



Tax burden and bureaucracy relief for licence fee-paying entrepreneurs



The vast majority of Armenia's small and medium-sized enterprises is engaged in the public catering, hotel economy, passenger transportation, hairdressing services and vehicle technical maintenance spheres. According to the RA law "On license fee" enacted on 1 April 2012, enterprises of the abovementioned spheres are considered licence fee payers. With the purpose of solving this issue for the benefit of businesses, on 23 April 2012 a special meeting of the SME Development Council was held at the RA government, where several proposed amendments to the RA law "On license fee" were discussed. The urgency on the matter was due to the fact that for the entrepreneurs even more unfavourable conditions had been defined regarding licence fee rates and terms of payment than those set up by the previous tax legislation. Moreover, studies had shown that as a result of such legislative changes in the abovementioned fields a number of entities had stopped their activity, others had limited the sphere of their activity and thus their turnover. Addressing this issue, the Prime Minister of RA, Tigran Sargsyan, indicated: "This problem has become a subject of intense debate, as this rule started to be applied in Armenia, and we received enquiries from different sectors on how this licence fee rule has to be applied and whether it is possible to make some changes in legislation and practice in order to create more favourable conditions for the SMEs." Mr. Sargsyan emphasised the need for such solutions, which on the one hand will not cause problems for the government in terms of administration, but on the other will create favourable conditions for SMEs.

As a result of activities undertaken by the SME Development Council Secretariat, meetings with businesspeople representing the abovementioned spheres were organised to raise the strategic issues affecting their activity. After joint discussions and detailed analysis, corresponding amendments and changes were made to the RA law "On license fees" and the RA law "On road traffic security" and as a result:

- It has been determined that licence fees should be paid in advance for a minimum of one month instead of the previous three months.
- In the public catering sphere, for areas under 50m² the minimal licence fee has been determined separately for areas under 20m² and for the areas of 21-50m².
- A coefficient-decreasing licence fee rate has been determined which, depending on the duration of the period considered licence fee payer is to decrease by a 0.02 coefficient for each month; as a result the licence fee rate for the given period will decrease.

Monitoring showed that the abovementioned solutions function without any problems.