

Armenia Proposes Significant Migration Law Reforms: Key Risks and Implications for Employers

The Ministry of Internal Affairs of Armenia has initiated a series of important reforms to the country's migration framework. Between 27 August and 11 September 2024, it developed and circulated a draft law proposing substantial amendments to the Law "On Foreigners".¹ The Draft Law was included in the agenda of the National Assembly's regular session on December 2 of this year and on December 5, the Draft was adopted by the National Assembly of the Republic of Armenia in the first reading. The proposed changes aim to modernize and digitalize the residence-permit process, streamline the registration of foreign nationals, clarify residence categories, and address practical issues that have arisen in law-enforcement practice.

However, in its current form, the Draft Law introduces significant changes that will create new obligations and operational challenges for businesses employing foreign personnel. It is therefore critical for companies to be aware of the direction of these reforms and begin assessing their potential impact. The draft law is set to enter into force on 1 August 2026.

Below, we outline the key substantive changes businesses and foreign nationals should note.

I. Introduction of a quota system

The Draft Law introduces a **quota system** under which the Government of Armenia will, each year, set a fixed limit on the number of residence permits available. These quotas will be determined annually and will vary **by type of permit, number of permits, and grounds for issuing them**. Accordingly, the Authorized Body will decide whether to grant or refuse a residence status *not only on the basis of the applicant's eligibility, but also on whether the annual quota for that specific category has already been reached. If the quota is exhausted, the application will be denied.*

According to the justification provided, the purpose of this system is to make migration flows more manageable and to "protect the labor market." However, the Draft Law does not explain how these quotas will be calculated or what criteria the Government will follow when setting them for different categories of residence. **This lack of clarity raises serious practical concerns.**

Crucially, the quota system will apply to foreigners entering Armenia for employment purposes. This means that employers may find themselves in a first-come, first-served situation, where residence applications for foreign employees - new hires as well as renewals - may be rejected solely because the

¹ Document code: 4-1172-21.10.2025-ՊԱ-011/0

annual limit has been reached based on the application of other employers. In other words, even fully compliant applications may be refused for reasons outside the employer's control.

The Draft Law also leaves unaddressed several important questions: what happens to foreigners who are already employed if their permits cannot be issued or renewed; how existing employment contracts should be handled; and how an employer should make decisions if quota limitations force them to terminate some foreign employees' contracts. The introduction of the quota system therefore creates significant uncertainty and risk for businesses, particularly those relying on foreign personnel for their operations.

II. Removal of key work-permit exemption for foreign-owned companies

Another significant amendment is the **removal of the work-permit exemption** previously available to directors and founders (shareholders/participants) of foreign-owned companies. Under the current legislation, if a company is more than 50% foreign-owned, its directors and founders are exempt from the requirement to obtain a work permit. In practice, this means that these individuals only need a residence permit if they intend to stay in Armenia beyond the period permitted for visa-free or visa-based entry (which may vary by nationality but is generally capped at 180 days per year). **This exemption is now being fully eliminated.**

As described later in this note, the concept of a "work permit" will be replaced with a new permit allowing a foreign national to "be in Armenia for the purpose of carrying out work operations." For ease of reference, we continue to refer to this as a "work permit." Before turning to the detailed mechanics of the new regime, it is critical to emphasize two immediate consequences:

- 1. Directors and founders (if they are also employed by the company) of foreign-owned companies will now be required to obtain a work permit.**
- 2. The work permit will only be valid for the period during which the individual holds a valid residence permit/work visa,** meaning that directors/founders will need both a work permit and a residence permit for as long as they hold their positions—even if they do not physically reside in Armenia.

This change creates **significant operational challenges for businesses**, including:

- 1. More complex company establishment procedures for foreign investors.**

Foreign investors often prefer to appoint a foreign director when forming a new company. Under the new rules, a foreign director will need to obtain a work permit before the company can formalize their role, as an employment agreement cannot be executed without a valid permit. This may substantially delay the incorporation process.

2. Foreign directors and founders (if employed by the company) will need to spend extended periods in Armenia to obtain or extend their residence permits, a process that typically takes at least one month and may take longer.

