



**TK&PARTNERS**

**WEEKLY CLIENT ALERTS N 17**

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# BILLS IN PARLIAMENT

## NEW REGULATION ON EMPLOYEE STOCK OWNERSHIP (ESOP)

The RA law "On joint-stock companies" stipulates a new regulation by which a joint stock company may provide shares to its employee(s) (Employee Share Option Plans).

The purpose of the new law is to establish mechanisms to enable employers to make employees shareholders. On the one hand, it is aimed to motivate employees, and on the other hand, to diversify share capital of businesses.



The employee's share may be granted free of charge or the amount paid for it may be lower than the nominal value.

Throughout the employment relations, the company may purchase an employee's shares or part of them at a price set by or determined by the employee stock program (ESOP).

At the same time, we would like to inform you that the importance of the new law has been proposed by our law firm. We are also proud to say that we have drafted this piece of legislation.

The draft has not yet been included in the agenda of the National Assembly, though it has been presented to the Speaker of the Parliament and will be discussed soon.

Find more, [more](#), [more](#).

## ENDOWMENT FUNDS AND TAX EXEMPTIONS

According to the law “On Funds with Inviolable Capital” (Endowment Funds Law), inviolable capital is a set of assets of the fund, which is formed from the property provided by donors permitted by this Law and cannot be spent or alienated otherwise than by making investments as prescribed by law, resulting in its reduction.

It is planned to include the following transactions in the transactions exempt from VAT.

- transfer of funds and government bonds to funds with inviolable capital in order to form inviolable capital;
- receiving income from the management of inviolable capital.

It is planned to exempt the following transactions from profit tax.

- in the amount of the value of funds and government bonds transferred to funds with inviolable capital for the purpose of forming inviolable capital;
- in the amount of income received from the management of inviolable capital.

The draft has not yet been included in the agenda of the National Assembly though it has been presented to the Speaker of the Parliament and will be discussed soon.

Find [more](#).





## **NEW PROCEDURE FOR CALCULATION OF REAL ESTATE TAX**

In the Weekly Client Alert circulated on 22 June we addressed the pending amendments to the legislative framework of new procedure for calculation of real estate tax.

It should be reminded that with the new settlement of tax real estate will be calculated based on the cadastral value of real estate close (similar to) to its market value.

The tax amount will be calculated based on the real estate close to the market value cadastral valuation procedure.

It is planned to switch to the new tax system within four years and fully establish the system from 2024 on.

On 23 June the legislative package passed second reading and fully.

Find [more](#).



# GOVERNMENT DECREES

## TWENTY-SECOND EVENT TO NEUTRALIZE THE ECONOMIC CONSEQUENCES OF CORONAVIRUS

During the session of 25.06.2020, the government of Armenia adopted the package of the twenty-second action to neutralize the economic consequences of the Coronavirus. Beneficiaries of the event are individuals who are citizens of Armenia who have been in an employment relationship with the employer at least 85 calendar days (except for employees of certain types of areas) on the basis of of employment contract or individual legal act from January 1, 2020 to March 30. However, they were fired from March 31, 2020 to June 1, and did not return to work during the same period. Support is provided in a lump sum with a minimum monthly salary.

See more [here](#).

# FINANCIAL SPHERE

## BIRTH OF LEGISLATION ABOUT ENDOWMENT FUNDS

A new legislative package suggests a detailed regulation of foundations with immune capital (Endowment Funds). The new legislation addresses thoroughly the legal status of Endowment Funds, as well as regulates the emergence, growth, management of immune capital and use of income generated from that immune capital. Thus, Endowment Funds are incorporated for the purpose of pursuing activity in the fields of education, science, innovation and other publicly beneficial areas, and the immune capital can be used only for purposes of the described activity.



