

**Law of Georgia  
Tax Code of Georgia**

**SECTION I  
GENERAL PROVISIONS**

**Chapter I – Georgian Tax System**

**Article 1 – Scope of regulation of the Tax Code of Georgia**

This Code defines, in accordance with the Constitution of Georgia, the general principles of formation and operation of the tax system of Georgia, the legal status of tax payers and competent authorities, the types of tax offences, the liability for violating the tax legislation of Georgia, the procedure and conditions for appealing wrongful acts of competent authorities and their officials, the procedure for settling tax disputes, and governs the legal relations connected with the fulfilment of tax liabilities.

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 2 – Tax legislation of Georgia**

1. The tax legislation of Georgia comprises the Constitution of Georgia, international treaties and agreements, this Code and subordinate normative acts adopted in compliance with them.
2. The tax legislation of Georgia in effect at the moment when tax liability arises shall be used for taxation.
3. The Government of Georgia or the Minister of Finance of Georgia shall adopt/issue subordinate normative acts for enforcing this Code.
4. (Deleted – 26.12.2013, No 1886).
5. To enforce the tax legislation of Georgia, the head of the Legal Entity under Public Law (LEPL) within the Ministry of Finance of Georgia - the Revenue Service ('the Revenue Service') shall issue orders, internal instructions and guidelines on application of the tax legislation of Georgia by tax authorities.
6. When regulating tax matters, the terms and concepts of the legislation of Georgia used in this Code shall have the same meanings as they have in the respective legislation, unless otherwise provided for by this Code.
7. Any international tax-related treaty that has been ratified by the Parliament of Georgia and that has entered into force shall prevail over this Code.

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

**Article 3 - Setting timeframes**

1. The timeframes set by this Code shall be determined by a specific calendar date or a period calculated in years, months or days and/or by reference to the appropriate circumstance.
2. The timeframe set by this Code shall commence on the day following the performance of the relevant action. A day may be a business day or a calendar day. If not specified, a day shall be a calendar day. Unless otherwise provided for by the tax legislation of Georgia, a business day shall coincide with a calendar day, except for a Saturday, Sunday and the holidays determined by the Organic Law of Georgia on the Labour Code of Georgia.
3. The timeframe calculated in years shall end in the respective month and day of the last year of the timeframe.
4. The time frame calculated in months shall end on the respective day of the last month of the timeframe.
5. An action for which a timeframe is set may be performed by the end of the last business day of the timeframe, and if the action is performed through a bank transfer, mail and/or electronic means, the action may be performed by 24:00 of the last day of the timeframe.
6. If the last day of the performance of the action coincides with a non-business day, the timeframe for the action shall be extended to the end of the next business day, and where the action is performed through a bank transfer, mail and/or electronic means, the action may be performed by 24:00 of the next business day.
7. A calendar year shall be the period from 1 January through 31 December of any year; for a newly registered taxpayer a calendar year shall be the period from the registration date through 31 December of the same year, unless otherwise provided for by this Code.
8. A year (other than a calendar year) is a period consisting of any consecutive 12 calendar months.

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

**Article 4 – Period of limitation**

1. The period of limitation for assessing taxes to a taxpayer and for submitting a notice of tax liability to the taxpayer shall be three years, unless otherwise provided for by this Code.
2. The period referred to in the first paragraph of this article shall commence from the end of the calendar year in which



the respective tax liability arose.

3. The period of limitation for imposing sanctions (other than a penalty) under this Code on a taxpayer and for submitting a relevant tax notice to a taxpayer shall be three years, unless otherwise provided for by this Code.

4. The period referred to in the third paragraph of this article shall commence:

a) from the end of the calendar year in which the tax offence was committed, except as provided for by subparagraph (b) of this paragraph;

b) from the end of the calendar year in which the tax liability arose, if the calculation of the amount of the sanction provided for in this Code is related to the amount of the tax liability.

5. The period of limitation for a tax audit of taxpayers shall be three years, unless otherwise provided for by this Code.

6. The period referred to in the fifth paragraph of this article shall commence from the end of the calendar year in which the audit takes place.

7. The period of limitation referred to in the first, third and fifth paragraphs of this article shall be extended for one year if less than a year remains before the expiry of the period and the taxpayer has filed with a tax authority a taxpayer's claim or a tax return (including an adjusted tax return) for the relevant period.

8. The period of limitation for a taxpayer to file a taxpayer claim with a tax authority shall be three years, which will be calculated from the end of a calendar year in which the right to refund for the sum of any overpaid tax and/or sanction (including customs sanction) arose.

9. The period of limitation for serving an individual administrative-legal act on tax enforcement measures as provided for in this Code to a taxpayer, registration authority or banking institution shall be three years, commencing from the end of the calendar year in which the tax arrears were incurred.

10. In the cases provided for in the ninth paragraph of this article, the period of limitation for serving an individual administrative-legal act shall be suspended:

a) from the entry into force of a court decision on recognising as admissible a person's application for insolvency, and of the ruling on commencing the bankruptcy regime, or of the ruling on commencing the rehabilitation regime till the end of an appropriate regime;

b) during the period of restructuring a person's tax arrears in accordance with the procedure laid down by the Law of Georgia on Restructuring Tax Arrears and State Loans;

c) during a tax dispute.

11. The periods of limitation under this article shall not apply where court/dispute resolution body decisions are enforced by a tax authority.

12. When the loss is carried forward for 3 years or more, the period of limitation under paragraphs 1, 3 and 5 of this article in relation to the tax liabilities of a calendar year the loss was incurred, the amount of which is affected by such loss shall be extended and it shall exceed the loss carry forward period by one year. In such a case, the period of limitation shall be counted from the end of the calendar year the loss was incurred.

13. The period of limitation under paragraphs 3 and 5 of this article for submitting a tax notice to a tax payer shall not be considered laches if a tax authority has posted the tax notice on the tax payer's authorised user web page before expiry of the period of limitation.

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 3581 of 1 May 2013 - website, 15.5.2015*

*Law of Georgia No 3583 of 1 May 2013 - website, 15.5.2015*

*Law of Georgia No 4680 of 18 December 2015 - website, 29.12.2015*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 7169 of 18 September 2020 – website, 25.9.2020*

## **Article 5 – Principles of the tax legislation of Georgia**

1. A person shall pay national and local taxes established under this Code.

2. No tax obligation introduced in violation of this Code or not provided for in this Code may be imposed on a person. No person may be forced to pay taxes earlier than required by this Code.

3. A municipality representative body may introduce only the local tax provided for by this Code.

*Law of Georgia No 6942 of 15 July 2020 – website, 28.7.2020*

## **Article 6 – Concept and types of taxes**

1. A tax is a mandatory, unconditional monetary payment to the budget made by a taxpayer in accordance with this Code, based on the necessary, non-equivalent and gratuitous character of the payment.

2. Taxes shall be national and local.

3. National taxes shall be the taxes provided for under this Code, the payment of which is mandatory across the whole



territory of Georgia.

4. A local tax shall be a tax imposed by this Code and introduced by a normative act of the municipality representative body – Sakrebulo (within marginal rates), the payment of which is mandatory within the administrative boundaries of the municipality concerned.

5. National taxes shall be:

- a) income tax;
- b) profit tax;
- c) value added tax (VAT);
- d) excise tax;
- e) import duty;

6. A property tax shall be a local tax.

*Law of Georgia No 6942 of 15 July 2020 – website, 28.7.2020*

### **Article 7 – imposing and introducing a local tax; changing its payment conditions and abolishing the tax**

1. A municipality representative body may introduce a local tax imposed by this Code as a flat rate tax within the administrative boundaries of the municipality and/or according to individual branches and/or types of businesses within the administrative boundaries of the municipality, within the marginal rates set by this Code.

2. A municipality shall forward information on introducing a local tax, changing its payment conditions or on abolishing the introduced local tax and a copy of the relevant normative act upon publication to the Revenue Service of Georgia and to the appropriate tax authorities.

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

*Law of Georgia No 6942 of 15 July 2020 – website, 28.7.2020*

## **Chapter II - Terms and Concepts Used in This Code**

### **Article 8 – Definition of terms**

1. Non-depreciable fixed asset – a fixed asset not losing its value during the process of operation.

2. Intangible asset – an identifiable non-monetary asset without physical substance used by a person for manufacturing goods, supplying goods/rendering services, leasing it to others and/or for administrative purposes. Intangible assets include: copyright, patent, trademark, goodwill, software, licence, leasehold, franchise, mining rights, special import and export rights and other similar intangible assets.

3. Indirect tax – a tax (value added tax, excise tax, import duty) imposed as an addition to the price of goods supplied (imported) and/or services rendered and that is paid by a consumer (importer) when purchasing (importing) goods and/or services at the price increased by such tax. The obligation to pay an indirect tax to the budget is imposed upon the supplier (importer) of goods and/or services who is referred to as a taxpayer for the purposes of this Code.

4. Non-resident – a person who is not a resident.

5. Acknowledged tax arrears – tax arrears if:

- a) the basis of tax assessment is a tax return/customs declaration;
- b) a person has failed to appeal a tax notice issued by a tax authority, or the decision of a dispute resolution authority, within the timeframe set by this Code;
- c) the Revenue Service and a taxpayer have signed an agreement to reduce tax arrears;
- d) a court decision on the lawfulness of the tax assessment has taken effect;
- e) a person, by a written/electronic application, has refused to appeal against the decision of a tax dispute resolution body;
- f) a person has submitted a written application to a tax authority under the procedure determined by the Minister of Finance of Georgia for refusing to appeal the tax notice.

6. Biological asset – an animal or a plant.

<sup>1</sup> Agricultural activity – activity under International Accounting Standards 41.

<sup>2</sup> Agricultural produce – produce obtained from agricultural activity. At the same time, changing of a commodity classification code as a result of biological transformation or harvesting product from a biological asset (detachment of produce or the cessation of the life process of a biological asset) shall not be considered as industrial processing (changing commodity classification code) of agricultural produce.

<sup>3</sup> Agricultural cooperative – a legal person that has been granted the status of an agricultural cooperative under the Law of Georgia on Agricultural Cooperatives.

7. International Accounting Standards ('IAS') – the standards approved by the International Accounting Standards Committee and introduced for application under the resolution of the Commission of Accounting Standards of the Parliament of Georgia.

8. Administration of taxes – a set of forms, methods and rules employed by tax authorities when enforcing the tax legislation of Georgia to ensure the computation, payment and declaration of taxes, as well as tax control, registration and notification of taxpayers, and the fulfilment of tax liabilities.



9. Taxpayer identification number – a number allocated to a taxpayer under the tax legislation of Georgia.
10. Long-term contract – a contract that is not completed in the same calendar year in which the services under the contract commence and when it contracts for the manufacture, installation, construction or delivery of services related to those activities, except for a contract that expires within six months after the commencement of the services under the contract.
11. Shortage – shortage of inventory and/or fixed assets identified during the comparison (including by means of stock-taking) of inventory and/or fixed assets with a taxpayer's accounting records. Shortage in connection with inventory that cannot be physically warehoused (electric and thermal energy, gas and water) shall be the difference between the purchased (according to proof of purchase documents) and the sold (actually released from a taxpayer) inventory, provided that the customer (payer) and/or the person misappropriating the inventory and/or fixed assets cannot be identified. At the same time, a competent authority may set a maximum amount of loss. In such case, the loss in excess of that amount shall be deemed as shortage. In the case of stamping/marketing of the goods in immaterial form in accordance with procedures determined by the tax legislation of Georgia, the loss identified by the manufacturer in the process of manufacturing shall not be deemed as shortage.
12. Dividend – any income (including interest from preference shares) earned by a shareholder/interest-holder from shares or rights (interests) as a result of a distribution of profits made by a legal person to its shareholders/interest-holders in proportion, or not in proportion, to their shares/rights in the capital. Where a repo agreement, securities lending and financial collateral are involved, a compensatory amount received by a seller/lender from a buyer/lendee, which is the dividend actually received from the securities during the validity period of such transaction. In addition, dividends shall not include:
- a) payments/disbursements made in cash or in kind at the time of liquidation of a legal person or at the time of buying out shares/interest, which does not exceed the amount of the contribution made by a shareholder/partner to the capital (outstanding and additional paid-in capital);
  - b) payment made to a shareholder/interest-holder of a legal person by transferring the shares/interest of the same legal person into ownership, except for transferring by a resident legal person the equity securities issued through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia.
13. (Deleted – 23.12.2017, No 1935).
14. Compensation – property and/or benefit received by a person in compensation for the supply of goods, rendering of services, costs, loss or shortage.
15. Tangible asset – any asset that is not an intangible asset.
16. Family – a person, his/her spouse, minor children and step-children, as well as parents, children and step-children, sisters, brothers, grandmothers, grandfathers, grandchildren permanently living with the person while maintaining a common household. For the purposes of this Code, a taxpayer shall unconditionally define the circle of persons (from the above ones) who live with him/her permanently and maintain a common household.
17. Partner – a partner, a shareholder, a limited partner, a general partner, a member of a cooperative under the Law of Georgia on Entrepreneurs.
18. Person – a natural or legal person under the Civil Code of Georgia, an enterprise, or an organisation under the Tax Code of Georgia.
19. Interest – any pre-declared (established) income (including that received as a discount) from any debt claim related to cash investments or debt obligations (whether backed by mortgage or securitised in any other way). At the same time, for the purposes of this paragraph:
- a) debt obligations shall not include debt obligations arising from the supply of goods and/or rendering of services, or obligations arising from guarantee and/or surety and/or other similar transactions;
  - b) the following shall be regarded as interest:
    - b.a) insurance compensation (amount) paid by the insurer to the insured under a pension insurance contract minus the insurance premiums paid for receiving such compensation;
    - b.b) an amount payable in respect of a credit (loan), deposit, bond;
    - b.c) income from government securities and bonds, including the premiums and profits accrued on them;
    - b.d) part of the sum of a difference between the securities supply price and purchase price, in the amount of an unpaid interest accrued on the securities before the moment of their supply;
    - b.e) within a repo agreement, a difference between the loan securities selling price and a pre-agreed redemption price of this or other equivalent loan securities;
    - b.c) within a repo agreement, securities lending or financial collateral, a sum of payment received by a seller/lender from a buyer/lendee, which is an interest accrued on the securities within the validity period of this transaction and actually received by the buyer;
  - c) a penalty for delayed payment or delayed delivery shall not be regarded as interest.
20. Resident – a resident natural or legal person (a Georgian enterprise or a Georgian organisation).
21. Royalty:
- a) a fee for the right to use subsoil in the course of extracting minerals and processing anthropogenic formations;
  - b) income received for the right to use copyrights, software, patents, drawings, models, trademarks or other intellectual



