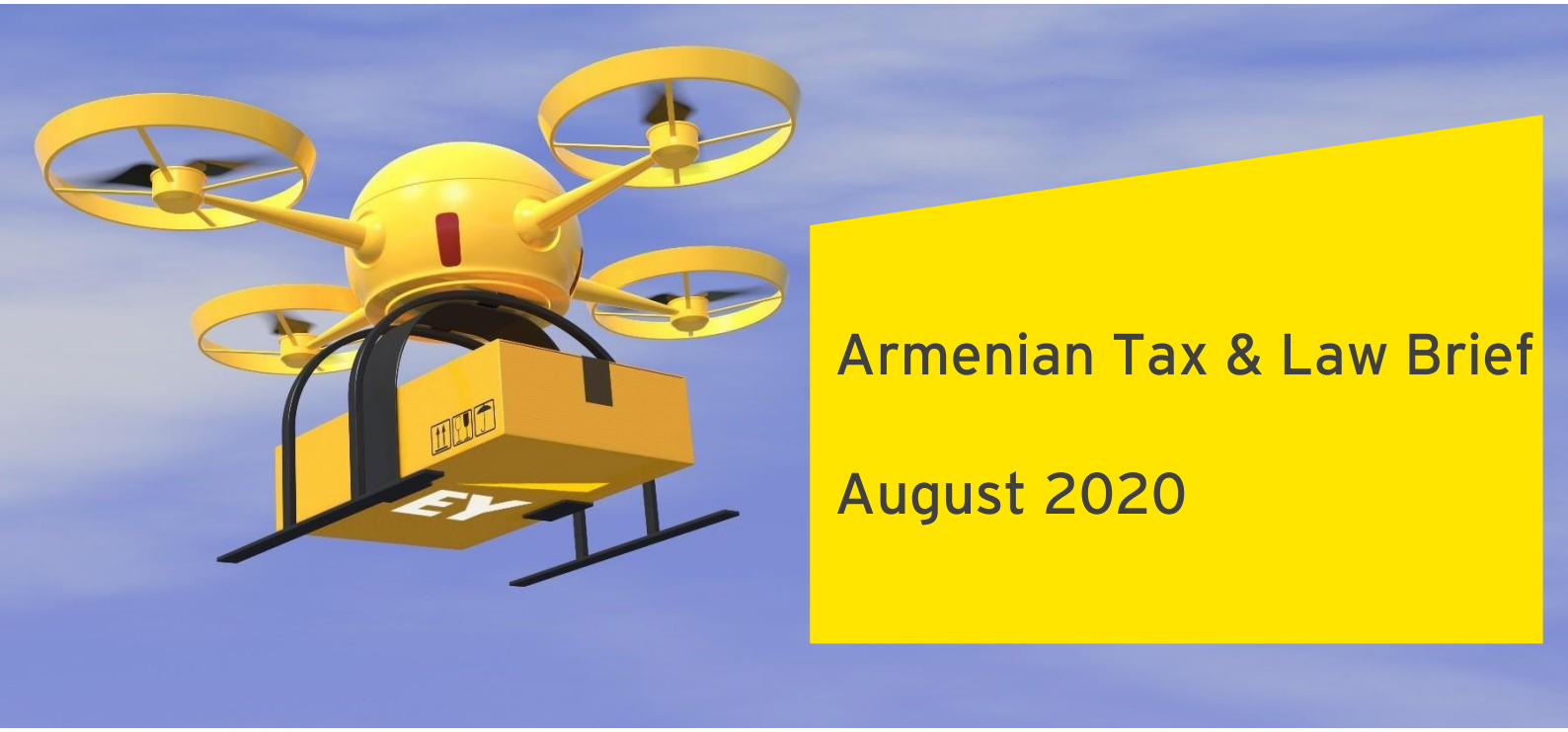

Armenian Tax & Law Brief

August 2020

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Amendments and supplements to the Tax Code of the Republic of Armenia

Property tax rates

Law no. HO-332-N, dated 25 June 2020, introduced amendments and supplements to the Tax Code of the Republic of Armenia as part of the introduction of a new system for the cadastral estimation and taxation of real estate. Effective from 1 January 2021, property taxes will be calculated at the following annual rates applied to the taxable bases:

