

**L A W**  
**OF THE REPUBLIC OF ARMENIA**

Adopted on 25 May 2011

**ON FREE ECONOMIC ZONES**

**Article 1. Subject matter of the Law**

This Law regulates the legal relationships arising during the establishment, organisation and liquidation of free economic zones.

**Article 2. Legislation on free economic zones**

1. The legislation on free economic zones in the Republic of Armenia comprises this Law, the Civil Code, laws regulating customs and tax relationships and other legal acts of the Republic of Armenia.
2. Where international treaties of the Republic of Armenia provide for norms other than those envisaged by this Law, the norms of the international treaties shall apply.

**Article 3. Concepts used in this Law**

Main concepts used in this Law:

- (1) “**Free economic zone**” shall mean the special area defined by the Government of the Republic of Armenia (hereinafter referred to as “the Government”) in accordance with this Law, which is deemed to be beyond the customs area of the Republic of Armenia and wherein entrepreneurial activities are carried out in accordance with the specifics of this Law.

Different operational types of free economic zones may be established in the territory of the Republic of Armenia;

(2) **“Organiser of a free economic zone”** (hereinafter referred to as “the Organiser”) shall mean the legal person established (founded) by the Government or selected upon the decision of the Government, with the sole aim of organising a free economic zone that ensures the creation of infrastructures necessary for carrying out activities in the free economic zone and the rendering of services;

(3) **“Operator of a free economic zone”** (hereinafter referred to as “the Operator”) shall mean the commercial legal person, individual entrepreneur or a branch registered in the Republic of Armenia that performs entrepreneurial activities solely in the free economic zone in accordance with this Law, as well as the representation of a foreign organisation holding a respective authorisation issued by the Government and a respective contract signed with the Organiser;

(4) **“Authorised body”** shall mean the state administration body authorised by the Government in the field of state policy on free economic zones.

#### **Article 4. Granting authorisation of the Operator and the selection of the Organiser**

1. The authorisation of the Operator shall be granted and withdrawn under the procedure established by the Government.
2. The authorisation of the Operator shall be issued by the Government following the evaluation of the business plan submitted by the Operator.
3. The requirements to the business plan submitted by the Operator and the evaluation procedure thereof shall be established by the Government.
4. The Operator shall receive an additional authorisation for carrying out activities other than those defined by the authorisation.
5. In case of violation of or failure to comply with the requirements defined by the authorisation granted in accordance with part 1 of this Article, the authorisation shall be withdrawn.
6. The procedure and criteria for selecting the Organiser shall be defined by the Government.

**Article 5. Establishment of a free economic zone**

1. The free economic zone shall be established upon the decision of the Government.
2. The decision of the Government on the establishment of a free economic zone shall include:
  - (1) the objective of establishing a free economic zone;
  - (2) the description and the borders of the area;
  - (3) the operational type;
  - (4) the types of activities to be carried out by the Operator;
  - (5) the time limits for the activities of the free economic zone;
  - (6) the qualifying standards for the Organiser and the Operator;
  - (7) the investment programme for the establishment of a free economic zone;
  - (8) personal data of the Organiser, if the Organiser is known in advance;
  - (9) other necessary data and requirements.
3. If the free economic zone fails to start operating within one year after adopting the decision of the Government on the establishment of a free economic zone, the decision of the Government on the establishment of a free economic zone shall be revoked.

**Article 6. Requirements for a free economic zone**

1. The free economic zone should qualify for the following requirements:
  - (1) be equipped with facilities for bringing in cargo transportation means, including railway transport, with a parking space and a dead end;
  - (2) be demarcated with a border in compliance with the technical requirements to the borderline approved by the Government;

- (3) be provided with the conditions necessary for carrying out customs control and customs formalities by customs officers;
  - (4) have facilities for free movement of goods within the free economic zone;
  - (5) be equipped with safety, first-aid and anti-fire systems;
  - (6) have uninterrupted water supply and wastewater collection system, energy supply, gas supply, solid waste disposal and at least a telephone line and internet as means of communication;
  - (7) be equipped with appropriate means of complying with sanitary and hygienic norms;
  - (8) have a quarantine service area;
  - (9) be provided with logistics equipment for preservation of goods as well as with communication and other means necessary for the loading, unloading, transportation and storage facilities.
2. The requirements of point 1 of part 1 of this Article may be not complied with where the fulfilment thereof is justified to be technically impossible.

**Article 7. Concluding the contract on organising the free economic zone**

1. The authorised body, on behalf of the Government, shall conclude a relevant contract with the Organiser.
2. The legal regime defined by the legislation of the Republic of Armenia for the free economic zone shall be applied from the date referred to in the contract concluded between the authorised body, on behalf of the Government, and the Organiser, unless another date is defined upon the decision of the Government.
3. The contract concluded between the authorised body and the Organiser shall be subject to publication in the official webpage of the authorised body.

