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Notification

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LAW OF THE REPUBLIC OF ARMENIA ON FREE ECONOMIC ZONES

LAW

OF THE REPUBLIC OF ARMENIA

Adopted on 25 May 2011

ON FREE ECONOMIC ZONES
(Law edited by HO-395-N of 3 October 2018)

Article 1. Subject matter of the Law

This Law shall regulate relations pertaining to the establishment, organisation and liquidation of free economic zones.

Article 2. Objective of establishing free economic zones

Free economic zones shall be established through engagement of investments, creation of new jobs, promotion of export for the purpose of contributing to the social and economic development of the Republic of Armenia.

Article 3. Legislation on free economic zones

1. Relations in the field of free economic zones in the Republic of Armenia shall be regulated by the Agreement on Issues Related to Free (Special, Particular) Economic Zones Within the Customs Territory of the Customs Union And the Customs Procedure of "Free Customs Zone" of 18 June 2010 (hereinafter referred to as "the Agreement") and other international treaties, the Treaty on the Customs Code of the Eurasian Economic Union of 11 April 2017 constituting a part of the law of the Eurasian Economic Union (hereinafter referred to as "the EaEU"), and the legislation of the Republic of Armenia on free economic zones.
2. The legislation of the Republic of Armenia on free economic zones shall comprise this Law, the Civil Code of the Republic of Armenia, laws regulating customs and tax relations, and other legal acts.

Article 4. Main concepts used in the Law

1. Main concepts used in this Law shall be as follows:

(1) **free economic zone** — a part of the territory of the Republic of Armenia, determined by the Government based on the initiative of the Government or a private initiative, pursuant to this Law, wherein entrepreneurial and other activities are carried out in compliance with the peculiarities prescribed by this Law, the Agreement and the Customs Code of the EaEU, and where the customs procedure of “free customs zone” may be applied;

(2) **organiser of a free economic zone (hereinafter referred to as “the Organiser”)** — a legal person established (founded) by the Government or selected upon the decision of the Government exclusively for the purpose of organisation of a free economic zone which ensures the creation of infrastructures necessary for carrying out activities in the free economic zone and provision of services, as well as other functions provided for by this Law;

(3) **operator of a free economic zone (hereinafter referred to as “the Operator”)** — a commercial organisation registered in the Republic of Armenia or an individual entrepreneur record-registered therein, carrying out entrepreneurial activities exclusively in the free economic zone in accordance with this Law, as well as included in the Register of Operators of Free Economic Zones of the Republic of Armenia;

(4) **applicant** — a commercial organisation registered in the Republic of Armenia or an individual entrepreneur record-registered therein, having submitted an application for being registered in the Register of Operators of Free Economic Zones of the Republic of Armenia;

(5) **authorised body** — a state administration body elaborating the economic policy of the Government;

(6) **Commission** — an inter-agency advisory unit for free economic zones, the scope of powers and the composition whereof are prescribed by this Law, whereas the procedure for formation and the rules of procedure thereof — by the Government;

(7) **Register of Operators of Free Economic Zones (hereinafter referred to as “the Register of Operators”)** — a list of Operators of the given economic zone of the Republic of Armenia, which is drawn up and maintained by the authorised body in compliance with the requirements of this Law, upon the decision of the authorised body;

(8) **launch of a free economic zone** — start of operation of a free economic zone, based on the opinion of the Commission, upon the decision of the authorised body;

(9) **report** — other information on the investments made by the Organiser, jobs created, services provided, Operators engaged in the free economic zone, as well as that on the course of implementation of the investment programme and fulfilment of obligations of the Organiser during the reporting period;

(10) **initial investment declaration (hereinafter referred to as “initial declaration”)** — official statement submitted by the Operator in the form and under the procedure established by the Government, which is drawn up on the basis of a business plan and contains information on the investments, jobs and production volumes declared during the operation, distributed as of years;

(11) **regular investment declaration (hereinafter referred to as “regular declaration”)** — official statement submitted by the Operator in the form and under the procedure established by the Government, which contains information on the investments actually made, jobs created and volumes of production for the given year of operation;

(12) **liquidation of a free economic zone** — termination of operation of a free economic zone as prescribed by this Law.