1. Real estate that consists of agricultural land: 15%,
2. Real estate that does not consist of agricultural land and has no improvements (including being fenced only): 0.25% to 1% depending on specific features,
3. For real estate that consists of a residential apartment building, an apartment in a residential apartment building, or a non-residential area of an apartment building, reference must be made to this table:

Tax base	Tax rate
up to AMD 10m	0.05%
more than AMD 10m but no more than AMD 25m	AMD 5,000 plus 0.1% applied to the part exceeding AMD 10m of the tax base
more than AMD 25m but no more than AMD 47m	AMD 20,000 plus 0.2% applied to the part exceeding AMD 25m of the tax base
more than AMD 47m but no more than AMD 75m	AMD 64,000 plus 0.4% applied to the part exceeding AMD 47m of the tax base
more than AMD 75m but no more than AMD 100m	AMD 176,000 plus 0.6% applied to the part exceeding AMD 75m of the tax base
more than AMD 100m but no more than AMD 200m	AMD 326,000 plus 1% applied to the part exceeding AMD 100m of the tax base
more than AMD 200m	AMD 1,326,000 plus 1.5% applied to the part exceeding AMD 200m of the tax base

4. For real estate that consists of a private house and a garden-house, reference must be made to this table:

Tax base	Tax rate
Up to AMD 7m	0.05%
More than AMD 7m but no more than AMD 23m	AMD 3,500 plus 0.1% applied to the part of the tax base exceeding AMD 7m
More than AMD 23m but no more than AMD 50m	AMD 19,500 plus 0.2% applied to the part of the tax base exceeding AMD 23m
More than AMD 50m but no more than AMD 85m	AMD 73,500 plus 0.4% applied to the part of the tax base exceeding AMD 50m
More than AMD 85m but no more than AMD 120m	AMD 213,500 plus 0.6% applied to the part of the tax base exceeding AMD 85m
More than AMD 120m but no more than AMD 200m	AMD 423,500 plus 1% applied to the part of the tax base exceeding AMD 120m
More than AMD 200m	AMD 1,223,500 plus 1.5% applied to the part of the tax base exceeding AMD 200m

5. Real estate that consists of a public building: 0.3%
6. Real estate that consists of an industrial building: 0.25%
7. Real estate that consists of a garage: 0.2%

To mitigate the increase in the tax burden, the application of the above-mentioned tax rates will be made gradually. Accordingly, the procedure for calculating the property tax (except for agricultural lands) to be paid to the local budget will be as follows:

- For the reporting period of 2021, property taxpayers will pay 25% of the full property tax (which is the product of the cadastral value of the real estate approximated to its market value and the corresponding tax rate),
- For the reporting period of 2022, property taxpayers will pay 30% of the full property tax,
- For the reporting period of 2023, property taxpayers will pay 35% of the full property tax,
- For the reporting period of 2024, property taxpayers will pay 50% of the full property tax,
- For the reporting period of 2025, property taxpayers will pay 75% of the full property tax;

- For the reporting period of 2026 and beyond, property taxpayers will pay the full property tax.

The first cadastral evaluation will be performed by the Cadastre Committee in 2020. The obtained data will be used to determine the tax bases for the subsequent three tax years.

Corporate income tax prepayments

By the adoption of Law no. HO-302-N, the legislature changed the procedure for calculating corporate income tax prepayments.

Effective from 1 July 2020, as a corporate income tax prepayment, corporate income taxpayers pay the lower of 20% of the amount of corporate income tax of the preceding tax year or 2% of revenue received from the supply of goods, performance of works, and (or) provision of services during the preceding quarter. The revenue from the supply of goods, performance of works, and (or) provision of services during the preceding quarter refers to the total sum of bases of VAT taxable and exempted transactions included in VAT returns filed with the Armenian tax authorities for each month included in the previous quarter. Changes in the total sum of bases of VAT taxable and exempted transactions due to amendments to the VAT return after the deadline for corporate income tax payments will have no effect on the amount of corporate income tax prepayment.