3. Increased risk due to the quota system.

As explained earlier, the new annual quota may be exhausted, leaving companies unable to obtain or renew work permits for directors or founders—even if the company is already operational.

4. New notification obligations.

Directors and founders will be required to notify authorities if they intend to remain outside Armenia for more than 183 days, adding an additional compliance layer.

Overall, the elimination of this long-standing exemption fundamentally changes how foreign-owned companies will need to plan their governance, staffing, and compliance strategies in Armenia.

III. Changes to eligibility for business-related residence status

Under the current legislation, foreigners conducting business in Armenia - such as shareholders/participants of an Armenian company or individuals registered as private entrepreneurs (P.E.) - may obtain a **temporary residence permit (1 year)** or a **permanent residence permit (5 years)** on this basis.

The Draft Law significantly **tightens the eligibility criteria** for both categories.

New Eligibility Criteria for Temporary Residence (1 year)

Under the Draft Law, engaging in entrepreneurial activity may serve as a basis for obtaining temporary residence only if the foreigner meets one of the following conditions:

- **Shareholders/Participants or Securities Holders:**

The foreigner must be a shareholder/participant of a commercial entity or a holder of securities, and must have invested at least AMD 2,000,000 into the company's charter capital, or must have acquired shares or securities worth at least AMD 2,000,000.

- **Private Entrepreneurs (P.E.):**

The foreigner must either have:

- **at least AMD 1,000,000** (or equivalent in foreign currency) in the P.E.'s bank accounts; or
- achieved a **turnover of AMD 1,000,000** (or equivalent) from entrepreneurial activity **within the 60 days** preceding the application.

Grounds for Invalidation of the Residence Permit

The Draft Law also introduces circumstances under which a residence permit obtained on the basis of business activity may be revoked. A permit may be declared invalid if:

- The capital invested in the company's

charter capital is withdrawn, or falls below **AMD 1,000,000;**

- The value of the shares or securities held falls below **AMD 1,000,000;**
- Within **180 days** after obtaining the permit, there is no tax information in the State Revenue Committee (SRC) database confirming entrepreneurial activity (i.e., no taxes assessed or reported).

Exceptions Allowing the Permit to Remain Valid

The residence status will **not** be invalidated if the foreigner:

- a) At the moment of withdrawing the capital from the company, has made an equivalent investment in another commercial organization operating in Armenia; or
- b) Withdraws capital from the company and reinvests it into the charter capital of another Armenian commercial organization **within one month.**

Permanent permit requirements

A change is also made to the basis of entrepreneurial activity for granting permanent permit: the Draft Law requires conducting entrepreneurial activity in Armenia **and having held temporary residence permit for at least three years within the last five years before applying - a requirement not present in the current regulations.**

It should be noted that two new grounds have been added for permanent permit: investments in Armenia and having rendered

exceptional services to Armenia.

IV. Investment as a ground to get a permanent permit

As mentioned, the Draft Law envisages making investments in Armenia as a new basis for obtaining permanent permit.

At the same time, the Draft Law provides that the procedure for obtaining permanent permit and the necessary validity conditions will be defined by the Government of the Republic of Armenia, meaning that corresponding sub-legal acts will later be adopted by the Government.

It should be noted that the Draft Law does not set specific investment amounts, but refers to a Governmental decision to set the peculiarities of this. The Draft Law also stipulates that permanent permit granted on the basis of investment may be revoked if, after obtaining the permit, the individual no longer meets the validity conditions set by the Government.

V. The steps for getting a work permit/residence permit

Thus, under the regulations proposed by the Draft Law, the following steps must be completed for a foreign national to start working in Armenia:

1. Obtaining a work permit

First of all, in order to carry out employment activities in Armenia, a foreign national must obtain a **work permit** in all cases, except for citizens of

EAEU member states, who are exempt from this requirement by virtue of international treaties.

The **work permit** is obtained through an **electronic platform** and constitutes an electronic authorization issued by the competent authority, meaning that the application for such a permit may be submitted without being physically present in Armenia.