- property or for transferring the right to another person;
- c) income received for the right to use industrial, trade or research equipment or for transferring the right to another person;
- d) income received for the use of know-how;
- e) income received for the right to use cinematograph films, video films, audio records or other recording devices or for transferring the right to another person;
- f) income received for the right to use a secret formula or process, as well as information containing industrial, commercial or scientific experience or for transferring the right to another person;
- g) income received for providing technical assistance in connection with the rights provided for in this paragraph or from the waiver of these rights.
22. Accounting documents – source documents (including tax source documents), ledgers and other documents on the basis of which objects of taxation and objects related to taxation are determined and tax liabilities are established.
23. Tax arrears – the difference between the amount of taxes and/or sanctions (including a customs sanction) not paid within the set time limit by a taxpayer and the overpaid amount of taxes and/or sanctions (including a customs sanction).
24. Foreign Economic Activity Commodity Nomenclature – a system of commodity classification codes, adopted under the International Convention on Harmonization of Commodity Description and Coding System.
25. International carriage – any carriage of passengers, goods (including mail), by road, rail, sea, river or air, between two points located in different States, one of which is Georgia. At the same time, international carriage shall not include:
- a) carriage performed only between the points outside the territory of Georgia or only between the points within the territory of Georgia;
- b) transportation of goods through pipelines or power transmission lines.
26. additional paid-in capital – the difference between the amount received or receivable by an enterprise from an initial public offering of shares and the total nominal value of those shares, as well as the excess of the value of non-cash contributions made at the moment of founding of an entrepreneurial company over the agreed upon amount.
27. Profit received from a person engaged in gambling business – income that is a positive difference between the amount received by a natural person (player) from one ticket, counter, coin and/or other means of gambling and games of chance and the amount of the stake and/or the cost of the item.
28. Inventory – raw materials, materials, semi-finished goods, spare parts, containers and finished products (goods) used by a person in the ordinary course of business under International Accounting Standards.
29. Bad debt – claim or part of it recognised by a taxpayer as a result of the sale of goods and/or services or as a result of the prepayment made in respect of such sale, the due date of which has expired and which has not been paid by the end of the current tax year, and at the same time one of the following documents are available:
- a) a legally effective court/arbitration decision on refusal to satisfy the claim;
- b) a notice issued by an enforcement agency regarding the non-receipt or partial receipt by a creditor of the amount payable to him/her as a result of the enforcement of a writ of execution;
- c) a legally effective court ruling on recognising as admissible an application for insolvency, on commencing the bankruptcy or the rehabilitation regime in relation to a person in question, unless the judge has recognised the creditor's claim;
- d) a notice of revocation of registration issued by the Register of Entrepreneurial and Non-entrepreneurial (Non-commercial) Legal Entities or a death certificate.
30. Property – assets of every kind both tangible and intangible, which can be purchased, possessed, managed and used by persons without limitation.
31. Fixed asset – a tangible asset that a person uses for manufacturing goods, supplying goods/rendering services, for renting out (including leasing out) and/or for administrative purposes, the useful life of which is longer than a year.
32. Fixed asset repair costs – costs, which increase the initial (original, standard) efficiency of fixed assets (including, modification (reconstruction) of the elements of buildings and structures to prolong their useful life and increase their efficiency; improvement of the parts of equipment and machinery to increase their efficiency, and introduction of new production processes), other than current maintenance costs, which are incurred in relation to restoring and maintaining the initial efficiency of the fixed assets.
33. Entertainment expenses – expenses incurred by a person within the scope of economic activity, which include:
- a) expenses (for juices, mineral waters, soft drinks, tea, coffee, breakfast, lunch, dinner, banquet) related to events (presentations, receptions) arranged on behalf of a person;
- b) expenses for excursions and cultural and entertainment events;
- c) souvenir costs;
- d) guest service costs, including:
- d.a) consular service (visa processing and extension) costs;
- d.b) costs of meeting and departure at an airport (VIP Hall service);
- d.c) transportation costs;
- d.d) hotel service (reservation, accommodation) costs;
- d.e) costs related to receptions and parties (juices, mineral waters, soft drinks, tea, coffee, breakfast, lunch, dinner, and



- banquets).
34. Net assets – difference between a person's assets and liabilities.
35. A virtual zone person – a legal person engaged in IT activities and holding an appropriate status.
36. Information Technologies (IT) – studying, supporting, developing, designing, producing and introducing computer information systems, as a result of which software products are obtained.
37. Tourist zone entrepreneur – a person (entrepreneurial entity) who builds a hotel and ensures its operation under the Law of Georgia on Promoting the Development of Free Tourist Zones.
38. Leasing – leasing within the meaning of the Civil Code of Georgia, if the leased item is a depreciable asset.
39. Leasing Company – an enterprise whose income from leased out property during a calendar year is at least 70% of its income.
40. Donation – goods/services, including funds received by an organisation as gifts.
41. High-mountain settlement – a high-altitude settlement as defined by the Law of Georgia on the Development of High-mountain Areas.
42. High-mountain settlement enterprise – an enterprise/individual entrepreneur that carries on business in a high-mountain settlement and enjoys the status of a high-mountain settlement enterprise under the Law of Georgia on the Development of High-mountain Areas.
43. Net profit – any profit that can be distributed as dividend, under the procedure established by the legislation of Georgia.
44. Income – any income according to the international accounting standards.
45. Loan provider – an entity providing loans under the Organic Law of Georgia on the National Bank of Georgia.
46. Taxation year – a calendar year.
47. Import – placement of goods under the Release for free circulation procedure in accordance with the Customs Code of Georgia.
48. Temporary admission – placement of goods under the temporary admission procedure in accordance with the Customs Code of Georgia.
49. Customs sanction – a measure of liability for a customs offence provided for by the Customs Code of Georgia.
50. Export – placement of goods under the export procedure in accordance with the Customs Code of Georgia;
51. Repo agreement, reverse repo agreement – a transaction defined by the Law of Georgia on Financial Collateral, Mutual Deduction and Derivatives, if the transaction has been concluded in compliance with market principles, securities are redeemed during 12 months from their sale and this transaction provides for payment by the buyer to the lender of an interest accrued on the securities and actually received during the validity period of the agreement, a dividend (voucher) or any other distribution, which means the equivalent payment thereof.
52. Securities lending – a transaction defined by the Law of Georgia on Financial Collateral, Mutual Deduction and Derivatives, if the transaction has been concluded in compliance with market principles, securities are returned during 12 months from their primary supply and this transaction provides for payment by the lender to the lender of an interest accrued on the securities and actually received during the validity period of the agreement, a dividend (voucher) or any other distribution, which means the equivalent payment thereof.
53. Financial collateral – a transaction defined by the Law of Georgia on Financial Collateral, Mutual Deduction and Derivatives.
54. Derivative – a transaction defined by the Law of Georgia on Financial Collateral, Mutual Deduction and Derivatives.
- Law of Georgia No 4061 of 15 December 2010 – LHG III, No 75, 27.12.2010, Art. 469*
- Law of Georgia No 4705 of 20 May 2011 - website, 1.6.2011*
- Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*
- Law of Georgia No 5118 of 13 October 2011 - website, 31.10.2011*
- Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*
- Law of Georgia No 5452 of 9 December 2011 - website, 22.12.2011*
- Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*
- Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*
- Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*
- Law of Georgia No 817 of 12 July 2013 - website, 5.8.2013*
- Law of Georgia No 906 of 30 July 2013 - website, 20.8.2013*
- Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*
- Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*
- Law of Georgia No 4037 of 16 July 2015 - website, 28.7.2015*
- Law of Georgia No 4680 of 18 December 2015 - website, 29.12.2015*
- Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*
- Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*
- Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*
- Law of Georgia No 4225 of 27 December 2018 – website, 31.12.2018*
- Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*



*Law of Georgia No 5677 of 20 December 2019 – website, 31.12.2019*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

*Law of Georgia No 7169 of 18 September 2020 – website, 25.9.2020*

*Law of Georgia No 884 of 2 August 2021 – website, 4.8.2021*

## **Article 9 – Economic activity**

1. Any activity shall be considered economic activity if it is performed to gain income or compensation, irrespective of the result of the activity, unless otherwise provided for by this Code.

2. The following shall not be economic activity:

a) activity of public authorities, national regulatory and municipality bodies, which is directly related to the performance of the functions assigned to them under the legislation of Georgia, other than the delivery of paid services under a contract;

b) charitable activity;

c) religious activity;

d) hired work;

e) placement of funds by natural persons into deposit accounts with banks and other credit institutions;

f) types of activities and/or operations and/or a set of operations defined by order of the Minister of Finance of Georgia, in agreement with the Financial-Budget Committee of the Parliament of Georgia.

3. Free delivery of goods/services shall be deemed as economic activity if performed by:

a) an enterprise;

b) an entrepreneur natural person within the framework of the activity provided for by Article 2(2) and Article 3(1 and 2) of the Law of Georgia on Entrepreneurs.

*Law of Georgia No 1588 of 20 November 2013 - website, 3.12.2013*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

*Law of Georgia No 6942 of 15 July 2020 – website, 28.7.2020*

*Law of Georgia No 884 of 2 August 2021 – website, 4.8.2021*

## **Article 10 – Charitable activity**

1. Charitable activity includes:

a) disinterested and voluntary assistance rendered directly or through a third person, to persons who need such assistance, including:

a.a) to natural persons in need of social protection, medical assistance, as well as low-income natural persons, including: persons with disabilities, the elderly, orphan children, those that have lost breadwinners, persons with international protection and internally displaced persons – ill persons, large families and their members, victims of wars, armed conflicts, accidents, natural disasters, catastrophes, epidemics and/or epizooties.

a.b) to organisations providing services to children, the elderly and persons with disabilities, including fostering institutions, residential schools, boarding schools, early and preschool fostering and educational institutions and other children facilities, soup kitchens for serving the elderly, medical institutions, and rehabilitation centres;

a.c) to charitable organisations;

a.d) to religious organisations;

a.e) to specially gifted natural persons – to develop their talent;

a.f) to penitentiary institutions – to improve care and medical services of persons placed in these institutions;

a.g) to persons engaged in the activity provided for in paragraph 1(b) of this article;

b) the performance of socially beneficial activities by organisations in the following spheres: protection of human rights, protection of environment, development of democracy and civil society; culture, education, science, healthcare, social protection, physical education, amateur sports, and art.

2. Charity shall not include activities referred to in the first paragraph of this article if the activities are:

a) performed by the state and municipality bodies;

b) performed to support an enterprise, a political party or any other person participating in elections;

c) performed by a natural person for his/her own relatives or by a legal person for the heads of its management bodies and their relatives;

d) regarded as sponsorship by the Law of Georgia on Advertising.

*Law of Georgia No 5371 of 6 December 2011 - website, 20.12.2011*

*Law of Georgia No 3530 of 1 May 2015 - website, 18.5.2015*

*Law of Georgia No 5372 of 8 June 2016 - website, 24.6.2016*

*Law of Georgia No 57 of 1 December 2016 - website, 15.12.2016*

*Law of Georgia No 499 of 23 March 2017 - website, 27.3.2017*

*Law of Georgia No 6942 of 15 July 2020 – website, 28.7.2020*



## **Article 11 - Religious activity**

1. Religious activity shall be the activity of duly registered religious organisations (associations) aimed at disseminating religion and belief, including by means of:

- a) organising and holding religious rites, ceremonies, prayers and other religious acts;
- b) giving opportunity to believers to have or use buildings of worship or ceremonial structures to satisfy religious needs, both jointly and individually;
- c) organising reception and departure of religious delegations, pilgrims, representatives of different confessions, organising national and international religious conferences, congresses and seminars, providing hotel (or other) accommodation, transport, food and cultural services to the participants during such events;
- d) maintaining monasteries, minsters, theological educational institutions, teaching students and listeners of those theological educational institutions, maintaining charitable organisations (hospitals, shelters, nursing homes for the elderly and disabled), as well as other similar statutory activities under canonical rules.

2. The activity of the enterprises of those religious organisations (associations) that publish religious (religious service) literature or produce objects of religious significance shall be treated as religious activity; the activity of these organisations (associations) or of their enterprises that is related to the sale (dissemination) of religious (religious service) literature or objects of religious significance; as well as the use of funds derived from such activity to perform religious activity.

