

The Luxembourg – Armenia Double Tax Treaty

The Luxembourg - Armenia Double Tax Treaty (the "Treaty") was signed in the Armenian, English and French languages on 23 June 2009 and has been in force since 9 April 2010 with its provisions, in principle, applying as from 1 January 2011.

In general, the Treaty follows the OECD Model Convention of 2008 and similar agreements recently signed between Luxembourg and the USA, France, Denmark, The Netherlands and Bahrain. The main features of the Luxembourg-Armenia Double Tax Treaty are as follows:

Residency

Resident of a contracting State is defined as a person being liable to tax therein by reason of his domicile, residence, place of incorporation, place of management or any other criterion of a similar nature.

The protocol defines the concept of place of effective management as the place where the managing activity, the conduct of the affairs and the management of the interests of such person take place. For the purpose of determining where such place is situated, the following criteria shall be taken into account:

- the place where the general meetings of the shareholders take place;
- the place where the board of directors meets;
- the place where the center of the general day-to-day management of such person is situated; items such as the place where the directorate, the commercial department, the central accountancy, the records are situated shall be taken into account.

In case of divergence, the last-mentioned criterion shall prevail.

Withholding tax on dividends

Dividends paid to the beneficial owner resident of the other Contracting State should not suffer a withholding tax exceeding:

- 5% if the receiving company owns directly at least 10% of the share capital of the company paying the dividend;
- 15% in all other cases.

Withholding tax on interest

Interest paid to the beneficial owner resident of the other Contracting State should not suffer a withholding tax exceeding 10% of the gross amount of the interest. A withholding tax exemption should apply for namely interest on bank loans.

Withholding tax on royalties

Royalties arising in a Contracting State and paid to a beneficial owner resident of the other Contracting State may be subject to a maximum withholding tax of 5% in the State of source.

If you would like to know more about the subjects covered in this publication or our services, please contact:

François-Xavier Dujardin +352 48 50 50 254

Maxime Budzin +352 48 50 50 456

Julien Lamotte +352 48 50 50 262

To email one of the above, please use
firstname.lastname@cliffordchance.com

Clifford Chance,
2-4 Place de Paris, B.P. 1147,
L-1011 Luxembourg,
Grand-Duché de Luxembourg
www.cliffordchance.com

Luxembourg and Armenia currently use different methods to avoid double taxation

Armenia favours the ordinary credit method for the avoidance of double taxation. The tax credit method allows for a reduction of taxes in Armenia, corresponding to the amount of taxes paid in Luxembourg.

Under the Treaty the exemption-with-progression method is employed by Luxembourg. The exemption method allows for a relief of Luxembourg taxes for Armenian source income. However Luxembourg applies the tax credit method with respect to dividend, royalties and interest withholding tax levied in Armenia.

Exchange of information

The Treaty includes exchange of information provisions upon request in line with the OECD Model Convention, i.e. the contracting State may not decline a request from the other contracting State to supply information regarding the taxes covered by the Treaty solely on the basis that the information is held by a bank, other financial institution, nominee or person acting in an agency or fiduciary capacity or because it relates to ownership interests in a person.

Conclusion

The Treaty serves to strengthen economic relations between the two countries.

This Client briefing does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

www.cliffordchance.com

Abu Dhabi ■ Amsterdam ■ Bangkok ■ Barcelona ■ Beijing ■ Brussels ■ Bucharest ■ Dubai ■ Düsseldorf ■ Frankfurt ■ Hong Kong ■ Kyiv ■ London ■ Luxembourg ■ Madrid ■ Milan ■ Moscow ■ Munich ■ New York ■ Paris ■ Prague ■ Riyadh* ■ Rome ■ São Paulo ■ Shanghai ■ Singapore ■ Tokyo ■ Warsaw ■ Washington, D.C.

* Clifford Chance also has a co-operation agreement with Al-Jadaan & Partners Law Firm in Riyadh and a 'best friends' relationship with AZB & Partners in India and with Lakatos, Köves & Partners in Hungary.