To ensure separate management of different types of activity of a Fund, as established by the Charter of a particular Fund, more than one immune capitals can be created within one Endowment Fund. It is also suggested that Endowment Funds should be free to choose their investment policies and the instruments they want to invest into at their own discretion. In this regard it is also important to stress that no limitation of investment instruments is assumed. Endowment Funds shall be free to invest in any such instrument, investments wherein are permitted to investment funds. Finally, transfer to Endowment Funds (immune capitals thereof) of money (including foreign currency) and government bonds, as well as generating of income as a result of management of immune capital shall exempt from both value added tax and corporate tax.

Moreover, property and money transferred by Endowment Funds to beneficiaries of those Funds shall not be subject to taxation under income tax regime. The Draft Laws of the Republic of Armenia on Foundations with Immune Capital, Making Amendment to the Law on Foundations, Making Amendment to the Law on Charity, Making Amendment to the Law on Securities Market, Making Amendments to the Tax Code were brought to the National Assembly on June 23 by a group of deputies from the fraction “My Step”.

Find more [here](#), [here](#), [here](#), [here](#) and [here](#).

# JUDICIAL PRACTICE

## **THE FIRST ARTICLES OF THE LAWS ON “MAKING AMENDMENTS TO THE LAW ON BANKING SECRET” AND ON “MAKING AMENDMENTS AND ADDITIONS TO THE RA CRIMINAL PROCEDURE CODE” HAVE BEEN RECOGNIZED NONCONSTITUTIONAL.**

The legislative changes adopted on January 22, 2020 in the sphere of banking secrecy were sent by the President of Armenia to the Constitutional Court to examine the constitutionality of the law.

According to the contested legislative provisions, within the framework of a criminal case initiated in connection with certain crimes provided by the RA Criminal Code, the bodies conducting criminal prosecution, based on a court decision, were entitled to receive information constituting a bank secret concerning persons not suspected or accused.

On June 18, 2020, the Constitutional Court recognized the contested law to contradicting Articles 61(1), 75, 78 and 79 of the RA Constitution.

Find more [here](#).

## **CONSTITUTIONAL AMENDMENTS**

Pursuant to the RA Constitutional amendments adopted by the RA National Assembly on June 22, 2020, the term of office of the judges of the RA Constitutional Court (CC), elected until April 9, 2018 for the position of judge of the RA Constitutional Court, whose term is at least 12 years, shall be deemed expired and the tenure ceased.

According to these amendments, the tenure of judges of the CC Hrant Nazaryan, Felix Tokhyan and Alvina Gyulumyan is considered terminated.

As well as, according to the same amendments, the term of office of Hrayr Tovmasyan, (President of the CC) as President of the Constitutional Court considered as ceased.

The above-mentioned constitutional changes have caused quite contradictory opinions both on the domestic and international platforms.

Find more [here](#).

## GAHPAMA: AN ARMENIAN DISH SO GOOD, THEY MADE A SONG ABOUT IT

Pumpkin stuffed with rice, dried fruits, nuts and honey – these are the ingredients of traditional Armenian ghapama. It has been a mandatory dish at any Armenian festive table since time immemorial. People loved it so much that they even composed a song about it.

The dish still cooked for New Year, Easter, wedding and birthday parties. People merrily serve it to the table, [singing](#): “Hey, jan ghapama, delicious and aromatic. Hey, jan ghapama, with honey inside ghapama.”



Ghapama is a complex dish, and in older times, the whole family was involved in cooking it. Ghapama has also been the subject for many legends. According to Sedrak Mamulyan, a chief at the Ararat Hall restaurant and Chairman of the Development and Preservation of the Armenian Culinary Traditions NGO, it was believed that pumpkin was the symbol of Planet Earth, rice was of mankind, while dried fruits and nuts were of the people of various faiths and ethnicities:



“As saying goes, good should prevail on the planet, populated by different people with different religious faiths. And ghapama was cooked so that there could be peace on Earth.”

Ghapama is a dessert. In the past, there were several variants of the dish. For instance, the stuffing was made of wheat, meat and fresh fruits. However, the most common recipe includes rice, dried fruits, nuts and honey.

[Source](#)