To make a corporate income tax prepayment before filing the corporate income tax return for the preceding tax year, 20% must be applied to the amount of corporate income tax of the return that was filed last.

Also, as part of COVID 19 measures, corporate income taxpayers were exempt from making corporate income tax prepayments for the second quarter (April to June) of 2020.

Electronic cash registers

According to Law no. HO-280-N, a new article has been introduced to the Tax Code of the Republic of Armenia which regulates the documentation of transactions made within the scope of e-commerce.

According to this law, organizations and individual entrepreneurs may use an electronic cash register. An electronic cash register is software that enables one to generate an electronic receipt for transactions for the supply of goods, performance of works or provision of services made via a website or an electronic application (e-commerce platform). The electronic cash receipt is generated by electronically transmitting the required data to the electronic management system of the tax authorities, and getting back therefrom a fiscal number and other necessary data that must be reflected on the electronic receipt of the electronic cash register. The transmission is made in the format established by the tax authorities.

The technical and mandatory requirements for electronic cash registers and electronic receipts, as well as for the website or electronic application (e-commerce platform) shall be established by the Government and is still in the drafting phase.

Until the full implementation of the electronic cash register system, the taxpayer is given an opportunity to issue (generate) standard cash register receipts in advance when carrying out retail sales (deliveries) based on customers' orders, performing work, or providing services to the public. In cases they supply (deliver) goods, this provision is contingent upon having the receipts printed (generated) prior to moving the supplied goods from the point or place of shipping. The foregoing applies until 31 December 2020.

Reimbursement of tuition fees

Law no. HO-138-N has added a new privilege to the Tax Code of the Republic of Armenia for employed Armenian citizens. Individuals paying tuition fees for full-time graduate or residency programs can obtain a refund of paid tuition fees from the amount of personal income tax withheld from their salaries and other payments equivalent thereto.

The procedure for applying for the refund can be found here. The calculation of the amount of personal income tax subject to a refund will start from 1 September 2020.

For the same reporting period individuals must opt for only one of the two such privileges granted by the RA Tax Code, the other being the refund provided to cover the interest paid on mortgage loans.

Other amendments and supplements[1]

A set of other amendments and supplements to the RA Tax Code are as follows:

- Until 31 December 2030, the alienation of spacecraft and space equipment, repairs or modernization thereof, the provision of services and (or) performance of works for earth remote monitoring satellite data transmission and processing, and for the management of spacecraft during launch, flight and landing are exempted from VAT. Likewise, income received and expenses incurred during such operations are neither considered income nor expenses for the purpose of corporate income tax calculation.
- For the purpose of corporate income tax calculation, the amount of insurance compensation received by a bank or a credit organization as a beneficiary as part of an insurance event is not considered taxable income or a deductible expense when it is either given to the legal entity or individual who is the borrower or pledger, or when it is used towards the settlement of the latter's loan. Furthermore, income received by individuals from such operations is exempted from taxation under personal income tax. This provision applies to relations that began no earlier than 1 January 2018.
- Effective from 21 April 2020, fines per each day of delayed tax payments will be levied at 0.04%, instead of the previous 0.075%.
- Corporate income taxpayers importing or acquiring (constructing, developing) fixed assets between 1 July 2020 and 31 December 2020 may set the depreciation period at their discretion, but no less than one year.

Introduction of the Law of the Republic of Armenia "On Civil Forfeiture of Illegal Assets"

The Law of the Republic of Armenia "On Civil Forfeiture of Illegal Assets" (H0-240-N) was adopted on 16 April 2020, effective from 23 May 2020[2]. The main objectives of the Law are combating the turnover of illegal assets and recovery thereof to the benefit of the Republic of Armenia. Importantly, a legal action in a civil forfeiture case is brought as part of civil proceedings, rather than criminal, i.e. "against the property" that represents the proceeds of unlawful activities and not against the person (confiscation *in rem*).

The Law addresses proceedings on forfeiture of illegal assets, grounds for initiating examination, bodies which are authorized to initiate and examine proceedings on forfeiture of illegal assets, rules for international cooperation in the matters of forfeiture of illegal assets, etc.