## **Article 12 – Hired work**

1. Hired work shall mean:

- a) performance of obligations by a natural person within the scope of the relations governed by the labour legislation of Georgia and/or of a foreign country;
- b) performance of an obligation by a natural person, which is related to his/her service in the defence forces, law enforcement bodies of Georgia and other equivalent bodies;
- c) holding the position the head (director) of an enterprise (organisation) by a natural person or carrying out the duties of the head (director) of an enterprise or an organisation;

2. For the purposes of this Code, a hired natural person shall be referred to as an employee, a person paying compensation for the work performed by such natural person shall be referred to as an employer and such compensation shall be referred to as a salary.

3. The employer shall enter information about the hired persons provided for in this article into the register of hired persons, which is maintained by the Revenue Service.

4. The list of information to be entered into the register of hired persons and the procedure for entering information shall be defined by an order of the Minister of Finance of Georgia.

*Law of Georgia No 3600 of 31 October 2018 – website, 21.11.2018*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Article 13 – Goods**

1. Goods shall be a tangible or an intangible property, including electric and thermal energy, gas and water.

2. (Deleted – 14.7.2020, No 6817).

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Article 14 - Service**

1. Activity that is not a supply of goods shall be regarded as service. Unless otherwise provided for by the tax legislation of Georgia, service shall include:

- a) construction and installation;
- b) repair;
- c) restoration;
- d) development;
- e) geological and exploratory activities;
- f) transportation, including transportation of gas, oil, oil products, electric and thermal energy;
- g) property letting, renting or leasing;
- h) intermediary's activities;
- i) personnel selection;
- j) transfer of the right to use patents, certificates, licenses, trademarks, service marks, intellectual property and other personal non-property rights;
- k) fulfilment of obligations – acting or refraining from action;
- l) communication service, household and public utility services;
- m) advertising services;
- n) innovative services;
- o) financial transactions and/or financial service;





- p) insurance service;
- q) consulting, legal, accounting, audit and marketing services;
- r) data processing and information support services;
- s) service for preparing goods for sale, including breaking down of a consignment, forming for shipment, sorting, packing, repacking, bottling;
- t) service for storing goods or other property;
- u) security service;
- v) production of goods or other property with the client's raw materials (materials);
- w) cargo-handling service, including forwarding, loading, unloading and transshipment services;
- x) service for seagoing ships, including port service, port vessels service;
- y) service for aircraft, including air navigation services provided in Georgian airports, airspace and cosmic space;
- z) other services.

2. Production of goods with the client's raw materials (materials) shall be any production of goods, including preparation, processing, treatment of goods or other transformation of the raw materials (materials), in the process of which the owner of both the raw materials (materials) and of the final product is the person who supplied the raw materials (materials) and paid, in cash or in kind, the cost of the service related to the production of goods with such raw materials (materials) (irrespective of whether in the production of such goods the producer used its own raw materials (materials), component or other parts, the cost of which was included in the cost of the service related to such production).

*Law of Georgia No 5118 of 13 October 2011 - website, 31.10.2011*

*Law of Georgia No 5503 of 22 June 2016 - website, 12.7.2016*

## **Article 15 – Financial instruments, financial transactions, financial services**

1. A financial instrument shall be an agreement (contract) that gives rise to both financial asset of one person and financial liability of another person. It shall include: funds (cash or non-cash), loans (credits), loan obligations, promissory notes and securities, shares in capital, shares, bonds and such derivatives as: options, futures, forwards, swaps, etc. Financial instruments shall also include any agreement between two entities (contracting parties) that is denominated in money and permitted by the legislation of Georgia. At the same time, if goods and/or services, except for financial transactions and supply of services, are supplied under that agreement or at any stage of the operation of that agreement, between the holders of that financial instrument and/or for/from third persons, the agreement shall no longer be considered a financial instrument after such supply.

2. The following shall be considered financial service/transaction:

- a) opening, managing, closing any type of account (including current, settlement, deposit, brokerage, etc. accounts), as well as using any payment instrument, including processing/executing transfer orders in the payment system, as well as carrying out clearing and cash or non-cash settlements (including collection services);
- b) circulation of financial instruments and cash or non-cash transactions relating to the circulation, as well as the use of any payment instrument;
- c) obtaining/issuing/transferring, syndicating, structuring, managing and using a credit (loan), including actions taken to secure a credit (loan) (pledging property/assets, re-selling the credit risk to a third person in whole or in part, issuing/certifying/managing/using guarantees or similar financial instruments or acquiring/being the beneficiary of such instruments), credit (loan) servicing (payment of interest and principal), factoring, and receiving interest and credit (principal) payments on a credit (loan);
- d) transactions related to the issue, acquisition, circulation and/or supply (including in the future) of shares in capital, shares, bonds, certificates, promissory notes and other securities, including transactions carried out to ensure their circulation;
- e) issue of funds, securities and/or other financial instruments, their management (including formation of pension and investment funds or other collective or individual savings plans, as well as accumulation of financial instruments in them), use, placement (including with the third persons on a guaranteed or non-guaranteed basis), receipt/transfer into nominal holding, lending/borrowing on temporary (repo) basis, administration, including registration (opening/maintenance of a register), transfer, blocking/unblocking, encumbering/releasing of encumbrance, other depositary (including of a special depositary) and custodian (safekeeping and recording) transactions, establishing their fair value, and issue/receipt/management of financial collaterals;
- f) acting as a guarantor (including as a third party) for the transaction terms and settlements of financial instruments;
- g) corporate transactions, in particular, splitting or consolidation of stocks and shares in capital, increase/reduction of capital (including issuing, acquiring/alienating and circulating the right of participation in the increase of capital), merger of two or more legal persons, division of a legal person into two or more legal entities, liquidation of a legal entity, services related to accrual/accounting for and payment of dividends (in monetary or any other form allowed by law);
- h) insurance and/or re-insurance, including the accompanying services provided by an insurance broker and/or an insurance agent;
- i) service of a payment service provider and a payment system operator in accordance with the Law of Georgia on Payment System and Payment Service;



j) service directly linked with any financial service/transaction provided for in this paragraph.

3. (Deleted – 14.7.2020, No 6817).

4. In the case of a joint ownership (partnership) provided for by this Code, an owner's interest in the joint ownership shall be treated as a financial instrument if no property is attached to it or if the property is not registered in the owner's name; also, if the right to a property is registered in advance, the right shall be a financial instrument.

*Law of Georgia No 6312 of 25 May 2012 - website, 12.6.2012*

*Law of Georgia No 5677 of 20 December 2019 – website, 31.12.2019*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Article 16 – Supplying goods, delivering services**

1. Transfer of title to goods to another person for consideration or free of charge (including sale or exchange of goods, reimbursement by wages or in kind) shall be deemed as supply of goods.

2. Performance by a person of an action, which is not a supply of goods, for another person on his/her own will, for consideration, or for free shall be considered provision of services.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Article 17 - (Deleted)**

*Law of Georgia No 5118 of 13 October 2011 - website, 31.10.2011*

## **Article 18 – Principle of determining the price of goods/services**

1. The actual price of goods/services in a transaction shall be used for taxation purposes, unless this Code provides for the application of a market price or any other price.

2. The market price of goods/services shall be the price formed as a result of interaction of demand for and supply of identical (in the absence of such – similar) goods/services on the market of goods/services and on the basis of a transaction between the persons on the relevant market who are not related parties under Article 19 of this Code. The transaction between related parties shall be taken into account only if the existence of related parties does not affect the results of the transaction.

3. The market price of goods/services shall be determined on the basis of information on transactions made on the market on identical (similar) goods/services at the moment of supply of these goods/services (in the absence of such, on the calendar day closest to the moment of sale that precedes or follows, the moment of sale of such goods/services by maximum 30 calendar days), including the information on the prices fixed at international and other exchanges.

4. The market of goods/services shall be the area of circulation of these goods/services that is determined by a seller's/buyer's ability to sell/buy, without significant costs, goods/services in the territory nearest to the seller/buyer within or outside the borders of Georgia.

5. If there is no transaction on identical (similar) goods/services on the market of goods/services or there is no supply of such goods/services on that market, the market price of goods/services shall be determined by the prices established on the basis of transactions concluded on identical (similar) goods/services on the calendar day closest to the moment of sale of goods/services. The calendar day must precede or follow the moment of sale of such goods/services by maximum 30 calendar days.

6. Where the provisions of paragraphs 1 through 5 of this article cannot apply, the market price of goods/services shall be established using methods for determining expenditure, possible sales price or receivable benefit.

7. Official sources of information on the market prices of goods/services, the database of the relevant government authorities, the information submitted to tax authorities by taxpayers, as well as other reliable information shall be used to calculate the market price of goods/services.

8. From 1 September 2007, when supplying natural gas under the Law of Georgia on Energy and Water Supply, the market price for tax purposes shall be the price determined (including under the concluded agreement) by the Government of Georgia.

9. Market price of goods/services may be wholesale or retail.

10. An exchange (barter) transaction on goods/services shall be regarded as the sale of goods/services at market price for each party supplying goods/services, and for each recipient of goods/services an exchange (barter) transaction on goods/services shall be regarded as the purchase of goods/services at the same market price.

11. A tax authority may apply a market price for taxation purposes, if:

a) a transaction is carried out between related parties except where the existence of related parties does not affect the results of such transaction;

b) a tax authority proves, in the manner prescribed by the Minister of Finance of Georgia, that the price stated between the parties to the transaction differs from the actual price;

c) a person delivers goods and/or services to a tourist zone entrepreneur.

12. Identical goods are various goods having similar characteristics, in including physical characteristics, quality, reputation on market, country of origin and/or manufacturer.

13. Similar goods are various goods, which are not identical but have like characteristics and like component materials,



which enable them to perform the same functions and be commercially interchangeable.

14. For the purposes of paragraph 11(a) of this article, the Minister of Finance of Georgia may specify the cases, where the existence of related parties does not affect the results of a transaction concluded between them.

15. For the purposes of the eleventh paragraph of this article, the existence of related parties shall be deemed not to have affected the outcome of a transaction, if the supply of foreign goods between a special trading company and its related party was performed in a customs warehouse at customs value.

*Law of Georgia No 4061 of 15 December 2010 - LHG III, No 75, 27.12.2010, Art. 469*

*Law of Georgia No 5120 of 13 October 2011 - website, 19.10.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 5651 of 20 December 2019 – website, 27.12.2019*

## **Article 19 - Related parties**

1. Parties shall be regarded as related if the existence of a special relationship between them may affect the conditions or economic results of their activity or the activity of the persons that they represent.

2. Special relationships shall be the relationships, where:

- a) persons are the founders (participants) of one enterprise, provided their combined share is at least 20%;
- b) one person has a direct or indirect interest in another person's enterprise, provided such participation is at least 20%;
- c) a person controls the enterprise;
- d) a natural person is subordinated to another natural person;
- e) one person directly or indirectly controls another person;
- f) the persons are controlled, directly or indirectly, by a third person;
- g) the persons jointly control, directly or indirectly, a third person;
- h) the persons are relatives;
- i) the persons are members of a partnership.

3. For the purposes of the tax legislation of Georgia, a natural person's relatives shall be:

- a) the first line of relatives: spouse, parent, child, sister, brother;
- b) the second line of relatives: spouse, parent, child, sister, brother of each relative in the first line, except for the natural person who already belongs to the first line;
- c) persons who are related to one other as parents and children as a result of long-term guardianship.

4. In determining kinship, step sisters (brothers) shall be treated as equal to full sisters (brothers) and adoptees shall be treated as equal to biological children. At the same time, guardianship relations shall be regarded as equal to a family unity (where persons are related to one another as parents and children) which, in turn, shall be deemed equal to kinship relationship. Termination of family unity between these persons shall not be taken into account if a parent-and-child relationship between them is maintained under paragraph 3(c) of this article.

5. For the purposes of this article, control shall mean: a supervisory board membership, directorship and the right to appoint persons to such offices; holding 20% of voting share or interest.

6. For the purposes of this article, a natural person shall be an indirect holder of the interest if his/her relative holds this interest.

## **SECTION II**

### **TAXPAYERS, WITHHOLDING AGENTS, ENTERPRISES, ORGANISATIONS, NATURAL PERSONS**

#### **Chapter III - Natural Persons, Enterprises, Organisations**

## **Article 20 - Taxpayers, withholding agents**

- 1. A taxpayer shall be a person who is obligated to pay taxes provided for by this Code.
- 2. A withholding agent shall be a person who must fulfil a taxpayer's tax obligation in the cases and in the manner provided for by this Code.
- 3. For the purposes of this Code, a withholding agent shall be treated as equal to a taxpayer.

## **Article 21 - Enterprise**

- 1. The following entities conducting or created to conduct economic activities shall be regarded as enterprises:
  - a) legal entities established under the legislation of Georgia;
  - b) corporations, companies, firms and similar entities established under the legislation of a foreign country, irrespective of whether they have legal entity status, as well as a permanent establishment of a foreign enterprise.
  - c) associations, partnerships and similar entities not provided for in subparagraphs (a) and (b) of this paragraph.
- 2. An individual entrepreneur shall not be regarded as an enterprise.

## **Article 22 - Georgian enterprises and foreign enterprises**



1. A Georgian enterprise shall be an enterprise whose place of business and/or management is based in Georgia.
2. A foreign enterprise shall be an enterprise that is not a Georgian enterprise under this article.