*It should be noted that the work permit also allows the foreign national to work in Armenia **during their legally authorized stay** (legal residence based on temporary or permanent residence status, or any other status confirming lawful stay in Armenia as provided by law, the Law on Refugees and Asylum, or international treaties).*

2. Obtaining a work visa

Based on the work permit, the foreign national must then obtain a **work-entry visa** in order to enter Armenia and apply for a residence status on the basis of employment, if they are not already in Armenia. Citizens of countries for which Armenia applies a visa-free regime (including citizens of EAEU member states) are exempt from this requirement.

If the foreign national is already in Armenia, they may directly apply for a residence status on the basis of the work permit:

3. Obtaining temporary residence status

Afterwards, on the basis of the work visa or the work permit, the foreign national

may apply for temporary residence status (1 year).

Moreover, the employment (or service provision) contract with the foreign national must be concluded, and in the case of termination of the voluntary contract, must be concluded within 15 working days from the moment of obtaining the temporary residence status. Failure to comply with this requirement results in rejection to grant the residence status.

VI. Introduction of a work entry visa

As mentioned above, the Draft Law envisages the introduction of a work entry visa system:

A work visa is issued for the purpose of:

- carrying out employment activities in the Republic of Armenia, for performing short-term employment activities (120 days maximum) within the territory of the Republic of Armenia, or
- for submitting an application for temporary residence status from within the territory of Armenia on the basis of a work permit, or
- for obtaining the document certifying the temporary residence status granted on the basis of work permit.

The work visa allows the foreign national to stay in Armenia for up to 120 days within a year.

Of course, the requirement for a work visa does not apply to citizens of countries for which a visa-free entry

regime is established in Armenia.

The introduction of the work visa is justified by the fact that it will eliminate the inconsistency under the current regulations, whereby foreigners arriving in Armenia on a visit visa with tourism as their stated purpose have their applications for residence status on the basis of employment rejected, even though there is no such legislative prohibition. After the introduction of the work visa, this issue will be resolved.

Grounds for refusal of a work visa

The Draft Law also provides grounds for refusing the issuance of a work entry visa, which correspond to the grounds for refusing to conclude an employment contract and for refusing to grant temporary residence status on the basis of employment. Specifically, these grounds are:

- a) Armenian citizenship is required by the laws of the Republic of Armenia to perform the given work.
- b) The submitted information or documents are incorrect or falsified.
- c) The employer, with whom the foreigner is supposed to work, has previously violated the requirements for employing foreigners.

In addition, the Draft Law establishes as a ground for refusing to grant temporary permit the situation where a foreigner arriving in Armenia on a visit, official, diplomatic, or transit visa applies for temporary permit on the basis of employment without first converting

their entry visa into a work visa.

VII. Changes related to family members

According to the Draft Law, a foreign national who is a citizen of an EAEU member state and therefore is allowed to work in Armenia without a work permit, **is required immediately after concluding an employment or service provision contract, to apply to the competent authority to obtain a certificate confirming the legality of residence in Armenia for themselves and their family members.**

This is in contrast to the current regulations, under which such a requirement is imposed on an EAEU citizen only if they intend to stay in Armenia for more than 180 days.

VIII. Changes in types and grounds of residence status

As a result of the amendments proposed by the Draft Law, the residence statuses existing in Armenia will be reduced to two types: temporary and permanent.

It is noteworthy that the special residence status is completely abolished by the Draft Law. This is due to the fact that the grounds for granting special residence status - being of Armenian nationality and conducting economic activity - are identical to the grounds for granting permanent residence status.