Article 5. Establishment of a free economic zone, conclusion of a contract on the organisation of a free economic zone, and selection of the Organiser

1. Free economic zones shall be established upon the decision of the Government.

2. The decision of the Government on establishing a free economic zone must include:

(1) the objective of, need for establishing a free economic zone and justification on the location thereof;

(2) the description and borderline of the territory, as well as the requirements to the free economic zone and its borderline. The requirements to the borderline shall be prescribed depending on the operational type of the given free economic zone and the peculiarities of activities carried out therein, pursuant to Article 6 of this Law;

(3) the operational type and the types of activities to be carried out by Operators, as of the classifier of types of economic activities;

(4) the deadline for launching a free economic zone;

(5) time limits for the operation of a free economic zone;

(6) the investment programme for establishing a free economic zone;

(7) the territory of application of the customs procedure of “free customs zone”;

- (8) personal data of the Organiser, where the Organiser is known in advance;
 - (9) the form of the report;
 - (10) the procedure for including Operators in the Register of Operators;
 - (11) forms of expected state assistance.
3. The procedure for selection of the Organiser and submission of a report shall be established by the Government.
4. The criteria for selecting the Organiser shall be as follows:
- (1) the size, forms, orientation and time limits of investments of the Organiser;
 - (2) the number of jobs to be created by the Organiser;
 - (3) the list and tariffs of services provided by the Organiser;
 - (4) measures for international recognition of the free economic zone and brand expansion, including availability of marketing contracts and engagement of Operators of the free economic zone, including the engagement of international brands, works aimed at assisting in the export of goods produced and services provided in the free economic zone, and expected outcomes;
 - (5) forms of expected state assistance;
 - (6) justification on the need for establishing a free economic zone and selecting its location (only in case of a private initiative).
5. The authorised body shall conclude relevant contract with the Organiser on behalf of the Government.
6. The contract concluded between the authorised body and the Organiser shall be subject to publication on the official website of the authorised body within two working days from the moment of conclusion.
7. In case of violation of the deadline for launching a free economic zone, prescribed by the decision of the Government on establishing a free economic zone, the Government shall, within 20 working days, based on the opinion of the Commission, adopt a decision on changing the deadlines prescribed by the decision of the Government on establishing a free economic zone or on repealing the decision of the Government on establishing a free economic zone.

Article 6. Requirements to a free economic zone

1. The scope of requirements to a free economic zone shall include:
 - (1) provision with facilities for bringing in cargo transportation means, including railway transport means, as well as with a parking lot and a blind alley;
 - (2) demarcation with a border in compliance with the technical requirements to the borderline approved by the Government;
 - (3) provision with conditions and technical means necessary for exercising customs control and carrying out customs operations by officials of customs authorities;
 - (4) provision with security, first-aid and fire prevention systems with regard to the respective territory;
 - (5) provision with uninterrupted water supply and water drainage, energy supply, gas supply, garbage disposal and means of communication (at least telephone communication and Internet);
 - (6) provision with relevant means of complying with sanitary and hygienic norms;
 - (7) availability of a quarantine service area;
 - (8) provision with logistics equipment for the preservation of goods, as well as with equipment and other means necessary for loading, unloading and transportation means and storage facilities.
2. The points of the requirements prescribed by part 1 of this Article, which are subject to mandatory fulfilment, shall be prescribed upon the decision of the Government on establishing a free economic zone, based on the opinion of the Commission, depending on the types of activities reserved to the free economic zone by the Government.
3. Fulfilment of points 2, 3, 6 and 8 of part 1 of this Article shall be mandatory in the territory of a free economic zone where the customs procedure of “free customs zone” is applied.

Article 7. Operation of a free economic zone

1. Operation of a free economic zone shall be carried out by Operators included in the Register of Operators of the given free economic zone.
2. Applicants having received the approval of the Government in respect of the business plan, in order to be included in the Register of Operators of the given free economic zone, based on the positive opinion of the Commission, and having concluded a contract with the Organiser of the given free economic zone, shall be included in the Register of Operators.

The Organiser of the given free economic zone or the affiliated persons thereof (including legal persons) may not act as an Operator of the given free economic zone.
3. The decision of the Government on including in the Register of Operators shall include the types of economic activities to be carried out by the Operator in the given economic zone, the name of the given free economic zone (the place of economic activities of the Operator, where necessary) and the period of inclusion of the given Operator in the Register of Operators.

4. The opinion of the Commission shall be drawn up in compliance with the procedure prescribed by point 10 of part 2 of Article 5 of this Law.

5. Operators included in the Register of Operators shall receive a certificate the form whereof shall be prescribed by the authorised body.