**Article 8. Powers of the authorised body**

1. The authorised body:

(1) may recommend the Government to make amendments to the contract on organisation of the free economic zone or to rescind it;

(2) shall exercise control over the compliance with the contractual obligations of organising the free economic zone;

(3) shall conduct a study on the compliance with the requirements defined by the authorisation of the Operator of a free economic zone and, if necessary, furnish the Government with a respective recommendation;

(4) shall require reports from the Organiser on the activities in the free economic zone under the procedure provided for and as prescribed by the Government;

(5) shall perform other functions envisaged by the legislation of the Republic of Armenia;

(6) shall submit a proposal to the Government on withdrawal of the authorisation granted to the Operator.

**Article 9. Obligations of the Organiser**

1. The obligations of the Organiser shall be as follows:

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

(2) to conclude a contract with the Operators having received an authorisation from the Government and exercise control over the implementation of the contract;

(3) to define the peculiarities of internal safety rules of the free economic zone;

(4) to ensure the fulfilment of the qualifying requirements for the free economic zone, provided for by this Law;

(5) to ensure the fulfilment of contractual obligations concluded in accordance with Article 7 of this Law, for the performance of activities in the free economic zone;

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

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

(8) to define and publish the operational rules of the free economic zone and fulfil other obligations defined by the contract.

#### **Article 10. Obligations of Operators**

1. The obligations of Operators shall be as follows:

(1) to construct in the area of the free economic zone in accordance with the plan approved in advance, by agreeing it with the Organiser;

(2) to comply with the requirements of the legislation of the Republic of Armenia with regard to pursuing activities in the free economic zone and those of the procedure for operation of the free economic zone;

(3) to comply with the safety rules of the free economic zone, the requirements defined by the authorisation and to fulfil other obligations as defined by the contract.

#### **Article 11. Restrictions in the free economic zone**

1. The following types of activities may not be carried out in the free economic zone:

(1) production and trade of radioactive substances;

(2) production and trade of arms, ammunition and explosives;

(3) imports, storage, production and trade of narcotic drugs and psychotropic substances without an authorisation issued as prescribed by the legislation of the Republic of Armenia.

2. The entry and exit of natural persons, goods and transportation means into and out of the free economic zone without customs control shall be prohibited.

3. The entry and exit of natural persons and transportation means into and out of the free economic zone shall be carried out as prescribed by the legislation of the Republic of Armenia.

#### **Article 12. Operation of the free economic zone**

1. The operation of the free economic zone shall be carried out on the basis of a contract concluded between the Operator and the Organiser in accordance with the operation procedure established by the Organiser.

2. Other types of activities in the free economic zone other than those defined by the decision of the Government on the establishment of a free economic zone may be carried out only by legal persons and individual entrepreneurs not deemed as Operators.

The activities carried out in the free economic zone by legal persons and individual entrepreneurs not deemed as Operators shall not be considered as activities carried out beyond the customs border of the Republic of Armenia.

#### **Article 13. Tax, customs and currency regulation in the free economic zone**

1. The tax and customs relationships in the free economic zone shall be regulated by the tax and customs legislation of the Republic of Armenia, taking into consideration that the Operators of the free economic zone are granted privileges for paying profit tax, value added tax, property tax, and customs duty.

2. Peculiarities shall be defined by the Law of the Republic of Armenia “On currency regulation and currency control” with regard to the transactions carried out in the free economic zone as well as the transactions carried out between the Operators and other entities of civil law relations.

**Article 14.            Rendering services and exercising supervision by the State in the free economic zone**

1. The services rendered by the State in the free economic zone shall be implemented upon a simplified ('one window') principle defined by the Government.
2. The respective state bodies rendering state services and exercising supervision may have subdivisions within the territory of the free economic zone.

**Article 15.            Liquidation of the free economic zone**

1. The free economic zone may be liquidated:
  - (1) upon the expiry of the defined time limit, in case the Government does not adopt a decision on the extension of the time limit;
  - (2) early — upon the decision of the Government — with prior compensation of damages incurred by the Organiser and the Operators in result of the liquidation.
2. The process of early liquidation as per point 2 of part 1 of this Article may start not earlier than one year after adopting the decision thereon.

**Article 16.            Dispute settlement in the free economic zone**

1. The settlement of disputes with regard to the operation of the free economic zone shall be carried out as prescribed by the legislation of the Republic of Armenia.
2. The settlement of disputes among the Operators may be carried out also through international arbitration.



**Article 17. Entry into force of the Law**

This Law shall enter into force on the tenth day following the day of the official promulgation.

**President**

**of the Republic of Armenia**

**S. Sargsyan**

18 June 2011

Yerevan

HO-193-N