In particular, the Law introduces the concept of "illegal assets", which means property whose acquisition is not legal income as prescribed by the law, regardless of whether such property was acquired prior to or after the law entered into force. The term further covers profits from the use of such assets (benefits, production, income).

The claimant in proceedings on forfeiture of illegal assets is the Prosecutor General's Office (acting through a special authorized division) which may file a claim against the property where the acquisition of assets is not substantiated through sources of income and where the value thereof exceeds the threshold of AMD 50 million (as of the date of submission of the claim).

The Prosecutor General's Office may also file motions with the courts to impose preliminary injunctions against such assets. Notably, the obligation to deposit security to mitigate any risks of potential damages is waived.

Forfeiture claims can be filed mainly with regard to the proceeds of crimes against property, including economic crimes, i.e. theft, fraud, bribery, etc.

Examination of the grounds for the forfeiture claim shall be limited in time, i.e. events from no earlier than 10 years preceding the examination may be

[1] Amendments and supplements to the RA Tax Code for leasing transactions are presented under the Tax Implications part of the Amendments to the Civil Code of the Republic of Armenia (Leasing Agreement) section

[2] However, most of the articles of the Law (Articles 4-33) shall enter into force upon appointment of prosecutors in charge. As of the date of this Brief, the prosecutors have not been appointed yet.

subject to review. If an examination reveals illegal assets acquired earlier and evidence is preserved, the examination period may be extended backward but, in any event, not beyond the date of 21 September 1991.

Examination can be initiated in the following circumstances:

- Availability of an effective judgement of conviction affirming that one of the crimes above was committed, and of sufficient grounds to suspect that the convicted person or an affiliated person owns assets of illegal origin which were not forfeited by the judgement;
- On-going criminal proceedings whereby a person is involved as a defendant with regard to one of the crimes above and there are sufficient grounds to suspect that the assets are of illegal origin;
- There are sufficient grounds to suspect that the assets are of illegal origin, however, the prosecution and initiation of a criminal case with regard to one of the crimes above, is impossible due to, *inter alia*, the pardoning of a convicted person, death, expiration of the statute of limitations, etc.;
- There are sufficient grounds to suspect that the assets are of illegal origin, however, criminal prosecution or initiation of criminal proceedings is impossible since, *inter alia,* the person accused in the crime is unknown, the accused has fled from the prosecution, the accused person is protected by the immunity from criminal prosecution, etc.
- There are sufficient grounds to suspect that the assets are of illegal origin, however, the criminal case with regard to one of the crimes above has been suspended pursuant to grounds prescribed by law;
- Pursuant to the information acquired during operational investigation, there are sufficient grounds to suspect that an official or an affiliated person owns assets of illegal origin.

Upon examination of the grounds for the forfeiture claim, the Prosecutor's Office either files a forfeiture claim to the court, or issues a decision on an amicable agreement, or a decision to terminate proceedings.

Notably, in proceedings on forfeiture of illegal assets a reverse presumption applies, i.e. assets are presumed to be of illegal origin unless the owner proves the legitimate origin of the assets. In other words, the owner bears the burden of proof.

Illegal assets may not be forfeited from *bona fide* acquirers, however, a person shall not be treated as such where it is proven that the person had known or may have reasonably known about the illegal origin of the asset at the moment of acquisition.

Court of Cassation declares Armenian courts have jurisdiction to entertain bankruptcy claims against foreign entities with branches or rep offices in Armenia

In a controversial ruling dated 30 April 2020 pertaining to the case of *Araqsya Bozhevolnova vs. Global Gold Mining Ltd*. (bankruptcy case no. YKD/0287/04/15) the Court of Cassation declared that Armenian courts have jurisdiction to entertain claims related to the bankruptcy of foreign entities when such foreign entities have branches or representative offices on the territory of Armenia.