6. The procedure for issuance, extension of the validity period and withdrawal of the certificate for inclusion of the applicant in the Register of Operators of the given free economic zone, shall be established by the Government.

7. The business plan of the Operator shall mandatorily include an initial declaration.

8. The authorised body shall observe the performance of the business plan through the analysis of initial and regular declarations.

9. The Operator shall submit a regular declaration to the authorised body on an annual basis, during the validity period of the certificate, within 30 calendar days following the completion of each calendar year.

10. The Operator shall be removed from the Register of Operators in case of any of the following grounds:

(1) by virtue of law:

- a. in case of rescission of the contract between the Organiser and the Operator;
- b. in case of liquidation of the free economic zone upon the grounds prescribed by this Law;
- c. in case of expiry of the time limit referred to in the certificate, where the Operator fails to submit an application for extending the respective time limit;

(2) upon the decision of the Government, based on the opinion of the Commission, upon the submission of the authorised body:

a. in case of introduction in the regular declaration false or inaccurate or distorted data, detection thereof by the authorised body and failure by the Operator to submit an accurate declaration to the authorised body within a period of ten days from the day of notification of the Operator thereon;

b. in case of a negative deviation of at least 20% of the sum total of the digital indicators of regular declarations, for the given time period, from the digital indicators of the initial declaration. The Operator shall be removed from the Register of Operators within a period of 3 months following the submission of the regular declaration to the authorised body, in case of failure by the Operator to eliminate the deviation or failure to submit information on having eliminated the deviation.

11. In case of removal from the Register of Operators, the contract concluded between the Organiser and Operator shall be deemed to be rescinded. The customs procedure of "free customs zone" shall be completed in the cases and within time limits prescribed by Article 207 of the Treaty on the Customs Code of the Eurasian Economic Union of 11 April 2017.

12. Operators, as well as legal persons and individual entrepreneurs not deemed as Operators, may carry out activities in a free economic zone. Legal persons and individual entrepreneurs not deemed as Operators may carry out, in a free economic zone, the types of activities other than those prescribed by the decision of the Government on establishing a free economic zone, including retail trade.

Legal persons and individual entrepreneurs not deemed as Operators may also carry out, in a free economic zone, the types of activities other than those prescribed by the decision of the Government on establishing a free economic zone, without the application of the privileges provided for by the legislation of the Republic of Armenia for Operators.

13. Carrying out transactions between Operators of the free economic zone and legal persons, individual entrepreneurs not deemed as Operators, within the framework whereof goods are transferred from the Operator to a legal person or an individual entrepreneur not deemed as Operator, shall be prohibited in the territory of the free economic zone.

Article 8. Powers of the authorised body

1. The authorised body shall:

(1) conclude, amend or rescind, on behalf of the Government, the contract with the Organiser on the organisation of a free economic zone;

(2) maintain the Register of Operators;

(3) conduct analysis of activities of the Organiser and Operator in the free economic zone, without hindering their activities, including analysis of the investment programme of the Organiser, approved upon the decision of the Government, as well as that of fulfilment of contractual obligations of organisation of a free economic zone and execution of initial declaration of the Operator;

(4) observe the submission of reports of the Organiser and regular declarations of Operators on the operation of the free economic zone;

(5) co-operate with other bodies in examination of the accuracy of obligations and declarations submitted under the business plan of the Operator, as well as in collection of information necessary for monitoring the fulfilment of obligations of the Organiser and the execution of declarations of Operators of the free economic zone;

(6) exercise other powers provided for by law.

Article 9. Composition and powers of the Commission

1. The Commission shall comprise the head of the authorised body, representatives of the authorised body upon the decision of the head of the authorised body, representatives of the state administration body elaborating the policy of the Government in the field of justice, representatives of the state administration body elaborating the policy of the Government in the field of finance, representatives of tax and customs authorities and other state bodies, as well as those of non-commercial organisations.

2. The Commission shall:

(1) examine and evaluate applications and submit, within time limits prescribed by the Government, opinions to the Government relating to applications submitted for establishing a free economic zone and being included in the Register of Operators of Free Economic Zones;

(2) submit to the Government an opinion on launching a free economic zone, changing the time limits prescribed by the decision of the Government on establishing a free economic zone, extending the deadlines for launching the free economic zone or repealing the decision of the Government on establishing of a free economic zone, or on removing the Operator from the Register of Operators;

(3) draw up an opinion on removing the Operator from the Register of Operators in the cases provided for by point 2 of part 10 of Article 7 of this Law;

(4) exercise other powers provided for by law.