### **Article 23 – International company**

1. An international company shall be an enterprise of Georgia, which performs activities defined by an ordinance of the Government of Georgia and earns income solely from these activities.
2. The status of international company shall be granted to an entity by the Government of Georgia.
3. Performance by an international company of the activities not defined by an ordinance of the Government of Georgia shall entail cancellation of the status of international company for it as of the date the status was granted.
4. An international company may not be set up within a Free Industrial Zone (FIZ).
5. (Deleted – 14.7.2020, No 6817).
6. (Deleted – 14.7.2020, No 6817).
7. The income earned as a result of working for hire at an international company shall be taxed at 5%.
8. A dividend paid by an international company shall not be taxed at the source and shall not be included in the gross income of a person receiving the dividend.
9. The object of profit taxation for an international company shall be defined under Article 97(1) of this Code.
10. The profit tax rate for an international company shall be 5%.
11. The amount of taxable profit of an international company shall be calculated by dividing the amount of payment made/cost incurred according to the object of taxation by 0.95.
12. If the expenses defined by an ordinance of the Government of Georgia are borne in Georgia, an international company may, under the procedure determined by the Minister of Finance of Georgia, reduce the sum subject to profit taxation by the amount of the expenses.
13. An international company shall be exempt from property (except for land) tax if that property is intended or used for the performance of activities allowed by the ordinance of the Government of Georgia.
14. The procedure for communicating information about employees to a tax authority, and for enjoying the privilege provided for by paragraph 7 of this article shall be established by the Minister of Finance of Georgia.
15. The procedure for granting and cancelling the status of international company for an entity, and the types of activities allowed for an international company shall be determined by the Government of Georgia.

*Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **23<sup>1</sup> – Investment funds**

1. An investment fund shall be an enterprise established in accordance with the Law of Georgia on Investment Funds as a joint investment fund or investment company.
2. On the basis of the Law of Georgia on Investment Funds, activities related to the management and administration of an investment fund, and the provision of depositary services to an investment fund shall be deemed a financial service.
3. Profit and loss of a joint investment fund shall be deemed the profit and loss of each owner of a joint investment fund unit beyond the joint investment fund, in proportion to the value of the unit (units) he/she owns. The loss assigned to the owner of a joint investment fund unit on the basis of this paragraph must not exceed the amount of contribution he/she has paid to the investment fund and the expenses and commission charges paid to an asset management company.
4. The asset management company of the joint investment fund shall open an investment account for each unit owner under the procedure established by a joint order of the Ministry of Finance of Georgia and the National Bank of Georgia, and shall keep records of the profit and loss of a unit owner.
5. Surplus income earned by the owner of a joint investment fund unit by selling or redeeming the unit shall be reduced by as much as the surplus income included in the taxable income of the same unit owner on the basis of paragraph 3 of this article.
6. Owners of joint investment fund units shall independently keep tax reports. The joint investment fund and its asset management company shall not be liable to act as a tax agent provided for Article 154 of this Code.
7. Performance of the activity by an owner of a joint investment fund unit or on his/her behalf under the Law of Georgia on Investment Funds shall not oblige this unit owner to have a permanent institution in Georgia.
8. The profit distributed by a joint investment fund within the activity defined by the Law of Georgia on Investment Funds and the expenses/paid sums provided for by Article 97(1)(b-d) of this Code shall not be subject to profit taxation.
9. The dividend paid by an investment company to a natural person or a non-resident enterprise shall not be taxed at source and shall not be included in the gross revenue of a recipient of income.
10. The expenses/paid sums provided for by Article 97(1)(b-d) of this Code envisaged by an investment company within the activity defined by the Law of Georgia on Investment Funds shall be exempt from profit tax.
11. Distribution of profit by an investment company, if a recipient of dividend is a non-resident or a natural person, shall be taxed in accordance with Article 97(1)(a) of this Code:
  - a) at a 15% rate, except as provided for in sub-paragraph b) of this paragraph;



b) at a 5% rate if the investment company makes an investment only in bank deposits and/or financial instruments, except for the distribution of profit gained from a resident enterprise.

12. The distribution of profit by an investment company to a non-resident or a natural person shall be exempt from profit tax if the income from which the dividend is paid:

a) does not belong to income received from a Georgian source;

b) belongs to income received by a resident legal person from the sale of the equity securities issued through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia;

c) belongs to income received by a resident legal person from the sale of the loan securities issued via a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia, or to income earned as an interest from the securities;

d) belongs to surplus income received from the sale of the loan securities issued by the Government of Georgia or an international financial institution, or to income earned as an interest from the securities or from a deposit placed in a commercial bank.

13. Surplus income received by a non-resident or a natural person through the supply or redemption of an investment fund unit shall be taxed:

a) at a 15% rate, except as provided for in sub-paragraph b) of this paragraph;

b) at a 5% rate if the investment fund makes an investment only in bank deposits and/or financial instruments, except when the investment fund makes an investment in the equities/shares (holds equities/shares) of a resident enterprise.

14. The income shall be exempt from income and profit taxes if it is received:

a) from the sale of an investment fund unit issued through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia;

b) from the sale of an investment fund unit or the redemption of an investment fund unit if the investment fund makes an investment only in the deposits placed in Georgian commercial banks or in the securities issued by the Government of Georgia and/or an international financial institution, or in the loan securities issued by a resident legal person through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia.

15. For the identification of the profit sum exempt from profit tax under paragraph 12 of this article it shall be deemed that, at the time of distribution of dividends by the investment company, this sum will be paid out in the first place.

16. For the purposes of paragraphs 2-15 of this article, each sub-fund of an umbrella fund provided for by the Law of Georgia on Investment Funds shall be deemed an independent investment fund.

17. Apart from the grounds provided for by paragraphs 12 and 14 of this article, additional grounds for the exemption from income or profit taxation shall be defined in accordance with the general rules established by this Code.

*Law of Georgia No 6815 of 14 July 2020 – website, 22.7.2020*

## **Article 24 – (Deleted)**

*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 5120 of 13 October 2011 - website, 19.10.2011*

## **Article 24<sup>1</sup> - Special trading company**

1. A special trading company shall be a company that has been accorded the status of a special trading company under this article in order to exempt it from profit tax.

2. The status of a special trading company may be accorded at the time of registration only to a company that is set up for that purpose, for the current and following calendar years. When granting the status of a special trading company, a certificate confirming the status shall be issued. A foreign enterprise conducting economic activity through a permanent establishment in Georgia may additionally register a separate permanent establishment in order to acquire the status of a special trading company and to conduct only those activities that are permitted by this article.

3. The status of a special trading company shall be accorded to an enterprise by a tax authority. The procedure for according the status of a special trading company shall be determined by an order of the Minister of Finance of Georgia.

4. An enterprise having the status of a special trading company may:

a) re-export foreign goods from a customs warehouse;

b) supply foreign goods in a customs warehouse both to special trading companies and other enterprises that do not have the status of a special trading company;

c) purchase foreign goods from enterprises that do not have a special trading company status at not less than their customs value for subsequent re-export and/or supply in a customs warehouse;

d) in addition to the income earned from the activities referred to in subparagraphs (a) – (c) of this paragraph, earn other income, including:

d.a) income that is exempt from profit tax under this Code;

d.b) income from the supply of fixed assets used by the special trading company for economic activity for over two years;

d.c) income, other than that referred to in subparagraphs (d.a) and (d.b) of this paragraph, which from a Georgian source, according to a tax period (year) must not exceed GEL 1 000 000 and 5% of the customs value of the foreign goods brought by such company into Georgia.



5. An enterprise having the status of a special trading company may not:
- a) import goods into Georgia, other than goods intended as fixed assets of the company;
  - b) buy Georgian goods within the territory of Georgia for subsequent supply;
  - c) deliver services to a Georgian enterprise/individual entrepreneur and/or permanent establishment of a foreign enterprise in Georgia;
  - d) have a customs warehouse.
6. If a taxpayer buys foreign goods from a special trading company, the costs deductible by the buyer from the total annual income shall not exceed the customs value of such goods. That restriction shall not apply to the costs incurred by the buyer, which under this Code are attributed to the value of the asset and are not related to the payments made to the special trading company.
7. The status of a special trading company shall be cancelled for that calendar year which the authorised representative of the company indicates in an application for cancellation of the status of a special trading company. The application has to be submitted not later than five business days before commencement of the relevant year.
- Law of Georgia No 5120 of 13 October 2011 - website, 19.10.2011*
- Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*
- Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*
- Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

## **Article 24<sup>2</sup> – A special enterprise**

1. A special enterprise shall be a person who has been granted the status of special enterprise under this article.
  2. A person having the status of special enterprise may, along with the activities permitted by the legislation of Georgia, with the special consent under Article 6(2) of the Law of Georgia on Occupied Territories, conduct the following activities:
    - a) supply of goods originated or produced in the occupied territory of Georgia from the mentioned territory to another territory of Georgia, and/or their placement under the export procedure from the territory of Georgia (except for the occupied territory of Georgia), in accordance with law. In the case under this subparagraph, supply of excise goods (except for alcoholic beverages and tobacco products) shall be prohibited;
    - b) supply of Georgian goods (except for goods originated or produced in the occupied territory of Georgia) to the occupied territory of Georgia;
    - c) production of goods in the occupied territory of Georgia solely for the purpose under subparagraph a) of this paragraph.
  3. The status of special enterprise shall be granted to a person by a tax authority.
  4. A person having the status of special enterprise may supply the goods under paragraph 2(a) and (b) of this article only:
    - a) within/from the territory of the Autonomous Republic of Abkhazia – from/to Zugdidi municipality;
    - b) within/from the territory of Tskhinvali region (former Autonomous Region of South Ossetia) – from/to Gori municipality.
  5. Procedures for granting the status of special enterprise to and revoking it for a person, for identifying the goods originated or produced in the occupied territory of Georgia, and the operating procedures for a person having this status shall be determined by the Government of Georgia.
- Law of Georgia No 2476 of 6 June 2018 – website, 21.6.2018*
- Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

## **Article 25 - Free Industrial Zone Enterprise**

1. A Free Industrial Zone Enterprise ('FIZ Enterprise') shall be a company established under the Law of Georgia on Free Industrial Zones.
2. If a FIZ Enterprise supplies goods to a person (other than a FIZ Enterprise) registered under the legislation of Georgia, the FIZ Enterprise shall pay 4% of the revenue received/receivable from the supply of such goods (if the supply of goods is made free of charge – 4% of the market price of such goods) not later than the 15<sup>th</sup> day of the month following the month in which the goods are supplied.
3. If a person (other than a FIZ Enterprise) registered under the legislation of Georgia supplies goods (other than electricity, water and natural gas intended for local consumption and/or production) to a FIZ Enterprise, the FIZ Enterprise shall pay 4% of the market price of the supplied goods not later than the 15<sup>th</sup> day of the month following the month in which the goods are supplied.
4. If a person (other than a FIZ Enterprise) registered under the legislation of Georgia delivers goods to a FIZ Enterprise, the market price of the supplied goods shall be used for taxation purposes.
5. A FIZ Enterprise may not:
  - a) purchase services from a person (other than a FIZ Company) registered under the legislation of Georgia, except for:
    - a.a) security services and/or services related to letting or leasing out property provided by an organiser and/or administration of the Free Industrial Zone;
    - a.b) transport, communication, sewage, audit and/or consulting services, execution of financial transactions and/or



delivery of financial services by a licensed financial institutions, as well as services relating to installation, assembly and/or construction of fixed assets.

a.c) services as determined by the Government of Georgia.

b) delivering services to a person (other than a FIZ Enterprise) registered under the legislation of Georgia.

6. Tax reporting rules for FIZ Enterprises shall be determined by an order of the Minister of Finance of Georgia.

7. The Government of Georgia shall be entitled to determine the types of services to be provided to non-resident persons (except for permanent offices of non-resident persons in Georgia) by FIZ Enterprises, which, for the purposes of taxation, shall be deemed as permitted activities carried out by FIZ Enterprises in the free industrial zone.

*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 6015 of 10 April 2012 - website, 30.4.2012*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 2946 of 12 December 2014 - website, 24.12.2014*

*Law of Georgia No 4680 of 18 December 2015- website, 29.12.2015*

## **Article 26 – The Special Trade Zone**

1. The status of the Special Trade Zone ('STZ') may be granted on its own initiative to a legal person engaged in the organisation of the market (trade) in Georgia.

2. Renting out trade outlets and/or trading places located within the territory of a market and/or building owned/possessed by a person and/or group of persons shall not be regarded as the organisation of trade.

3. (Deleted - 10.4.2012, No 6015).

4. A person, if granted the status of the STZ, shall, from 1 January of a year following the year when the status of the STZ was granted, be obligated to:

a) ensure the inventory of the movement of goods intended for economic activity within the STZ area;

b) pay, as prescribed by Article 133<sup>1</sup> of this Code, income/profit taxes of the taxpayers renting trade outlets and/or trading places. These income/profit taxes shall be paid in respect of the activities carried out within the STZ;

c) mark each item of goods in the STZ with a security marking and ensure settlement with customers for the goods sold in the STZ through centrally managed cash registers.

5. (Deleted - 10.4.2012, No 6015).

6. A legal person renting a trade outlet in a STZ and selling goods through a fixed trade outlet, may carry out tax reporting and fulfil its tax obligations independently.

7. The rules of operation of the STZ shall be determined by resolution of the Government of Georgia.

8. (Deleted - 23.12.2017, No 1935).

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 6015 of 10 April 2012 - website, 30.4.2012*

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

## **Article 26<sup>1</sup> – Tourist enterprise**

1. A tourist enterprise shall be a legal person that builds a hotel, supplies hotel assets/part of the assets to another person (with or without the right to buy back the assets), and on the basis of a commutative contract (including on the basis of a lease, right of use, right of administration, trusteeship, intermediary and/or other contract terms) concluded with the buyer of this property ensures that the hotel assets/ part of the assets are used as hotel rooms/apartments.