The Court of Cassation based its reasoning merely on the provision of the Civil Procedure Code stipulating that Armenian courts have jurisdiction over civil law cases with the involvement of foreign entities when such entities have representative offices or branches on the territory of Armenia, as well as on the provision of the Law on Bankruptcy providing for the list of entities and subjects to which bankruptcy laws do not apply (Art. 2(1)), while conveniently ignoring the fact that all entities and subjects enumerated under the said list are incorporated pursuant to the laws of the Republic of Armenia.

The Court of Cassation, however, failed to draw the line of distinction between disputes that amount to disagreements on points of law (which under Armenian civil procedure legislation are qualified as so called "legal action proceedings"), to which standard jurisdictional clauses apply, and disputes that amount to disagreements on points of fact (which under Armenian civil procedure legislation

are qualified as so called "special proceedings") and are subject to specific jurisdictional provisions. Notably, there is substantive authority in favor of the position that bankruptcy cases belong to the latter group.

Regardless of the above, the prospect of Armenian courts entertaining disputes related to the bankruptcy of foreign entities raises a number of major legal questions.

Firstly, it is uncertain whether Armenian regulatory standards for bankruptcy (i.e. over 60 days of defaulting on payment of an undisputed debt of AMD 1,000,000) are applicable with respect to foreign entities or whether Armenian courts will have to apply regulatory standards of the countries of incorporation of such foreign entities.

Secondly, absent any ratified international treaty to which Armenia is a party to regulate this matter, it is uncertain what will be the outcome of proceedings which result in the liquidation of such an entity. Proceedings resulting in the liquidation of a foreign entity in Armenia, which the country of incorporation will not recognize, will only add to the legal uncertainty.

Thirdly, Armenian legislation lacks any regulatory framework for inter-state cooperation on bankruptcy matters, thus questions arise as to how bankruptcy receivers are to conduct an inventory of property located abroad, how rights and interests of foreign creditors are to be protected, how such foreign creditors are to be notified about proceedings happening in Armenia, etc.

Finally, this is an extremely dangerous case of forum shopping which will negatively affect the investment environment in Armenia. Not only will the bankruptcy of a foreign entity in Armenia raise questions as to possible breaches under applicable bilateral investment treaties, but such unfettered and unlimited authority of the local courts will essentially force foreign companies to think twice prior to registering branches or representative offices in Armenia.

Constitutional Court Decision no. SDO-1530: the Constitutional Court rules state inspections to assess the compliance of mining companies with their royalty payment obligations to be constitutional

On 12 May 2020, the Constitutional Court issued decision no. SDO-1530 initiated pursuant to the motion of the Administrative Court of Appeals and touching on the question of constitutionality of Article 1, paragraph 4, of the Law on Arrangement and Conducting of Inspections in the Republic of Armenia.

The case touched on the topic of the long-standing legal uncertainty pertaining to the mining industry in Armenia, and more specifically the question of whether legal relations between the State and mining companies are private or public in nature.

It was back in 2009 when the Constitutional Court issued decision no. SDO-816, declaring that relations between the State and mining companies pertaining to nature utilization payments are contractual and therefore private in nature. In the same decision, the Constitutional Court raised a concern with respect to the failure of the National Assembly to synchronize the legislation with this fundamental principle.

Despite the said decision, the tax authorities have for a decade treated royalties paid by mining companies as mere taxes – by assessing the compliance of mining companies with their royalty payment obligations through tax inspections and sanctioning non-compliant companies through the issuance of tax acts (which are public law instruments). This also affected judicial practice, since tax acts are disputed in administrative proceedings and not in civil proceedings.

Case no. SDO-1530 was the first in a decade to revisit the issue from the viewpoint of state inspections.

The Constitutional Court reaffirmed its position that nature utilization payments – consideration for the right to use property – belong to the domain of private law (para. 4.2, p. 14). At the same time, however, the Constitutional Court found that the State, as the owner of the subsoil, is entitled to monitor contractual compliance and such monitoring can *inter alia* be exercised through the instrument of state inspections. This interference in economic activities of mining companies – according to the Constitutional Court – is permissible as long as it is exercised to ensure mandatory payments under Article 60, paragraph

8, of the Constitution (taxes, customs, duties, etc.), which, as a matter of principle, can also cover private law contractual arrangements if regulated by law (para. 4.3, pp. 16-17).

