
Mining Giant Remains Armenia's Top Taxpayer

By Emil Danielyan

Radio Liberty, Czech Rep. - 29/1/2008

A large mining enterprise and three utility companies, all of them owned by foreign investors, remain Armenia's leading taxpayers, having accounted for almost 18 percent of its government's tax revenues last year.

The Zangezur Copper-Molybdenum Plant continues to top the list of major corporate taxpayers published by the State Tax Service (STS) on a regular basis. The STS data for 2007 show it paying a total of 33.6 billion drams (\$110 million) to the state budget.

Zangezur, which both mines and smelts ore, was privatized by the German company Cronimet in 2004 and has since significantly boosted output on the back of rising international prices of non-ferrous metals. Cronimet pledged last August to invest \$60 million in building a new copper and molybdenum smelter near its mines in the southeastern Syunik region.

Zangezur is followed in the STS rankings by the national telecommunications company ArmenTel (20.8 billion drams), the ArmRosGazprom (20 billion drams) gas distribution network and the mobile phone company K-Telecom (15.5 billion drams). All three companies have Russian owners.

The Armenian government collected 505.5 billion drams (\$1.65 billion) in various taxes and customs duties in 2007, up by 31 percent from the 2006 level. Still, the figure makes up only 16.1 percent of Gross Domestic Product, one of the lowest proportions in the former Soviet Union.

Two fuel-importing companies owned by government-connected businessmen are fifth and sixth in the STS rankings, having each paid more than 9.5 billion drams in taxes. They are followed by Salex Group, a company that enjoys a de facto monopoly on equally lucrative imports of wheat, sugar and cooking oil to Armenia. Its owner, parliament deputy Samvel Aleksanian, is also a figure close to the country's leadership.

Another prominent tycoon, Prosperous Armenia Party leader Gagik Tsarukian, continues to post more modest revenues contrasting with his extravagant lifestyle. One of Armenia's two cement plants located in the southern town of Ararat, is officially the most profitable of Tsarukian's businesses. It occupies only 45th place in the STS ranking with tax contributions totaling 1.3 billion drams in 2007.

Another, smaller Ararat-based plant, which smelts gold ore, paid more taxes despite standing idle during much of 2007 due to a change of ownership.

Armenia's second cement plant, located in the central town of Hrazdan and owned by another "oligarch," Mikhail Baghdasarov, occupies a lowly 277th place on the STS list, with 218 million drams (\$700,000) worth of taxes paid last year. The figure pales in comparison with 1.8 billion drams paid by Baghdasarov's Mika Armenia Trading company specializing in fuel imports.

Both cement plants are believed to operate at full capacity, strongly benefiting from the ongoing construction boom and exporting a large part of their production to neighboring Iran and Georgia.

Among Armenia's top ten taxpayers is also a cigarette-importing company controlled by Khachatur Sukiasian, a prominent businessman allied to former President Levon Ter-Petrosian. It appears to have been unaffected so far by

the tax authorities' ongoing crackdown on Sukiasian-owned companies. One of them, which bottles mineral water, has already been charged with evading more than 3 billion drams in taxes. Sukiasian denies the accusations as politically motivated.
