

## Tax Deductions from Salaries and Honoraria

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American University of Armenia

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The amount of remuneration shall be denominated in Armenian Drams and shall be stated in gross terms, i.e. inclusive of payroll related taxes in all employment contracts, civil service contracts and bonus payment orders. According to the Republic of Armenia (RA) tax code, Employer is responsible to assess, withhold and transfer taxes to the State Budget on behalf of Employee.

**Income Tax:** Remuneration for employment contracts, civil service contracts and bonus payments are subject to 23% personal Income Tax.

The personal income tax rate will gradually decrease to 20% as follows:

- From 1 January 2021 -- 22%,
- From 1 January 2022 -- 21%,
- From 1 January 2023 -- 20%.

**Contribution to Insurance Foundation for Servicemen:** A stamp fee of AMD1,000 for each month is withheld by employer and transferred to the Insurance Foundation for Servicemen on behalf of individuals that received compensation from the employer during the reporting month.

**Social Payments:** Mandatory contributions to pension funds are applicable for both Armenian and foreign citizens holding RA residency born after January 1, 1974. The Employer, as a tax agent, is obliged to withhold the amount of social payment, as well as submit monthly personalized reports to the tax authorities on calculated income and social payments withheld from individuals within the terms established by the RA Tax Code. Mandatory Social Payments are transferred to the employee's personal retirement account and are intended to cover employee's pension costs upon retirement.

The social payment rates are the following:

Year	Monthly gross salary	Social payment rate	Maximum monthly threshold
2020	Up to AMD500,000	2.5%	Until 01.07.2020 the maximum monthly threshold of the calculation basis for social payment is AMD500,000.
	AMD500,000 and above	10% minus 37,500	This means that the maximum amount of the Social Payment till 01.07.20 is capped at AMD12,500. Starting 01.07.2020 the maximum monthly threshold of the calculation basis for social payment is AMD1,020,000. This means that the maximum amount of the Social Payment will be capped at AMD64,500.
2021	Up to AMD500,000	3.5%	Starting 01.01.2021 the maximum amount of the Social Payment will be capped at AMD69,500.
	AMD500,000 and above	10% minus 32,500	
2022	Up to AMD500,000	4.5%	Starting 01.01.2022 the maximum amount of the Social Payment will be capped at AMD74,500.
	AMD500,000 and above	10% minus 27,500	
2023	Up to AMD500,000	5%	Starting 01.01.2023 the maximum amount of the Social Payment will be capped at AMD 77,000.
	AMD500,000 and above	10% minus 25,000	

Payroll is processed on monthly basis, in the first working day of each month for work performed in the previous month.

All employment or civil service contracts shall be processed by the Human Resource department. The Human Resource department shall either hand the hard copy contract to the AUA Financial Services department or input key contract information into 1C database for further processing by the Financial Services department. In addition to the salary rate, concrete assignments and other relevant information, the contracts shall include the starting and ending dates of employment. The starting date of a contract shall be at least 5 days before the date of submitting it to the Financial Services department. The ending date of a civil service contract shall be 5 days before the ending date of the month or the beginning of the following month. Payments will be made only upon receipt of the Absenteeism Forms (see Administrative Staff Personnel Manual) by the Financial Services department or the time sheets approved by the department heads on the last day of the month. For the service contracts, the payment is made only upon receipt of an Acceptance Act by the AUA Financial Services department.