The Constitutional Court, however, also highlighted the internal inconsistencies under the Law on Arrangement and Conducting of Inspections in the Republic of Armenia. The latter on the one hand states under Article 1(5) that private law contractual arrangements between the state and entrepreneurs are not covered, however, on the other hand it mentions nature utilization payments in the list of mandatory payments that can be subject to state inspections (Article 1(4)). According to the Constitutional Court, this, however, is not a ground to declare the law unconstitutional, since the Constitutional Court has no authority to assess rules of law against each other (it assesses laws against the Constitution).

Whether a law with such manifest inherent inconsistencies and contradictions satisfies the necessary requirements of predictability (see decision no. SDO-753), legal certainty (see e.g. decision SDO-1142) or requisite quality of law (see e.g. decision no. SDO-630) the Constitutional Court did not address.

Amendments to the Law of the Republic of Armenia "On Joint Stock Companies"

Pursuant to the Amendments to the Law of the Republic of Armenia "On Joint Stock Companies" HO-163-N dated 31 March 2020, effective from 01 April 2020 **annual shareholders' meetings of joint stock companies can be held remotely**. This option, which previously could be utilized by LLCs only, is thus extended to joint stock companies.

Further, until 01 November 2020, companies are allowed to hold meetings remotely regardless of whether such an option is provided under the charter. Thus, a grace period for charter amendments is provided.

Amendment to the Civil Code of the Republic of Armenia (Franchise Agreement)

Law no. HO-297-N, dated 03 June 2020, introduced amendments to the Civil Code of the Republic of Armenia (effective from 27 June 2020), pursuant to which the mandatory (however, practically obsolete due to the absence of secondary legislation) requirement for registration of franchise agreements has been abolished.

Instead, according to the new regulations, the right granted under the franchise agreement shall be subject to registration, where the franchise agreement is entered into with regard to a such a protected intellectual property, for which a respective license or certificate is granted to the right holder as prescribed by law.

Rights under franchise agreements that are subject to registration shall be registered with the authorized body registering inventions, utility models, industrial designs and trademarks (the Intellectual Property Agency of the Republic of Armenia).

The procedure for state registration (as well as termination) of such rights shall be regulated by the Government of the Republic of Armenia.

The parties to the franchise agreement shall have the right to invoke the agreement (as well as amendments thereto) in their relations with third parties solely upon registration of rights deriving therefrom. In case the registration requirement is not observed, the franchise agreement shall be deemed null and void.

The Government of the Republic of Armenia shall, within three months upon the entry into force of the amendments, issue the procedure for registration (as well as termination) of rights under franchise agreements. Thus, technically three months of absence of secondary legislation is a legal possibility.

Amendments to the Civil Code of the Republic of Armenia (Leasing Agreement)

Law no. HO-316-N, dated 18 June 2020, introduced amendments to the Civil Code of the Republic of Armenia (effective from 1 July 2020), pursuant to which the concept of leasing has been clarified and extended from solely finance leasing to any type of leasing, including leasing of vehicles, agricultural or construction leasing, etc.

Leasing can be performed either by banks or other licensed professional organizations.

The concepts of leaseback and secondary lease have been introduced.

In particular, leaseback is a bilateral agreement where the lessor is obliged to transfer the property purchased from the lessee back to the lessee for temporary possession and use against a payment consideration. The leaseback agreement may include a provision according to which leased property can be transferred to the ownership of the lessee upon payment of the agreed price.

A secondary lease agreement is a re-leasing to a new lessee of the property which has been previously returned to the lessor upon termination or early termination of the lease agreement. The secondary lease agreement may include a provision according to which the leased property can be transferred to the ownership of the lessee.

Sublease. In case the lessee is a bank or a licensed organization, the lessee (sublessee) shall have the right, pursuant to the leasing agreement and for payment, to transfer the leased property to another person for possession and use. A written consent of the lessor shall be required for sublease of the property.

In case of sublease, the lessee shall not be exempt from liability as prescribed by the leasing agreement. The sublease agreement cannot be made for a period exceeding the leasing agreement.