Changes to the grounds for granting

temporary residence status

The amendments also slightly modify the grounds for granting temporary residence status, in particular:

1. *The concept of "study" has expanded,*
2. Under current Law, the basis for granting temporary residence status is changed from the existing concept of a *"work permit" and a conclusion regarding compliance with the list of exceptions for obtaining a work permit* to: **"possession of a work visa, a permit for staying/residing in the Republic of Armenia for the purpose of employment, or the specific rights provided under Article 23 part 1, point 10) and (13) (persons with the status of a victim or special-category victim and their legal representatives, or students performing work in Armenia during vacations under relevant international treaties)."**
3. The current Law, which allowed spouses, parents, or children of foreigners holding temporary residence status and exempted from obtaining a work permit under the relevant international treaties, has been completely removed from the grounds for granting temporary residence status. **Instead, the Draft Law provides as a ground for obtaining temporary residence status - being members of the family of a citizen of the Republic of Armenia or a foreigner holding residence or refugee status in the Republic of Armenia - spouse, parent, or child.**

Changes to the grounds for granting

Permanent residence status

The Draft Law also envisages changes to the bases for permanent permit. The change regarding the basis of entrepreneurial activity has already been presented above (see Section 3).

Apart from the above,

1. If under the current regulations, permanent permit may be granted if the applicant has a spouse or close relative who is a citizen of Armenia or holds special residency status, is provided with housing and means of subsistence in Armenia, and has lawfully lived in Armenia for at least three years before applying, **then under the Draft Law, this ground is revised to require a family member (spouse, parent, or child) who is an Armenian citizen, housing and means of subsistence, and having held temporary residence permit in Armenia for at least three years within the last five years before applying.**
2. **Two new grounds have been added for permanent permit: investments in Armenia and having rendered exceptional services to Armenia.**
3. Regarding the provision of exceptional services, the current regulations in land legislation are also planned to be amended under the Draft Law, considering persons with permanent residence status granted on the basis of exceptional services as subjects of land relations, instead of the current special residence status.
4. Being Armenian by nationality as a basis for permanent permit has remained the same.

The grounds for declaring a residence

status as terminated

The Draft also provides for the grounds for declaring a residence status as terminated, which are:

1. The grounds for granting residence status to the foreigner have ceased to exist.
2. The foreigner has submitted an application to recognize the residence status as terminated.
3. The foreigner has acquired citizenship of the Republic of Armenia.
4. The foreigner has acquired refugee status.
5. Before the expiry of the temporary residence status, the employment (service) contract with the foreigner has been terminated, and no new contract has been concluded with the foreigner through the digital system for concluding employment contracts within 15 working days.
6. Before the expiry of the temporary residence status, the voluntary work agreement concluded with the foreigner under the procedure established by law has been terminated, and no new voluntary work agreement has been concluded with the foreigner within 15 working days.
7. In other cases provided for by law.

IX. Introduction of a single unified electronic platform

The Draft Law provides for the introduction of a **single unified electronic platform**, through which the Authorized Body will carry out procedures

related to granting foreigners all types and grounds of residence status, declaring a residence status invalid or terminated, exchanging documents certifying residence status, and issuing permits for staying/residing in Armenia for the purpose of employment.

In other words, if under the currently existing legal framework, it is possible to apply through the electronic platform only for obtaining temporary residence status on the basis of employment activity, and in all other cases, an in-person visit to the Authorized Body is mandatory, then, according to the Draft Law, a single unified electronic platform will be provided for obtaining residence status of all types and on all grounds.

All state governance bodies involved in the processes will also have access to the Platform, and all interested bodies will be able to use the Platform's database within the scope of the powers granted to them by law.

The registration of foreigners holding temporary or permanent residence status will also be carried out through the use of discussed platform.

X. Changes to the state duties

The Draft Law "On Amendments and Additions to the Law on State Duty" revises certain rates related to granting temporary and permanent residence status, as well as restoring or replacing the document certifying such status. At the same time, exemptions under

the state duty law have been reviewed, and a state duty has been established for certain services provided by the Migration and Citizenship Service of the RA Ministry of Internal Affairs.

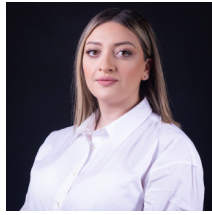
The most significant change related to state duty due to the draft is that in case of refusal to grant residence status, the state duty is non-refundable, as it is collected for the processing of the procedure rather than for granting the residence status.

It should be noted that not all changes proposed by the Draft Law are included in this note due to its extensive nature, therefore, only the most significant changes are presented.

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About Concern Dialog



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