2. After the completion of the hotel construction, a tourist enterprise shall:

a) designate a fixed amount of space to be used for hotel rooms/apartments;

b) make sure that during a maximum of 10 calendar years after the acceptance of the building (hotel) for operation, the total (including amounts additionally charged by the tax authority with respect to the given facility in the relevant period) VAT taxable turnover (other than transactions exempt from VAT) from a specific facility (hotel) declared by a tourist enterprise and/or by a person(s) invited under a relevant agreement for the functioning/operation of the facility/part of the facility as a hotel, is not less than the amount obtained as a result of dividing the turnover exempt from VAT with the right of deduction defined by Article 172(4)(v) of this Code as a result of supplying the hotel assets/part of assets by 1.18.

3. The status of tourist enterprise shall be granted to a person by the Revenue Service according to a specific facility (hotel). The Revenue Service may request the tourist enterprise to present guarantees, the value of which must not exceed 18% of the amount obtained as a result of dividing the turnover exempt from VAT with the right of deduction under Article 172(4)(v) of this Code.

4. The procedure for awarding the status of a tourist enterprise to a person, the procedure for its operation and cancellation, as well as the minimum amount of space from the total space of the building to be used as hotel rooms/apartments according to the municipalities shall be determined by the Government of Georgia.

*Law of Georgia No 5791 of 13 March 2012 - website, 23.3.2012*

*Law of Georgia No 6446 of 12 June 2012 - website, 25.6.2012*

*Law of Georgia No 2946 of 12 December 2014 - website, 24.12.2014*



## **Article 26<sup>2</sup> – Organisation of a market**

1. A person engaged in the organisation of a market (trade) in Georgia (except for the organisation of an agricultural market) shall apply to a tax authority for granting it the status of organiser of a market, except when this person has already been granted the status of the STZ under Article 26 of this Code.
2. Organisation of a market (trade) shall be the renting out of a trade outlet and/or trading place located within the territory of a market owned/possessed by a person and/or group of persons.
3. A market shall be a parcel of land on which permanent trade outlets and mobile trading places, or only mobile trading places (at least 10 mobile trading places) are located, which are designated for selling goods.
4. A mobile trading place (temporary building or structure) shall be a collapsible and/or mobile building system made of prefabricated units, which is connected to the ground with its own weight and/or dry nonsolid fixing and which has no underground placements; also, a transportation vehicle used for this purpose.
5. A person having the status of organiser of a market shall:
  - a) under the procedure established by the Minister of Finance of Georgia, submit to a tax authority information about the persons conducting economic activities within the territory of the market;
  - b) only rent out a trade outlet and/or a trading place to a person registered with the Registry of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Persons;
  - c) provide a permanent trade outlet located within the territory of the market with a cash register;
6. A tax authority shall, based on the information submitted by a person having the status of organiser of a market, grant a natural person renting a trade outlet and/or trading place located within the market territory the status of person conducting trade within the market territory.
7. The register of natural persons having the status of person conducting trade within the market territory shall be maintained by a tax authority.
8. The income gained by a natural person conducting trade within a market territory by selling goods within the market territory shall be taxed at 3%, excluding deductions. In this case, declaration and payment of the tax shall be made not later than the 15<sup>th</sup> day of the month following the accounting month, under the procedure established by the Minister of Finance of Georgia.
9. The income gained by a natural person conducting trade within a market territory by selling goods within the market territory shall not be included into the total income and shall not be subsequently subject to taxation.
10. A natural person conducting trade within a market territory shall:
  - a) use a cash register when supplying goods;
  - b) have the right to refuse to use the income taxation scheme provided for in paragraph 8 of this article, for which he/she must apply to a tax authority not later than 31 December of the year preceding the accounting year. In this case, the income of the person shall be taxed in accordance with Articles 79-81 and Article 82 of this Code.
11. A tax authority may, on its own initiative, grant a person engaged in the organisation of a market in Georgia the status of organiser of a market.
12. Procedures for the operation of a market and the performance of obligations under this Code by a natural person conducting trade within the market shall be defined by an order of the Minister of Finance of Georgia.

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

*Law of Georgia No 5627 of 19 December 2019 – website, 26.12.2019*

## **Article 26<sup>3</sup> – Pharmaceutical enterprise**

1. A pharmaceutical enterprise shall be a legal person producing and supplying pharmaceutical products in Georgia.
2. The status of pharmaceutical enterprise shall be granted to a person by the Government of Georgia.
3. The procedure for granting the status of pharmaceutical enterprise to a person, for operating and cancelling it shall be defined by an ordinance of the Government of Georgia.

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

## **Article 27 - Place of business of an enterprise**

1. A place of business of an enterprise shall be the place of its state registration, and in the absence of such place, the legal address indicated in the founding documents (charter, agreement, regulations) of the enterprise.
2. If an enterprise conducts business without state registration and its founding documents do not specify a place of business of the enterprise, the place of business of the enterprise shall be its principal place of business. The principal place of business of an enterprise shall be determined by a tax authority on the basis of data submitted by the enterprise. If the enterprise fails to submit such data or presents questionable data, a tax authority shall determine the principal place of business of the enterprise on the basis of available information.
3. If no relevant information is available and the principal place of business of an enterprise cannot be determined, the





place of business of an enterprise shall be the place of management of the enterprise.

4. The place of business of an enterprise provided for in Article 21(1)(c) of this Code shall be the place of business of the party to the agreement who is responsible for managing the business affairs under the joint activities agreement. If one of the parties to an agreement is a Georgian enterprise or a resident natural person, that party shall keep record of the results of the joint activities for taxation purposes, irrespective of who is responsible for managing the business affairs. If business affairs are not managed by one or several parties to the joint activities agreement but rather jointly by all the parties to the agreement, the place of business of the enterprise shall be the place of business of the Georgian enterprise participating in the joint activities agreement. If the parties to the joint activities agreement are only resident natural persons who jointly run the business, the place of business of the enterprise shall be determined by a tax authority on the basis of data presented by the parties to the joint activities agreement. If the parties to the joint activities agreement do not submit such data or present questionable data, a tax authority shall determine the place of business on the basis of available information.

#### **Article 28 - Place of management of an enterprise**

1. The place of management of an enterprise shall be place of effective management of the enterprise, i.e. the place where, under the founding documents (charter, agreement, regulations) of the enterprise, the board of directors (or any other management body) of the enterprise exercises managerial functions irrespective of the place of business of the enterprise's top controlling bodies or the place of receipt of income from its activities, unless otherwise provided for in this article.

2. The place of management of an enterprise provided for in Article 21(1)(c) of this Code shall be the place of business of the enterprise.

3. If an enterprise is managed by a manager (another enterprise or natural person) who acts under an agreement or resolution of appointment, the place of management of the enterprise shall be the place of business of the managing enterprise or the place of residence of the managing natural person, respectively. The place of management of an enterprise shall be determined similarly if the enterprise is actually managed by another enterprise or natural person without a relevant agreement or resolution.

4. If an enterprise has no management body or the management body of an enterprise has no permanent place of business or if the manager does not directly manage the enterprise, the place of management of the enterprise shall be the place of business of the management body (administration, directorate, board of directors, central accounting office or other similar body) of the enterprise.

#### **Article 29 - Permanent establishment**

1. A permanent establishment of a foreign enterprise or of a non-resident natural person in Georgia is a fixed place of business through which the economic activity of the entity is wholly or partly carried on in Georgia, including the activity of an authorised agent, except as provided for by the sixth, ninth and twelfth paragraphs of this article.

2. The following shall be treated as equal to a permanent establishment:

- a) a construction site, installation or construction project and the controlling activities related to them;
- b) installation or constructions, drilling rig or vessels used for prospecting minerals, and the controlling activities related to them;
- c) a permanent base where a non-resident natural person carries on economic activity;
- d) a place of management, branch, representative office, department, bureau, office, agency, workshop, mine or quarry or any other place of extraction of natural resources, or any other subunit or any other place of business of a foreign enterprise.

3. The provisions of the first and second paragraphs of this article shall not apply to the services rendered by non-resident subcontractors in performing oil and gas operations under the Law of Georgia on Oil and Gas.

4. Notwithstanding the provisions of the first and second paragraphs of this article, a permanent establishment of a foreign enterprise in Georgia shall be the management of this enterprise by another person (another enterprise, subunit of this or of another enterprise or by a natural person who is not the person specified in the fifth paragraph of this article) on behalf and/or in the interest of the enterprise for over three months, except as provided for in the sixth and fifth paragraphs of this article.

5. If a foreign enterprise or a non-resident natural person carries on economic activity in Georgia through a professional intermediary, agent or broker as prescribed by law and if such intermediary, agent or broker is not authorised to conduct negotiations or sign agreements on behalf of the foreign enterprise or non-resident natural person, then the activity of the intermediary, agent or broker shall not constitute a permanent establishment of the foreign enterprise or non-resident natural person in Georgia.

6. Mere possession by a foreign enterprise or non-resident natural person of securities or shares in the capital of a Georgian enterprise or of any property on the territory of Georgia shall not constitute a permanent establishment of the foreign enterprise or non-resident natural person in Georgia if such possession does not have the characteristics of a permanent establishment set forth in the first and second paragraphs of this article.

7. The mere fact of secondment of staff by a foreign enterprise to another enterprise or organisation based in the territory of Georgia shall not constitute a permanent establishment of the foreign enterprise or non-resident natural person in



Georgia, provided that the employees are under the control of the enterprise or organisation to which they were seconded.

8. The mere control by a foreign enterprise or non-resident natural person of a Georgian enterprise or a Georgian organisation shall not constitute a permanent establishment of the foreign enterprise or non-resident natural person in Georgia.

9. A permanent establishment of a foreign enterprise or non-resident natural person in Georgia shall not include an establishment in the territory of Georgia that is used only for:

- a) storing or displaying goods belonging to the foreign enterprise or non-resident natural person;
- b) storing a stock of goods belonging to the foreign enterprise or non-resident natural person so that another person could process it;
- c) purchasing goods or gathering information for the foreign enterprise or non-resident natural person;
- d) performing preparatory or any other ancillary activity in the interests of the foreign enterprise or non-resident natural person;
- e) preparing and/or signing agreements on granting loans, supplying goods or providing technical services on behalf of the foreign enterprise or non-resident natural person.
- f) conducting any combination of the activities set forth in subparagraphs (a)-(e) of this paragraph.

10. A permanent establishment of a foreign enterprise or of a non-resident natural person in Georgia shall be deemed as such from the moment when it is registered under the eleventh paragraph of this article, is granted appropriate powers or commences representative activity.

11. The obligation to register a permanent establishment of a foreign enterprise or of a non-resident natural person in Georgia shall rest with a tax authority, which shall maintain the relevant register. The registration procedure and the procedure for maintaining the register shall be determined by the Minister of Finance of Georgia.

12. The mere transfer of property by a foreign enterprise or non-resident natural in the territory of Georgia by lease, usufruct, rent, letting and/or any other similar form shall not constitute a permanent establishment of this foreign enterprise or non-resident natural person in Georgia, except where a person systematically performs, in person, through a representative or hired personnel, the service and supervision of the activities of the property recipient.

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

### **Article 30 - Organisations**

1. The following entities shall be regarded as organisations:

- a) non-entrepreneurial (non-commercial) legal persons, public or religious organisations (associations), institutions that are non-entrepreneurial (non-commercial) legal persons established or acting under the legislation of Georgia or under the legislation of a foreign country; also Georgian-based branches and other similar sub-units of the organisations established under the legislation of a foreign country, through which these organisations conduct business, wholly or partly, (including the activity of an authorised agent), also budgetary organisations, legal entities under public law, corporations, institutions;
- b) international (inter-state, inter-governmental, diplomatic) organisations – organisations, diplomatic missions and consular offices, or foreign non-entrepreneurial organisations governed by international law.

2. A place of business and a place of management of an organisation shall be determined according to procedures established for enterprises by this Code.

3. An organisation shall be deemed as a Georgian organisation or as a foreign organisation according to procedures established for enterprises by this Code.

4. If an organisation conducts economic activity, the part of its property and activity that is directly related to its economic activity shall be deemed to be the property and activity of the enterprise, and where such distinction cannot be made, the property and activity related to the economic activity of an organisation shall be calculated according to the specific share of the income from economic activity in the income earned by the organisation.

*Law of Georgia No 6439 of 12 June 2012 - website, 22.6.2012*

### **Article 31 - Budgetary organisations**

A budgetary organisation is an organisation defined in Article 6(r) of the Budget Code of Georgia.

*Law of Georgia No 5173 of 28 October 2011 - website, 7.11.2011*

*Law of Georgia No 2938 of 12 December 2014 - website, 24.12.2014*

### **Article 32 - Charitable organisations**

1. A charitable organisation shall be an organisation that has been accorded with the status of a charitable organisation under this article.

2. The status of a charitable organisation shall be accorded to an organisation that is established to carry out charitable activity, is registered in a prescribed manner, has at least one year experience in charitable activity and complies with the requirements set forth in this article.

3. Ancillary economic activity that serves the main purposes of an organisation shall not change the organisation's



charitable character.

4. The status of a charitable organisation is accorded, cancelled and deprived by the Head of the Revenue Service in agreement with the Minister of Finance of Georgia upon a recommendation of the relevant tax authority.

5. The status of a charitable organisation is accorded on the basis of a written application of the organisation. The application shall indicate the following information on the organisation:

- a) name;
- b) organisational and legal form;
- c) main goals;
- d) main areas of activity in the last year;
- e) addresses of the management body and of branches.

