

SUSTAINABLE URBAN DEVELOPMENT INVESTMENT PROGRAM
LARF ADDENDUM ON METHODOLOGY FOR THE COMPENSATION OF BUSINESS
LOSSES, EMPLOYMENT LOSSES AND ALLOWANCES FOR VULNERABLE PEOPLE

I. BACKGROUND AND DEFINITIONS

1. This document presents the compensation principles and methodology for Business Losses, Employment Losses and Socially Vulnerable People allowances set forth in Point 8 “Business or Employment Losses” and point 11 “Vulnerable people allowances” of the Entitlements Matrix of the Land Acquisition and Resettlement Framework (LARF) for the Captioned Program.

2. For this Addendum the following definitions and concepts are used:

- 1) Affected parties are: “Legal Persons” or “Individual Entrepreneurs” owning the affected business.
- 2) Permanently affected Legal Persons and Individual Entrepreneurs are affected parties whose business activities are permanently stopped by Project activities.
- 3) Temporarily affected Legal Parties and Individual Entrepreneurs are affected parties whose business activities are temporarily interrupted.
- 4) Permanently stopped business activities are business activities stopped for at least 12 Months.
- 5) Temporarily interrupted business activities are business activities interrupted up to 12 months.

3. According to LARF principles, compensation eligibility is restricted by a cut-off date established on the start-day of the impacts assessment survey informing the description protocols of the affected assets. Improvements made to affected items after the cut-off date will not be eligible for compensation.

4. The monthly compensation amounts specified in this document shall not be less than the minimum monthly salary (MMS) defined in Article 1 of the Republic of Armenia (RA) Law on “Minimum Monthly Salary”.

II. COMPENSATION OF BUSINESS LOSSES CAUSED BY THE PROJECT

5. Provisions for affected parties with tax declaration or other official taxation arrangements

1☐ Permanently affected Legal Persons or Individual entrepreneurs who declare VAT shall receive a cash indemnity equal to 1-year net profit/income based on the difference between the taxable profit/income amount stated in the profit/income tax declaration for the preceding year and the corresponding tax amount due using the income share in the taxpayer’s gross income of the business located in the affected zone. Temporarily affected Legal Persons or Individual entrepreneurs with tax declaration for the profit tax will be compensated as above, but only for the number of months of business stoppage up to 1 year.

2☐ Permanently affected Legal persons or Individual entrepreneurs who do not declare VAT shall receive a cash indemnity equal to 1-year net profit/income, based on the difference between the taxable profit/income amount stated in the profit/income tax simplified statement for

the preceding year and the corresponding tax amount due using the income share in the taxpayer's gross income of the business located in the affected zone. Temporarily affected Legal Persons or Individual Entrepreneurs with profit/income tax simplified statement will be compensated as above but only for the number of months of business stoppage up to 1 year.

3☐ Permanently affected Legal persons or Individual entrepreneurs with presumptive fee statement (fixed fee) shall receive a cash indemnity only for the businesses in the affected zone equal to 1-year net profit/income, based on the difference between the taxable profit/income amount as defined in presumptive fee statement for the preceding year in accordance with law and estimated profit/income tax. Temporarily affected Legal Persons or Individual Entrepreneurs with presumptive fee statement (fixed fee) will be compensated as above but only for the number of months of business stoppage up to 1 year.

4☐ Permanently affected Individual entrepreneurs or physical persons with patent fee arrangements shall receive a cash indemnity only for the businesses in the affected zone equal to 1-year net income, based on the difference between the taxable income as defined in patent fee statement for the preceding year in accordance with Law and the estimated amount of income tax. Temporarily affected Legal Persons, Individual Entrepreneurs or physical persons with patent fee arrangements will be compensated as above but only for the number of months of business stoppage up to 1 year.

6. Provisions for affected parties without tax declaration or other official tax arrangement

1☐ Permanently affected Legal Persons or Individual Entrepreneurs without tax declaration or other official tax arrangement shall receive a cash indemnity calculated on the basis of the minimum monthly salary (see paragraph 5 above) and to be provided in a lump sum covering 12 months.

2☐ Temporarily affected Legal Persons or Individual Entrepreneurs without tax declaration or other official tax arrangement shall receive a cash indemnity calculated on the basis of the minimum monthly salary (see paragraph 5 above) and to be provided in form of a lump sum covering the number of months of business stoppage.

7. The number of months of temporary business stoppage will be calculated based on the duration of scheduled project activities within the road section affecting business. In the event that the schedule of project activities stopping the business is prolonged, the compensation will be increased for the additional months of civil works but not in excess of 12 months.

8. Reimbursement of state registration costs and business license fees

1☐ Permanently affected Legal Persons or Individual Entrepreneurs with tax declaration or other official tax statements will be also reimbursed of state registration and licensing fees costs. In case of licenses issued in accordance with the RA Law "On Licensing" to undertake activities in a specific location (letter «Վ» indicates the type of activity) the licenses will not be suspended and therefore reimbursed but will be amended so as to allow the legal person/individual entrepreneur to undertake the same business activities in a different address. In these cases reimbursement is provided for the prescribed license re-issue fee.

2☐ Temporarily affected Legal Persons or Individual Entrepreneurs with tax declaration or other official tax statements will be also reimbursed for licensing fees costs in the amount of 1/12 of the annual state fee multiplied for the number of months of business stoppage.

III. COMPENSATION OF EMPLOYMENT LOSSES

9. The employees entitled to this compensation are registered employees who have worked for an affected business for at least two months prior to the start-day of the impacts assessment/AP census and for whom mandatory social security payments are calculated in accordance with RA law. The compensation will be calculated based on the following principles:

1 In the event of permanent termination of an affected business operation (permanent impact) the employees shall receive cash indemnity for six months in the amount of the average monthly salary for each month.

2 In the event of temporary interruption of an affected business operation (temporary impact) the employees shall receive a cash indemnity amounting to the average monthly salary for each month of business stoppage, but cumulatively for no more than six months.

IV. ALLOWANCES FOR SOCIALLY VULNERABLE PERSONS

10. Socially vulnerable persons shall receive lump sum allowance for six months in the amount of the minimum monthly salary for each month.

11. Socially vulnerable persons are households who are:

1 Registered in the evaluation system of vulnerability of families (ESVF) and receive a family allowance,

2 headed by a breadwinning women and not including other adult, working-age person with stable employment providing at least minimum monthly salary except for persons doing compulsory military service or full-time students under twenty-three years of age,

3 households headed by persons entitled to old age pension and not including other adult, working-age person with stable employment providing at least minimum monthly salary except for persons doing compulsory military service or full-time students under twenty-three years of age.

12. If, during the compilation of the description protocols the PIU discovers that some affected households that are poor but are not included in the family benefit system, the PIU will make application to the appropriate regional Social Services Agency and to the Ministry of Labor and Social Affairs of the Republic of Armenia to register these households in the ESVF. After they are registered in the ESVF and are eligible for the family allowance these households shall receive the allowance entitlement.