Rent. In case the lessee is not a bank or licensed organization, the leased property can be rented only upon the written consent of the lessor provided that the provisions of the leasing agreement are observed.

Maintenance and Improvements. Upon termination of the leasing agreement, the lessee shall be obliged to return the property to the lessor in its original condition, ordinary wear and tear excepted.

The lessee shall, at its own expense, perform technical service and maintenance, as well as capital and current repairs of the leased property, unless otherwise provided under the agreement. In case of real property, capital repairs of the property shall be performed by the lessor, unless otherwise provided under the agreement.

Termination. Provisions on the unilateral termination of lease agreements have been introduced according to which a leasing agreement may be unilaterally terminated by the lessor in the following cases:

1) The lessee uses the leased property in a way contrary to the provisions of the leasing agreement or intended use of the leased property;
2) The lessee prevents the lessor from exercising control over the leased property;
3) The lessee has systematically or twice in a row failed to pay the lease price in the time periods agreed, unless otherwise provided for under the agreement.

The leasing agreement may be unilaterally terminated by the lessee in the following cases:

1) The lessor has failed to transfer the property to the possession and use of the lessee within 30 days of delay from the date envisaged by the agreement, where such delay is at the fault of the lessee, unless otherwise provided for under the agreement;
2) The lessor has failed to perform capital repairs of the leased property, where the lessor has such an obligation under the law or agreement.

Forfeiture. Where the leased property is encumbered with the leasing rights and the leased property is forfeited, the lessee shall retain the rights to such property to the extent and for the time periods provided by the agreement.

Tax implications. Law no. HO-321-N, dated 18 June 2020, introduces numerous amendments and supplements to the RA Tax Code by substituting financial leasing with leasing (in its various forms). The law entered into force on 1 July 2020, however, the segments on property and vehicle tax shall become effective as of 1 January 2021.

The Law introduces definitions for several terms which apply to relations that arose after 1 January 2018:

Initial value of the leased property, which is the value of the leased property held by the lessee as reflected in its receipt documents, total sum in monetary expression of the construction, creation,

or processing expenses (including nonrefundable taxes and fees), transportation, installation expenses and (or) other expenses directly related to the acquisition.

Book value of the leased property, which is the difference between the initial value of the leased property held by the lessee and deductions made from it for taxation purposes (including depreciation or amortization deductions).

The acceptance act for the leased property must be accepted as a settlement document for lease transactions (in their various forms). Specific details of items that are required to be included in the acceptance acts have also been introduced and added to the RA Tax Code. The acceptance act for a leased property can be issued in a non-electronic form until 30 September 2020.
The definition of the *supply of a good* has been expanded and includes the transfer of a leased property by the lessor to the lessee, if it is stipulated in the lease contract (in its various forms) that the right of ownership to the leased property can pass to the lessee upon expiration of the term of the contract or prior to such expiration (hereinafter: ownership transfer).

The Law amends the provisions regulating the time of supply of goods, as well as the time of performance of works and provision of services as part of lease contracts (in their various forms).

The portion of the value of the leased property for each reporting period shall be used as the VAT base.

Services involving the provision of property for leasing (the interest component included in the lease payment) shall be exempt from VAT.

The provision of property for leasing (the portion of the value of the leased property included in the lease payment) shall be exempt from VAT in case no VAT has been assessed and paid during the acquisition of that property.

The lessee shall be responsible for paying the property and vehicle tax for the leased property. In particular, tax liability for the leased property arises from the 1st day of the month subsequent to the month of state registration of the leasing right over the leased property. Likewise, no property tax calculation is made starting the 1st day of the month subsequent to the month of termination of the leasing right over the leased property. Over this period, the lessor bears no property or vehicle tax obligation.

Amendments to the Civil Code of the Republic of Armenia (Repo Agreement)

Law no. HO-134-N, dated 06 March 2020, introduced amendments to the Civil Code of the Republic of Armenia (effective from 04 April 2020), pursuant to which the concept of repo (repurchase) agreements has been introduced. Prior to this amendment, the concept of a repo agreement was underregulated, in fact, it was only mentioned in several secondary regulations of the Central Bank of the Republic of Armenia as a monetary policy instrument used to meet temporary liquidity requirements.

