



ARMENIA – July 2020

CONTENTS

CHANGING PROCEDURE FOR CALCULATION OF PROPERTY TAXES IS TOO EARLY IN THIS PHASE	1
PRESIDENT VOICES OBJECTION TO PROPERTY TAX HIKES.....	1

Changing procedure for calculation of property taxes is too early in this phase

It’s too early to change the procedure for calculation of property taxes in this phase. This is what economist and founder of the Banking Management School (BMS) Ashot Osipyan said today.

According to him, the goal of making property tax reforms is to increase the property tax ratio from 0.2% to 2%, but this shouldn’t be an end in itself since the level of incomes of the population must be taken into consideration. “Armenia shouldn’t compare itself with Kazakhstan, which has such a tax system, and even with Georgia. We need to find our own path for development,” he said.

Alongside this, the ratio of property tax to the GDP can be increased not only through expansion of the calculated tax base, but also increase of the volume of property. Osipyan agreed that there is a need to review the real estate tax, but not now. “During the pandemic, countries avoid making reforms in taxation, and they are currently focused on boosting the economy through financial investments,” he said.

Osipyan emphasized that there are already negative expectations in the real estate market and that the property tax reforms will only increase the negative expectations. Moreover, the reforms will have a negative impact on the construction sector.

President Voices Objection to Property Tax Hikes

President Armen Sarkissian has voiced serious objections to a government bill that will sharply increase property taxes in Armenia while agreeing to sign it into law.

In a statement released late on Tuesday, the presidential press office said Sarkissian believes the bill passed by the Armenian parliament last week is “untimely” given the continuing coronavirus crisis in the country and its dire socioeconomic consequences.

“Even if the law is not going to be immediately enforced [in full,] the moral-psychological consequences of the coronavirus pandemic and resulting financial and economic problems will be felt for a long time,” it said.

International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

The statement added that Sarkissian signed the bill only because it does not seem to contradict the Armenian constitution. It noted that “unfortunately” the constitution does not allow the largely ceremonial head of state to veto bills or send them back to the National Assembly for further discussion.

The two parliamentary opposition parties as well as other critics of the Armenian government have also spoken out against property tax hikes, saying that they will put a heavy financial burden on low-income families.

The government and Prime Minister Nikol Pashinyan’s My Step bloc dismiss the criticism. They say that the measure will lead to a more fair income distribution and significantly boost local community budgets. Government officials have also argued that proceeds from the property tax are currently equivalent to just 0.2 percent of Armenia’s Gross Domestic Product, compared with 1.1 percent in neighboring Georgia and 1.2 percent in Russia.

The controversial bill will gradually introduce a complex progressive scale of property taxation over the next four years. For example, the owners of small apartments worth an estimated 23 million drams (\$48,000) will pay 18,000 drams, while ownership of larger properties that cost 58 million drams will translate into 108,000 drams (\$224) in annual taxes.

Tax authorities will levy at least 326,000 drams from apartments worth 100 million drams or more. The owners of large and expensive houses will have to pay even more.

The expensive properties include Soviet-built apartments located in the center of Yerevan. Many of their owners inherited them from their parents and are not necessarily affluent. Critics say that they will be hit hardest by the higher taxes and could even be forced to sell their homes. Some of these homeowners circulated late last week a petition urging the government to reconsider the measure.

International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.