6. The following shall be attached to the application:

- a) a copy of the charter of the organisation
- b) a copy of the civil and/or tax registration certificate
- c) an activity report for the last year, including the description of activities (projects, services)
- d) the last year's financial documents (balance sheet and income statement) certified by an independent auditor.

7. The Head of the Revenue Service shall make a reasonable decision in connection with the application within one month. If no decision is made within this period, the status shall be deemed to have been accorded. The status shall be accorded permanently. The status shall take effect upon being accorded.

8. An organisation that has been accorded with this status shall be given a certificate confirming the status. The certificate shall indicate:

- a) name and organisational and legal form of the organisation
- b) status
- c) address of the management body
- d) date of according the status and the status number
- e) identification number of the organisation.

9. Upon obtaining the status, the organisation shall undertake the obligations and responsibilities provided under this Code. In particular, before 1 April each year a charitable organisation shall file with the relevant tax authority:

- a) a program report on its last year's activity, which shall include a description of the activity (including economic activity);
- b) a financial report on earned revenues, indicating sources and the purpose of the expenditure;
- c) last year's financial documents (balance sheet and income statement) certified by an independent auditor.

10. The program report of the last year's activity and last year's financial documents (balance sheet and income statement) shall be published and made available for all interested persons.

11. The profits and assets of a charitable organisation shall not be distributed among its members, founders, board of directors or supervisory board members. If a charitable organisation is liquidated, its property shall be transferred to a charitable organisation with similar goals under a decision of an authorised body or person, or if no such organisation exists, the property shall be transferred to another charitable organisation. If a legal entity under public law having the status of a charitable organisation was established on the basis of state property, in the case of its liquidation its assets shall be transferred to the state.

12. The status of a charitable organisation shall be cancelled:

- a) on the initiative of the organisation;
- b) if the status has been deprived.

13. A charitable organisation shall be deprived of its status if:

- a) it fails to comply with the requirements of this Code;
- b) its state and/or tax registration has been cancelled.

14. If the status is deprived for non-compliance with the requirements of this Code, the charitable organisation shall return that part of profits received as a result of tax privileges due to the status, which is related to non-compliance with the above requirements.

15. If a charitable organisation does not comply with the requirements of this Code, before submitting to the Revenue Service an application for depriving the charitable organisation of its status, a tax authority shall send the charitable organisation a notice, setting an additional one-month period for the fulfilment of the requirements of this Code.

16. A charitable organisation that has been deprived of its status may apply for restoration of the status not earlier than one year after eliminating the cause for deprivation of the status.

17. The Revenue Service shall maintain the Unified Register of Charitable Organisations. The Register shall specify:

- a) name of the organisation;
- b) addresses of the management body, branches and representations;
- c) main goals;
- d) date of according the status and the status number;
- e) identities and addresses of all members of the management body.

18. If any of the data entered into the Unified Register of Charitable Organisations is changed, the organisation shall



notify the relevant tax authority in writing of such changes as soon as they occur.

19. The Unified Register of Charitable Organisations shall be available for any interested person.

### **Article 33 - Religious organisations**

A religious organisation shall be an organisation established for conducting religious activity and registered as such in the prescribed manner.

### **Article 34 – Resident natural persons and non-resident natural persons in Georgia**

1. Natural persons shall be:

- a) citizens of Georgia;
- b) foreign citizens;
- c) stateless persons.

2. A Georgian resident for the entire current tax year shall be a natural person who has actually stayed in the territory of Georgia for 183 or more days in any continuous 12-calendar-month period ending in that tax year, or a natural person who was in a foreign country in the public service of Georgia during that tax year.

3. The time of actual stay in the territory of Georgia shall be the time, during which a natural person stayed in Georgia, as well as the time he/she spent outside Georgia specifically for treatment, leisure, business trip or education.

4. The time of actual stay in the territory of Georgia shall not include the time, during which a natural person stayed in Georgia:

- a) as a person having a diplomatic or consular status or as a family member of such person;
- b) as an employee of an international organisation acting under an international agreement of Georgia or as a person in the public service of a foreign country in Georgia or as a family member of such person, other than Georgian citizens;
- c) when moving from one foreign country to another via the territory of Georgia;
- d) for treatment or leisure.

5. The day of actual stay in the territory of Georgia shall be the day, during which a natural person stayed in Georgia irrespective of the length of the stay.

6. Georgian residency, except as provided for in paragraph 2 of this article, may be accorded to a high net worth individual under the procedure and conditions determined by the Minister of Finance of Georgia. A high net worth individual shall be a person as defined by the Law of Georgia on Securities Market.

6<sup>1</sup>. If the residency of a natural person cannot be established in relation to any country, such natural person shall be deemed to be a Georgian resident if he/she applies to a tax authority, provided he/she is a Georgian citizen.

6<sup>2</sup>. The residency of Georgia, except for cases provided for in paragraphs 2, 6 and 6<sup>1</sup> of this article, may be granted to a foreign natural person in the case and under the procedure defined by the Minister of Finance of Georgia.

7. A non-resident in Georgia shall be a person who is not a resident under this article.

8. The status of a resident or of a non-resident is established for each tax period. At the same time, the days, according to which the natural person was deemed as a resident in the previous tax period, shall not be taken into account in establishing the status of residency in the following tax periods.

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 35 - Place of residence and place of actual stay of a natural person**

1. A place of residence of a natural person shall be the person's usual place of residence or the place of his/her actual stay unless otherwise provided for by this article.

2. A place of residence of a minor shall be the place of residence of the person having parental rights with respect to the minor, and a place of residence of the person who has a guardian or custodian shall be the place of residence of the guardian or custodian.

3. A place of actual stay of a natural person shall be the place of his/her temporary residence, unless otherwise provided for in this article.

4. A place of actual stay of military personnel, also of persons permanently relocating due to the nature or conditions of their job shall be the place where they actually live or are registered in the prescribed manner (including, the place of deployment of military units or the location of the respective enterprise).

5. If a natural person has several residences (homes or other residence), his/her place of residence or place of actual stay shall be determined by a tax authority in agreement with the natural person.

### **Article 36 – Entrepreneur natural person and his/her place of business**

1. The following persons shall be deemed an entrepreneur natural person:

- a) an individual entrepreneur – a natural person if he/she is an individual entrepreneur under the Law of Georgia on Entrepreneurs;
- b) a natural person if he/she is engaged in an activity provided for by Article 3(1 and 2) of the Law of Georgia on



Entrepreneurs.

2. If the natural person defined in the first paragraph of this article performs economic activity without registration, license or permit, this shall not serve as the basis for not recognising this natural person as an entrepreneur natural person for taxation purposes.

3. The place of business of an entrepreneur natural person shall be the place of his/her economic activity.

*Law of Georgia No 884 of 2 August 2021 – website, 4.8.2021*

### **Article 37 - Taxpayer's representative**

1. A taxpayer may participate in tax matters through its legal or authorised representative. Personal participation of a taxpayer in tax matters shall not deprive it of the right to have a representative, nor shall the participation of the representative deprive it of the right to personally participate in the said relations.

2. Legal representatives of an enterprise/organisation shall be its bodies and/or other authorised persons under the legislative acts of Georgia or foundation documents of the enterprise/organisation. A legal representative of a natural person shall be the person who exercises relevant rights under this Code and other legislative acts of Georgia.

3. An action of a taxpayer's legal representative, in particular the participation of the representative in tax matters, shall be deemed the action of the taxpayer.

4. A taxpayer's legal representative shall be a person who is authorised by the taxpayer to represent its interests before tax authorities and/or in dealings with other participants of tax matters or in court.

5. An authorised representative of an enterprise/organisation shall act under a power of attorney granted by that enterprise/organisation, and the authorised representative of a natural person shall act under a notarised power of attorney granted by that natural person or under any other document deemed equal to a power of attorney under the Civil Code of Georgia, within the scope of such power of attorney or other document.

## **Chapter IV - Legal Protection of Taxpayers**

### **Article 38 - Right to request information**

1. Taxpayers may obtain from tax authorities information on the application of the tax legislation of Georgia, on protection of taxpayer's rights, and may access information on them in the possession of tax authorities.

2. Taxpayers may withhold from law-enforcement and other controlling authorities, other than tax authorities, documents related to the determination of objects of taxation, computation and payment of taxes, except where such powers are granted to other authorities under this Code.

### **Article 39 – Tax secret**

1. Any information received by a tax authority on a taxpayer (except for the information specified in paragraph 1<sup>1</sup> of this article) shall be the tax secret.

1<sup>1</sup>. The following information on a tax payer shall not be a tax secret and shall be public:

- a) information on registration as a tax payer;
- b) information on registration as a VAT payer;
- c) the status;
- d) the name;
- e) the address;
- f) the identification number;
- g) the date of granting the identification number;
- h) the registering body;
- i) tax arrears;
- j) the persons with the right of representation/administration;
- k) the founders;
- l) information on the tax lien/the right of pledge and on the seizure of property;
- m) other public information registered in the Registry of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities;
- n) public information registered in the Registry of Citizens' Political Unions (Parties);
- o) about the suspension of making out/issuing a tax invoice to a person.

2. A tax authority, its employee, invited expert and/or expert shall protect the confidentiality of taxpayer information that became known to them in the performance of official duties. They may disclose personally identifiable information on certain taxpayers only to the following persons:

- a) employees of the system of the Ministry of Finance of Georgia and members of the Council of Tax Appeals within the Ministry of Finance of Georgia – in order for them to fulfil their official duties;
- b) law-enforcement authorities – in connection with the criminal cases prosecuted by them;
- b<sup>1</sup>) the State Inspector's Service – when performing an audit under the Law of Georgia on State Inspector's Service;



[b<sup>1</sup>) the Personal Data Protection Service – when performing an inspection provided for by the Law of Georgia on Personal Data Protection; ***(Shall become effective from 1 March 2022)***]

b<sup>2</sup>) the Ministry of Internal Affairs of Georgia – for exercising powers provided for by the legislation of Georgia;

c) court – to determine tax obligations or liabilities of a taxpayer in connection with a case pending in the court;

d) a competent body of a foreign state – under an international agreement of Georgia;

e) the Legal Entity Under Public Law (LEPL) within the Ministry of Justice of Georgia - National Bureau of Enforcement) ('National Bureau of Enforcement') and to a private enforcement officer – in the course of executing decisions under the Law of Georgia on Enforcement Proceedings and/or in exercising the powers provided for in an agreement between a tax authority and National Bureau of Enforcement;

f) the National Statistics Office of Georgia (GeoStat) – under procedures established by the Government of Georgia;

g) the State Audit Office of Georgia – on the basis of a court order, to exercise powers under the Organic Law of Georgia on State Audit Office;

h) the Legal Entity under Public Law (LEPL) within the Ministry of Justice of Georgia - National Agency of Public Registry ('National Agency of Public Registry') – in exercising the powers under an agreement between a tax authority and the National Agency of Public Registry;

i) persons determined by the Government of Georgia, to inform a taxpayer of its tax arrears as prescribed by the Minister of Finance of Georgia;

j) (Deleted – 1.5.2015, No 3581);

k) the Legal Entity under Public Law (LEPL) within the Ministry of Justice of Georgia - Public Service Development Agency – in exercising powers provided for by the legislation of Georgia;

l) the Legal Entity under Public Law (LEPL) - Financial Monitoring Service of Georgia – in exercising powers provided for by the legislation of Georgia;

m) the state sub-agency institution of the Ministry of Environment and Agriculture of Georgia – the Environmental Supervision Department, in exercising powers provided for under the legislation of Georgia; also, to the Legal Entity under Public Law (LEPL) within the Ministry of Environment and Agriculture of Georgia – the Nuclear and Radiation Safety Agency, and to the Standing Commission for Military-Technical Issues of the Ministry of Defence of Georgia – the information provided for under the Law of Georgia on Nuclear and Radiation Safety;

n) the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia and to administrative bodies within its system – for exercising the rights and duties under the legislation of Georgia;

o) the Legal Entity under Public Law (LEPL) – the Georgian National Competition Agency – in exercising powers provided for by the legislation of Georgia;

p) the Legal Entity under Public Law (LEPL) within the Ministry of Environment and Agriculture of Georgia – the National Food Agency – under the procedure prescribed by the Government of Georgia;

q) Business Ombudsman/Deputy Business Ombudsman of Georgia – in exercising powers under the legislation of Georgia;

r) the Legal Entity under Public Law operating under the Ministry of Justice of Georgia – the Digital Governance Agency – in order for the Agency to transfer this information to the Legal Entity under Public Law – the Civil Service Bureau – for exercising powers under the Law of Georgia on Conflicts of Interest and Corruption at Public Institutions and subordinate legal acts issued on the basis of it, for operating the electronic data exchange system;

s) the Legal Entity under Public Law operating under the Ministry of Justice of Georgia – the Digital Governance Agency – information necessary for the operation of the electronic exchange system of documentation between the entities engaged in the international commerce;

t) the Ministry of Environment and Agriculture of Georgia, information under the Law of Georgia on Waste Import, Export and Transit;

u) (Deleted – 5.7.2018, No 3109);

v) the Legal Entity under Public Law within the Ministry of Economics and Sustainable Development of Georgia – the National Agency for Mineral Resources, in exercising powers defined by the legislation of Georgia;

w) the Legal Entity under Public Law – the Pension Agency, for exercising powers under the Law of Georgia on Accumulative Pension and subordinate normative acts of Georgia issued on the basis of the Law of Georgia on Accumulative Pension;

x) the Legal Entity under Public Law within the system of the Ministry of Economics and Sustainable Development of Georgia – the Market Surveillance Agency, in exercising the power under the legislation of Georgia;

y) the Ministry of Justice of Georgia, for exercising the power of an agent of the state, as vested in it by the legislation of Georgia, in the arbitration or a foreign court, and the power of an agent of the state in an international court, in particular in the European Court of Human Rights, in the Human Rights Committee set up on the basis of the United Nations International Covenant on Civil and Political Rights and in the committees set up on the basis of other United Nations conventions, and in the United Nations International Court of Justice;

z) To ensure control of the legal regime of the Georgian maritime space, the Joint Maritime Operations Centre of the executive authorities of Georgia related to the protection of the national border control entities and the national boundary regime, in exercising the power defined by the legislation of Georgia;



z1) the Legal Entity under Public Law (LEPL) subject to the control of the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia – the Labour Inspection Service, in exercising powers provided for by the legislation of Georgia.