Now, pursuant to the recent amendments, a repo agreement is defined as a sale and purchase agreement where the seller agrees to transfer securities to the ownership of the purchaser (**repurchase agreement**), and the purchaser agrees to accept such securities and pay for them the price set forth in the agreement and, within the timeframes set for in the agreement, to sell back to the seller **securities equivalent** to those purchased from the seller (**reverse repurchase agreement**), while the seller agrees to accept such securities and pay for them the price stipulated in the agreement.

Equivalent securities mean securities of an identical type, nominal value, description and number or volume, of the same issuer and of the same class, as the securities sold, unless the agreement provides for otherwise.

Further, the repo agreement may provide for an obligation of a purchaser to transfer to the seller the amounts equivalent to income, i.e. interest, repayments, etc. paid by the issuer on the securities. In the light of a legal prohibition of gifts between legal entities and for the purposes of avoiding any misinterpretation, the law explicitly provides that such payments shall not be considered as gifts.

Also, the repo agreement may provide for a right of a party bearing the risks of market fluctuation to claim from the other party to transfer to its ownership securities or money, and undertake an obligation to transfer them or their equivalents back (marginal payments). Interest may be accrued on such marginal payments. In case the securities sold under a repo agreement or transferred as marginal payments are repaid prior to transferring equivalent securities back, the repayment amounts shall be paid back instead of equivalent securities, unless the agreement provides for otherwise.

And, finally, repo agreements shall not be deemed as derivative financial instruments, and shall be made in writing, otherwise the agreement shall be deemed invalid.

Amendments to the Labor Code of the Republic of Armenia

Law no. HO-236-N, dated 29 April 2020, introduced amendments to the Labor Code of the Republic of Armenia (effective from 8 May 2020), pursuant to which the following amendments have been made to address certain issues which may arise due to the state of emergency:

1. The competent public authorities shall exercise supervision over, and, when prescribed by law, impose liability on the employers failing to observe requirements of labor law, other labor law related regulatory legal acts, collective and individual employment agreements – based on respective petitions received within the period for the prevention or immediate elimination of consequences of natural disasters, technological accidents, pandemics, accidents, fires, and other emergency situations (hereinafter "the **Events**").[3]
2. Work performed remotely within the period for the prevention or immediate elimination of consequences of Events is considered work performed outside of the workplace in case it is not possible to ensure performance of work at the workplace due to the Events above.[4]

Remote performance of work due to the Events above is not considered a change of workplace or any other material terms of employment within the meaning of the Labor Code (Article 105(1)).

In case it is impossible (due to the Events) to work, including remotely, as prescribed by the employment contract, the employer shall, upon the request of the employee, provide them with annual vacation, if available.

3. In addition to already existing prohibitions on dismissals, the employer shall henceforward be prohibited from dismissing the employee in the following cases as well:
   - within the period of prevention or immediate elimination of consequences of Events, where the employee failed to show up for work due to such Events[5]; and
   - within the period of unplanned re-scheduling of breaks or unplanned breaks at educational institutions (including pre-school institutions), where the employee failed to show up for work due to the need to arrange care for a child that is up to 12 years old[6].

In the above-mentioned cases, where the employee has not shown up for work or has shown up not for the full working day, he or she shall not be subject to disciplinary sanctions.

4. In the case of Events above, overtime work shall not exceed 8 hours in two days in a row, and the maximum duration of daily and weekly working hours shall be observed.
5. Temporary restrictions on the rights and interests of individuals and legal entities within the period of Events, during which it is impossible to work, including remotely, shall be considered as a force-majeure circumstance.

[3] This provision shall be effective until 01 July 2021.

[4] In such cases, the employee shall be fully paid.

[5] In such cases, the employee shall be paid for the actually performed work or time spent.

[6] In such cases, where the employee has shown up for work for at least 2 hours, the salary thereof shall be fully paid, while if the employee has shown up for work for less than 2 hours then the employee shall be paid for the actually performed work or time spent.

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