Article 10. Functions of the Organiser

1. The Organiser shall:

(1) construct, use the engineering structures and infrastructures of the free economic zone as prescribed by the legislation of the Republic of Armenia, as well as ensure the requirements provided for by Article 6 of this Law;

(2) conclude a contract with applicants having received approval for being included in the Register of Operators of the given free economic zone;

(3) transfer for lease or sell the territory of the free economic zone and the infrastructure subject to exploitation;

(4) ensure the fulfilment of obligations deriving from the contract concluded in compliance with part 5 of Article 5 of this Law for the performance of activities in the free economic zone;

(5) submit reports to the authorised body on the activities for the previous year in the free economic zone, as prescribed by the Government;

(6) implement measures aimed at international recognition of the free economic zone and engagement of Operators therein;

(7) exercise other functions prescribed therefor by legislation and the contract.

Article 11. Functions of the Operator

1. The Operator shall:

(1) ensure the fulfilment of obligations provided for by the contract on exploitation of the free economic zone, the implementation of the business plan and initial declaration, as well as the submission of regular declarations to the authorised body in compliance with Article 7 of this Law;

(2) carry out the construction of the territory of the free economic zone in compliance with the priorly approved plan having agreed it with the Organiser;

(3) observe the requirements of the legislation of the Republic of Armenia on carrying out activities in the free economic zone;

(4) avail of the privileges provided for by the legislation on free economic zones for their activities;

(5) exercise other functions prescribed therefor by legislation and the contract.

Article 12. Tax, customs and currency regulations in a free economic zone, and privileges existing in the free economic zone

1. A particular (special legal) regime for carrying out entrepreneurial and other activities applies in the territory of a free economic zone, which intends to create more favourable conditions, differing from the prescribed general conditions, in the territory of Member States of the EaEU in order to grant tax privileges to Operators, prescribed by the Tax Code of the Republic

of Armenia, as well as to carry out entrepreneurial and other activities in the territory of the free economic zone, taking into account that profit tax, value added tax, property tax, and customs duty payment privileges are granted to Operators of the free economic zone.

2. The customs procedure of “free customs zone” may be applied in the territory of the free economic zone or in a part of the territory thereof.

3. Goods imported into the territory of a free economic zone wherein the customs procedure of “free customs zone” is applied, and those placed under the customs procedure of “free customs zone”, shall be deemed as goods outside the customs territory of the EaEU, for the purposes of applying customs duties, taxes, as well as non-tariff measures.

4. Goods placed under the customs procedure of “free customs zone” and goods of the EaEU not placed under the customs procedure of “free customs zone”, as well as foreign goods placed under other customs procedures, may be located and used in the territory of the free economic zone.

5. The content of the customs procedure of “free customs zone”, conditions for placing goods under the customs procedure of “free customs zone”, time period for applying the customs procedure of “free customs zone”, operations relating to the goods placed under the customs procedure of “free customs zone”, peculiarities of carrying out customs operations in the territory of a free economic zone where the customs procedure of “free customs zone” is applied, completion of the customs procedure of “free customs zone”, arising and termination of customs and tax liabilities and the time limits for their payment in respect of the goods placed (having been placed) under the customs procedure of “free customs zone”, peculiarities of calculating customs duties, taxes upon completion of the customs procedure of “free customs zone”, determination of the customs value of goods, the status of goods made (derived) with the use of foreign goods placed under the customs procedure of “free customs zone”, identification of foreign goods placed under the customs procedure of “free customs zone” among goods made (derived) with the use of foreign goods placed under the customs procedure of “free customs zone”, conditions for the use of goods placed under the customs procedure of “free customs zone” and termination of the customs procedure of “free customs zone”, shall be prescribed by the Customs Code of the EaEU.

6. Currency regulation of transactions carried out in the free economic zone, as well as that of transactions carried out between Operators and other entities of civil-law relations shall be implemented under the Law of the Republic of Armenia “On currency regulation and currency control”.

Article 13. Peculiarities of application of the customs procedure of “free customs zone”

1. In the free economic zone prescribed by the decision of the Government, the borderline whereof partially or fully coincides with the parts of the customs border of the EaEU, the customs procedure of “free economic zone” shall be applied under the peculiarities prescribed by the Treaty on the Customs Code of the Eurasian Economic Union of 11 April 2017, the Law of the Republic of Armenia “On customs regulation” and relevant decision of the Government.