3. Employees of a tax authority shall protect the confidentiality of information obtained in the course of their official duties, and shall not use it for personal goals or disclose it to another person. Such actions shall be regarded as disclosure of a tax secret. The loss of documents containing a tax secret or disclosure of such information shall carry liability under the legislation of Georgia.

3<sup>1</sup>. Legal entities under public law referred to in paragraph 2(o) and (p) of this article and their employees, who have received information specified in this article may not divulge such information.

4. Information held by a tax authority and containing a tax secret shall be stored and processed in a special manner. Only authorised officials designated by the Minister of Finance of Georgia under the procedure established by the same ministry may have access to the information containing a tax secret.

5. If there is a written/electronic permission of a taxpayer, information on the taxpayer may be communicated to another person. Publication and/or dissemination by the taxpayer of this information in the mass media shall be deemed as the taxpayer's permission for a tax authority to communicate information to a third party within the scope of the above information.

6. This article shall not apply to the public notice provided for in Article 44 of this Code or the information spread by the Revenue Service about persons who conduct economic activity with false tax documents.

*Law of Georgia No 4206 of 22 February 2011 - website, 10.3.2011*

*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 6330 of 25 May 2012 - website, 8.6.2012*

*Law of Georgia No 6317 of 25 May 2012 - website, 19.6.2012*

*Law of Georgia No 6446 of 12 June 2012 - website, 25.6.2012*

*Law of Georgia No 6444 of 12 June 2012 - website, 25.6.2012*

*Law of Georgia No 6550 of 22 June 2012 - website, 29.6.2012*

*Law of Georgia No 491 of 25 March 2013 - website, 5.4.2013*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 2160 of 21 March 2014 - website, 27.3.2014*

*Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*

*Law of Georgia No 3613 of 28 May 2015 - website, 4.6.2015*

*Law of Georgia No 3673 of 29 May 2015 - website, 4.6.2015*

*Law of Georgia No 4368 of 27 October 2015 - website, 11.11.2015*

*Law of Georgia No 4458 of 28 October 2015 - website, 11.11.2015*

*Law of Georgia No 4493 of 11 November 2015 - website, 24.11.2015*

*Law of Georgia No 4680 of 18 December 2015 - website, 29.12.2015*

*Law of Georgia No 4958 of 13 April 2016 - website, 26.4.2016*

*Law of Georgia No 5144 of 27 May 2016 - website, 4.6.2016*

*Law of Georgia No 195 of 22 December 2016 - website, 29.12.2016*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 1701 of 7 December 2017 – website, 14.12.2017*

*Law of Georgia No 3109 of 5 July 2018 – website, 11.7.2018*

*Law of Georgia No 3308 of 21 July 2018 – website, 6.8.2018*

*Law of Georgia No 3279 of 21 July 2018 – website, 9.8.2018*

*Law of Georgia No 3383 of 5 September 2018 – website, 24.9.2018*

*Law of Georgia No 4260 of 27 December 2018 – website, 29.12.2018*

*Law of Georgia No 4599 of 8 May 2019 – website, 8.5.2019*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 5691 of 20 December 2019 – website, 26.12.2019*

*Law of Georgia No 5758 of 17 March 2020 – website, 23.3.2020*

*Law of Georgia No 6301 of 12 June 2020 – website, 26.6.2020*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

*Law of Georgia No 7132 of 16 September 2020 – website, 21.9.2020*

*Law of Georgia No 7183 of 29 September 2020 – website, 5.10.2020*

*Law of Georgia No 1148 of 16 December 2021 – website, 27.12.2021*

*Law of Georgia No 1331 of 30 December 2021 – website, 13.1.2022*

#### **Article 40 - (Deleted)**

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*





## **Article 41 - Taxpayer rights**

### **1. Taxpayers may:**

- a) in the prescribed manner, become familiar with information held by a tax authority about them;
- b) represent their interests before a tax authority directly or through a representative;
- c) not present any documents related to tax administration to any controlling or law-enforcement body (other than a tax authority), unless such body has authority under this Code;
- d) enjoy tax privileges;
- e) obtain a refund for the sum of any overpaid tax and/or sanction (including a customs sanction), and/or keep it as a credit against future tax liabilities;
- f) request information about the grounds for exercising tax control over them;
- g) provide appropriate explanations to a tax authority when subjected to a tax control;
- h) attend tax field audits conducted in relation to them, receive from a tax authority original or certified copies of any decision pertaining to them, and demand compliance with the legislation of Georgia during these activities;
- i) appeal actions or decisions of a tax authority as provided by law;
- j) not fulfil an illegal act issued or request made by a tax authority;
- k) demand reimbursement of damages incurred as a result of unlawful decisions or action of a tax authority;
- l) enjoy any other rights under the legislation of Georgia.

2. Protection of taxpayer rights and legitimate interests shall be guaranteed in administrative and judicial proceedings.

3. Violation of taxpayer rights and legitimate interests shall carry liability as prescribed by law.

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

## **Article 42 - (Deleted)**

*Law of Georgia No 3613 of 28 May 2015 - website, 4.6.2015*

## **Article 43 - Taxpayer obligations**

### **1. Taxpayers shall:**

- a) fulfil tax liabilities in accordance with the tax legislation of Georgia;
- b) be enrolled with a respective tax authority or register with the Register of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Entities and the Register of Citizens' Political Alliances (Parties);
- c) file tax returns, computations, and accounting documents with a tax authority as provided by the legislation of Georgia;
- d) submit to a tax authority and its authorised person the documents (certificates) needed for computation and payment of taxes in the case of a tax audit or in any other cases provided for by this Code;
- e) comply with the lawful requests of a tax authority and authorised persons with respect to the elimination of detected violations of tax legislation; not prevent authorised persons from fulfilling their official duties;
- f) ensure the safekeeping of documents necessary for identifying a taxable object for three years. Such period shall be calculated from the end of the calendar year of relevant tax period, for the identification of tax liabilities of which such documentation is necessary.
- g) place a copy of a taxpayer certificate and in the case of retail trade - price labels (in Georgian national currency) at a place conspicuous for customers;
- g<sup>1</sup>) not impede a person chosen by the Revenue Service under the legislation of Georgia in delivering services related to affixing mandatory excise stamps/mandatory markings.
- h) fulfil any other obligations provided for by the tax legislation of Georgia.

2. A Georgian enterprise, a Georgian organisation and an entrepreneur natural person shall submit to a tax authority, according to the place of tax registration, information on opening bank accounts (other than deposit (time deposit) accounts) outside Georgia within five business days after opening such accounts.

2<sup>1</sup>. A financial institution of Georgia defined in the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement the Foreign Account Tax Compliance Act (FATCA) shall, within the framework of this Agreement, transfer to a tax authority the information provided for under the same Agreement.

3. A taxpayer shall submit to a tax authority the information set forth in the second paragraph of this article in the form approved by the Minister of Finance of Georgia.

4. For non-fulfilment or improper fulfilment of the obligations provided for by the tax legislation of Georgia, a taxpayer shall be liable as prescribed by this Code and/or other legislative acts of Georgia.

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 5557 of 20 December 2011 - website, 28.12.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*





#### **Article 44 - Correspondence with taxpayers**

1. A tax authority shall send and/or present a document to a person in writing or electronically.
2. A document sent in writing by a tax authority shall be signed by an authorised person. The addressee shall be given the original or a certified copy of the document.
- 2<sup>1</sup>. If upon the presentation of a written document to the address of persons defined under the sixth and seventh paragraphs of this article or to the legal address defined in registration documents, the clerical office or the structural unit of the same function refuses to accept a written document, the tax authority shall be entitled to use technical means for recording the refusal.
3. A tax authority shall decide on the form of sending and/or presenting a document.
4. If the same document is presented to a person several times or in several forms, the date of presenting such document shall be the day on which the document was first delivered.
5. If upon the presentation of a written document a person refuses to accept it, the presenting person shall make an appropriate note.
- 5<sup>1</sup>. In the case provided for under the fifth paragraph of this article, if the fact of presenting a written document has been recorded using technical means, such document shall be deemed accepted.
6. A written document shall be deemed to have been served on a natural person if the document is delivered to:
  - a) the addressee in person;
  - b) an authorised or legal representative of the person;
  - c) any adult family member residing with that person at his/her place of residence;
  - d) a clerical office or any structural unit of the same function at the place of business of an entrepreneur natural person;
  - e) a person directly performing the economic activity of a natural person, when there is an order of an authorised person on execution of a tax offence report, current control procedures and/or tax enforcement measures.
7. A written document shall be deemed to have been served on a taxpayer (other than a natural person) if the document is delivered to:
  - a) the authorised person;
  - b) an authorised or legal representative of the person;
  - c) a clerical office or any structural unit of the same function at the legal address indicated in registration documents;
  - d) a person directly performing the economic activity of a taxpayer, provided there is an order of an authorised person on the execution of a tax offence report, current control procedures and/or tax enforcement measures;
  - e) any adult person residing at the residential apartment indicated as a legal address in registration documents.
8. The delivery of a document shall be confirmed by the recipient's signature on a copy of the document or on the relevant mail document. The recipient's full name and his/her relationship with the addressee, as well as the date of delivery of the document shall be indicated next to it.
9. A document sent electronically by a tax authority to a person shall be deemed delivered as soon as the addressee reviews it, and in the case provided for in Article 264(2) of this Code – as soon as the person reviews it or on the 30th day after it has been posted on an authorised user's page, unless the addressee reviewed the notice within that period.
10. The Revenue Service or the National Bureau of Enforcement may publish a document if the following conditions have been met:
  - a) the document has been sent/presented to a person at least twice in written form, but could not be served on the addressee;
  - b) the person is not an authorised user of the Revenue Service official website or the addressee has not reviewed the document within 30 days after the document was posted on an authorised user's page;
11. A document shall be published by posting it on the official website of the Ministry of Finance of Georgia or the National Bureau of Enforcement and shall be deemed to have been delivered on the 20th day after such posting.
12. In exercising the rights defined in this Code, a tax authority may create, receive, send, keep and issue any electronic or written document (including in archived form) that may have legal implications, and use an electronic document circulation system.
13. A taxpayer may present documents to a tax authority in writing or electronically.
14. A written document presented by a taxpayer to a tax authority shall be signed by an authorised person. The original document or its certified copy shall be submitted to the addressee.
15. If a taxpayer sends a document to a tax authority by post, the date of its submission shall be the day when the document is sent. At the same time, the term for responding to the document shall commence from the day following the day on which the mail is actually delivered to a tax authority.
16. The procedure for electronic correspondence/public dissemination of documents between a taxpayer and a tax/dispute resolution authority shall be determined by an order of the Minister of Finance of Georgia.



*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*  
*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*  
*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*  
*Law of Georgia No 4680 of 18 December 2015 - website, 29.12.2015*  
*Law of Georgia No 649 of 21 April 2017 – website, 10.5.2017*  
*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

## SECTION III PROVIDING INFORMATION TO TAXPAYERS AND THE SYSTEM OF GEORGIAN TAX AUTHORITIES

### Chapter V - Providing Information to Taxpayers

#### **Article 45 - (Deleted)**

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

#### **Article 46 - Clarifications on the application of the tax legislation of Georgia**

A tax authority may send a written clarification to a person on the application of the tax legislation of Georgia. This clarification shall be regarded as a recommendation.

*Law of Georgia No 2946 of 12 December 2014 - website, 24.12.2014*

#### **Article 46<sup>1</sup> - Public rulings**

1. Based on a decision made by a dispute resolution authority or on the analysis of the current practice of taxation of taxpayers by a tax authority, the Minister of Finance of Georgia may issue a public ruling on the application of certain provisions of the tax legislation of Georgia.
2. A document shall be regarded as a public ruling if it states that it is a public ruling.
3. A public ruling (including a decision on modifying or cancelling a public ruling) shall be published on the official website of the Legislative Herald of Georgia.
4. A public ruling shall enter into force from the date indicated in it and shall be valid for an indefinite term or for the period stated in it. This ruling shall be binding for a tax authority from the day of its entry into force.
5. A public ruling shall not be applied if the provisions with respect to which the ruling was issued have been modified or repealed.
6. The Minister of Finance may declare a public ruling, or its part, as invalid or modify it.
7. If a person acts according to a public ruling, a monitoring/law-enforcement authority may not adopt a decision contradicting the ruling and may not impose additional taxes/sanctions.
8. If there is contradiction between two public rulings or between a public ruling and an advance tax ruling, the person concerned may act according to one of the rulings at its discretion.
9. The procedure for issuing a public ruling shall be determined by the Minister of Finance of Georgia.