2. The cases of consumption other than the consumption of goods during re-processing operations of goods placed under the customs procedure of “free economic zone” prescribed by point 4 of part 1 of Article 205 of the Customs Code of the EaEU, that are permitted along with other operations with regard to goods placed under the customs procedure of “free economic zone” and/or goods made (derived) with the use of goods placed under the customs procedure of “free customs zone” in the free economic zone prescribed by part 1 of this Article, shall be prescribed by the decision of the Government.

3. In the cases provided for by part 2 of this Article, the procedure for completion of the customs procedure of “free customs zone” shall be established by the Government.

4. Parts 2 and 4 of Article 203 of the Customs Code of the EaEU and Article 6 of this Law shall not be applied in the free economic zone prescribed by part 1 of this Article.

5. Within the meaning of point 5 of part 5 of Article 455 of the Customs Code of the EaEU, a time limit for paying import customs duties, taxes, anti-dumping, compensation duties shall not arise with regard to foreign goods placed under the customs procedure of “free customs zone” and/or goods made (derived) with the use of foreign goods placed under the customs procedure of “free customs zone”, where the loss of these goods has taken place in the territory of the free economic zone prescribed by part 1 of this Article.

6. The procedure for maintaining record-registration of goods placed under the customs procedure of “free customs zone” and goods made of (derived from) goods placed under the customs procedure of “free customs zone”, as well as the procedure for submitting a report on such goods to the customs authority, shall be established by the Government.

Article 14. Restrictions in a free economic zone

1. Carrying out the following types of activities shall not be permitted in a free economic zone:
 - (1) production of and trade in radioactive substances;

(2) production of and trade in weapons, ammunition and explosives;

(3) import, maintenance, production of and trade in narcotic drugs and psychotropic substances without a permit issued as prescribed by the legislation of the Republic of Armenia.

2. In the territory of a free economic zone wherein the customs procedure of “free customs zone” is applied, ensuring of a checkpoint control regime, including establishment of the procedure for entry of persons into this territory, shall be implemented in compliance with the legislation of the Republic of Armenia.

Article 15. Provision of services and exercise of supervision by the State in a free economic zone

1. Services provided by the State in a free economic zone shall be implemented under a simplified (“one window”) principle prescribed by the Government.

2. Relevant state bodies providing state services and exercising supervision may have sub-divisions in the territory of a free economic zone.

Article 16. Liquidation of a free economic zone

1. A free economic zone shall be liquidated upon the decision of the Government:

(1) after the expiry of the prescribed time limit, where no decision on extending the time limit is rendered by the Government upon the application submitted by the Organiser as prescribed by this Law, based on the opinion of the Commission;

(2) early:

a. in case of absence of an Operator within one year after launching the free economic zone;

b. in case of rescinding the contract concluded between the authorised body and the Organiser;

c. upon justified proposal of the Organiser, based on the decision of the Commission.

2. In the cases prescribed by sub-points (b) and (c) of point 2 of part 1 of this Law, the Organiser shall priorly compensate the losses incurred by Operators as a result of liquidation.

Article 17. Settlement of disputes in a free economic zone

1. Settlement of disputes relating to the operation of a free economic zone shall be carried out as prescribed by laws of the Republic of Armenia.

2. Upon the agreement reached by Operators, settlement of disputes among them may be also carried out through international arbitration.

Article 18. Transitional provisions

1. By virtue of Article 1 of this Law, parts 2 and 3 of Article 5, parts 5 and 7 of Article 7 of the newly edited Law shall not extend to Organisers and Operators of free economic zones established before the entry into force of this Law, commercial organisations registered in the Republic of Armenia or individual entrepreneurs record-registered therein, having submitted an application for obtaining the status of an Operator.

2. Applicants having obtained a permit for operating free economic zones before the entry into force of this Law shall submit an initial declaration for the remaining validity period of the permit, whereafter they shall submit a regular declaration in compliance with part 9 of Article 7 of this Law.

3. The regulations prescribed by point 6 of part 1 of Article 4, part 6 of Article 7, part 1 of Article 9, parts 3 and 6 of Article 13 of this Law shall be adopted within 90 calendar days after the entry into force of this Law.

**President
of the Republic of Armenia**

S. Sargsyan

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