*Law of Georgia No 2946 of 12 December 2014 - website, 24.12.2014*

#### **Article 47 – Advance tax ruling**

1. The Revenue Service may, on the basis of a person's application, issue an advance tax ruling according to a future or completed transaction on:
  - a) the tax reporting rules provided for by this Code and Customs Code of Georgia and/or outstanding tax/customs liabilities;
  - b) the reporting rules and/or outstanding liabilities related to a fee administration of which is carried out by a tax authority.
2. An advance tax ruling shall be issued within not later than 90 days after submission of a request.
3. An advance tax ruling shall apply only to the persons to whom it has been issued. At the same time, an advance tax ruling shall indicate the norm of the legislation of Georgia on which the ruling was based.
4. Different advance tax rulings may not be issued with respect to identical transactions performed by different persons.
5. If a person acts under an advance tax ruling, controlling/law-enforcement authorities may not make decisions contradicting the advance tax ruling or impose any charges and/or sanctions.
6. An advance tax ruling shall not be applied if:
  - a) the facts and circumstances indicated in the advance tax ruling and which would have affected the advance tax ruling are different from those actually existing;
  - b) the norm of the legislation of Georgia which formed the basis for the advance tax ruling has been repealed or amended.
7. A norm of the legislation of Georgia that is unfavourable to a taxpayer and has been given retroactive force may not affect a transaction performed under an advance tax ruling issued prior to enactment of such norm.
8. (Deleted – 28.6.2019, No 4906).
9. The information provided by a person in a request for an advance tax ruling shall be treated as a tax secret.



10. If a person disagrees with an advance tax ruling of a tax authority, he/she may appeal it as provided in this Code.
  11. An advance tax ruling shall need to be agreed upon with the Minister of Finance of Georgia.
  12. At the request of a person and in the case of submission of additional or amended information, the Revenue Service may amend its advance tax ruling, unless the person has already applied the advance tax ruling issued before such amendment, in relation to the transaction on which the ruling was based.
  13. The procedure for issuing an advance tax ruling shall be determined by order of the Minister of Finance of Georgia.
- Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*  
*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*  
*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*  
*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*  
*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Chapter VI - Georgian Tax Authorities and their Main Functions**

### **Article 48 - Georgian tax authorities**

1. Georgian tax authorities shall be the Revenues Service and its structural units as determined by the Minister of Finance of Georgia.
  2. The Revenue Service is a legal entity under public law within the Ministry of Finance of Georgia exercising public control. The Revenue Service exercises its powers across the whole territory of Georgia and may have offices in one or several locations.
  3. Georgian tax authorities shall exercise tax control in Georgia, except where such power is granted under this Code to another authority.
- Law of Georgia No 4705 of 20 May 2011 - website, 1.6.2011*  
*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*  
*Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*

## **Chapter VII - Rights and Obligations of Tax Authorities**

### **Article 49 – Rights of tax authorities**

1. Under this Code, within the scope of their authority and in the manner provided for by the legislation of Georgia, tax authorities may:
  - a) audit financial documents, books, accounts, cost estimates, funds, securities and other valuables, computations, declarations, and other tax computation and payment documents;
  - b) obtain from taxpayers and/or their representatives tax computation and payment documents, as well as written and oral explanations regarding issues arising in the course of tax audit;
  - c) examine production, storage, sales and other facilities of enterprises, organisations and entrepreneur natural persons, perform tax monitoring, take inventory of stock of goods, conduct observations by time-study or any other method and determine the number of taxable objects, conduct tax audits, monitor taxpayer observance of the rules for use of cash registers and, in the case of non-compliance with this rule, determine and impose appropriate liabilities under the legislation of Georgia with respect to those persons;
  - d) summon taxpayers to a tax authority (a taxpayer's legal or authorised representative who has accounting documents and/or information related to the taxation of the taxpayer may appear before a tax authority instead of the taxpayer);
  - e) independently determine the amount of tax liabilities of a taxpayer based on information held by the tax authority (including information on the expenditures of a taxpayer) or by a comparison method – by analysing information of other similar taxpayers, unless a taxpayer submits the accounting documents required for tax control or performs bookkeeping in violation of established procedure, or in other cases provided for by this Code;
  - f) apply sanctions against taxpayers who have violated the tax legislation of Georgia;
  - g) for the enforcement of payment of tax arrears, apply the measures provided for by this Code against a taxpayer;
  - h) prepare administrative offence reports against offenders for tax legislation violations and adopt rulings on the imposition of administrative sanctions;
  - i) perform a test purchase of goods/services from a taxpayer to fully determine an object of taxation;
  - j) hire specialists or experts for tax administration purposes;
  - k) obtain data, certificates, documents and other necessary information free of charge from the state and municipality bodies for work-related purposes. Where necessary, the procedure for exchange of information between state bodies shall be determined by a resolution of the Government of Georgia;
  - l) request and obtain copies of accounting documents (a copy certified by the taxpayer, if necessary);
  - m) install readers and/or obtain their readings and seal documents and other materials in the manner provided for by this Code.
  - n) receive from a financial institution of Georgia defined in the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement the Foreign



Account Tax Compliance Act (FATCA), within the framework of this Agreement, the information provided for under the same Agreement, and transfer this information to a competent body of the United States of America defined under the Agreement.

2. Tax authorities shall also have the rights provided under this Code and other legislative acts.

3. Under an agreement between a tax authority and the National Bureau of Enforcement, in order to secure the payment of tax arrears falling within the authority of a tax authority under the tax legislation of Georgia, the National Bureau of Enforcement shall demand and obtain a list of assets from a taxpayer for the purpose of seizing a taxpayer's property, take inventory of a person's property, evaluate the property, prepare an act for seizure of the property, seal the property, ensure registration of a seizure of the taxpayer's property with a registration authority, prepare a report on tax offences where so provided by this Code, apply to a court on behalf of a tax authority with a request to sell property or directly transfer it to the State in cases where the National Bureau of Enforcement seizes a person's property, and perform other necessary actions for the purposes specified in this paragraph.

4. Under an agreement between a tax authority and a legal person with approval of the Government of Georgia, certain types of taxpayer services falling within the authority of a tax authority under the tax legislation of Georgia may be performed by such legal person.

5. The approval of the Government of Georgia referred to in the fourth paragraph of this article shall not be required if the agreement is made between a tax authority and the National Agency of Public Registry.

6. (Deleted – 1.5.2015, No 3581).

*Law of Georgia No 4206 of 22 February 2011 - website, 10.3.2011*

*Law of Georgia No 4705 of 20 May 2011 - website, 1.6.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*

*Law of Georgia No 4458 of 28 October 2015 - website, 11.11.2015*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 6942 of 15 July 2020 – website, 28.7.2020*

## **Article 49<sup>1</sup> – General analytical procedures**

1. A tax authority may perform general analytical procedures.

2. General analytical procedures shall mean collection and analysis of information about a person and, based on the analysis, planning and optimisation of tax administration measures, including collection and analysis of information about a taxable entity, and study of the reasons for the origination of tax liabilities and overpayments.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Article 50 – Personal tax advisor**

1. To facilitate interaction with a tax authority in exercising rights and discharging obligations under this Code, a taxpayer may use the services of a personal tax advisor.

2. A personal tax advisor shall be a tax authority employee who renders a service defined by an order of the Minister of Finance of Georgia to a taxpayer. Service of a personal tax advisor shall not include determination of the amount of taxpayer's tax liabilities.

3. Types of services to be rendered by a personal tax advisor to a taxpayer, the procedure and conditions for employing services shall be defined by the Minister of Finance of Georgia.

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Article 51 – Obligations of tax authorities**

1. Within the scope of their authority, tax authorities shall:

a) comply with the tax legislation of Georgia, act in accordance with the requirements of this Code and other acts of the tax legislation of Georgia and participate in the implementation of national tax policy;

b) protect the rights of taxpayers and the interests of the state;

c) exercise control over the accuracy and completeness of tax computations and their timely payment, conduct tax audits as provided for by this Code and, in the course of the audit, inform taxpayers of their rights and obligations;

d) ensure taxpayers' timely registration;

e) account for taxes charged and paid to the budget and prepare reports on taxes paid;

f) refund overpaid amounts to a taxpayer as prescribed by this Code;

g) protect confidentiality of taxpayer information and observe rules for storing information in accordance with this Code;

h) design declaration forms and other tax computation and payment forms and ensure the provision of information to a taxpayer;

i) study, analyse and assess the violations of the tax legislation of Georgia and take appropriate measures to eliminate the causes of or conditions for tax offences;

j) identify natural and legal persons who evade taxes; prevent tax offences, conduct tax offence cases and apply liability



- measures as provided by this Code;
  - k) maintain a national register of cash register models permitted for cash settlements with customers, register cash registers, and monitor the compliance with rules for operating cash registers;
  - l) receive applications, notifications and other information on violations of the tax legislation of Georgia and examine them as provided by law;
  - m) consider letters, complaints and queries of taxpayers in the prescribed manner and, if necessary, inform them free of charge of the applicable taxes, tax computation and payment rules, and of the rights and obligations of a taxpayer;
  - n) raise awareness about the application of the tax legislation of Georgia, issue methodological guidelines, manuals and brochures, and publish advice on tax matters and explanations in the media;
  - o) conduct administrative proceedings on administrative offences as provided for by the Administrative Offences Code of Georgia;
  - p) deliver (send) tax audit reports, other decisions and notifications of tax authorities to a taxpayer in the manner and within the timeframes provided for by this Code and other tax legislation of Georgia;
  - q) present a tax notice to a taxpayer, and in the case of its noncompliance or improper compliance, take actions under this Code to ensure compliance;
  - r) promptly confirm receipt of letters delivered personally by taxpayers and of other documents provided for by this Code.
  - s) ensure the tax registration of taxpayers (maintenance of a Register) according to this Code, and the assignment of identification numbers (except for persons subject to registration with the Register of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Entities and the Register of Citizens' Political Alliances (Parties)).
2. A tax authority shall, not later than 10 calendar days after receiving a taxpayer's request, provide the taxpayer with a statement showing changes to its tax liabilities and the status of the completion of those liabilities for the period specified in the request.
3. Tax authorities shall also fulfil the obligations provided for by this Code and other legislative acts.

*Law of Georgia No 6547 of 22 June 2012 - website, 4.7.2012*

*Law of Georgia No 5144 of 27 May 2016 - website, 4.6.2016*

## **Article 52 - Delegation of authority**

The head of a tax authority may grant specific authority to any employee. The employee may not transfer the authority delegated to him/her to another person.

## **SECTION IV TAX LIABILITY**

### **Chapter VIII - Tax Liability and its Fulfilment**

## **Article 53 – Tax liability and its fulfilment**

1. Tax liability is the obligation of a taxpayer to pay taxes established by this Code, as well as taxes established by this Code and introduced by a municipality representative body.
2. A person shall be obligated to pay taxes upon the occurrence of a taxable event as determined by the tax legislation of Georgia.
3. Tax liability shall be deemed fulfilled if the tax amount is paid within the set timeframe.
4. Tax liability shall be paid directly by a taxpayer, unless otherwise provided by the legislation of Georgia. A taxpayer's tax liability may be paid by another person in the manner prescribed by the National Bank of Georgia.
5. The procedure and/or timeframe for payment of tax liability may be changed in the cases as provided for by this Code.
6. The day of the payment of taxes shall be the day when the tax amount is transferred into the relevant account of the Budget, unless otherwise provided by the tax legislation of Georgia.
7. (Deleted – 1.5.2015, No 3581).
8. Under the Law of Georgia on Oil and Gas, based on the application of the parties to the Production Sharing Agreement and at the decision of the Minister of Finance of Georgia, payment of tax liabilities may be imposed on the party receiving a profit from the state-owned share of oil and gas.
9. With regard to import payments, tax liabilities shall be considered discharged in cases provided for by Article 62(2)(a-d) of the Customs Code of Georgia.

*Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 6942 of 15 July 2020 – website, 28.7.2020*

## **Article 54 - Obligations of banking institutions with regard to the payment of taxpayer tax liabilities**

1. A banking institution shall, first of all, fulfil a taxpayer's payment order for the payment of taxes and a tax authority's collection order for debiting funds from the bank account in the following order of precedence:

a) a tax authority's collection order:



b) a taxpayer's payment order.

1<sup>1</sup>. The obligation of a banking institution specified in the first paragraph of this article shall not restrict a person's right to use funds exceeding the uncollected amount of the collection order until the full payment or after partial payment of the collection order.

2. If there are funds in a person's bank account, the bank fulfils a payment order or a collection order not later than the banking day following the day of receipt of the order, unless otherwise provided for by this Code. A taxpayer shall bear the cost of services related to a collection order.

3. If the amount on a person's bank account is not sufficient to pay a payment order or a collection order, they shall be paid not later than the banking day following the day when funds are transferred into the account.

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

#### **Article 55 - Payment of tax liabilities in the case of liquidation of an enterprise/organisation**

1. If an enterprise/organisation is liquidated, the liquidation commission of the enterprise/organisation shall pay tax liabilities and tax arrears, unless otherwise provided for by this article.

2. If an enterprise provided for in Article 21(1)(c) of this Code is liquidated/terminates its activities, the partners/participants of the enterprise shall pay tax liabilities and tax arrears jointly and severally.

3. If an enterprise/organisation is liquidated, a tax authority shall refund any overpaid amount to the liquidation commission of that enterprise/organisation (participants of the enterprise) as provided for by this Code.

#### **Article 56 - Payment of tax liability in the case of reorganisation of an enterprise/organisation**

1. Tax liability and tax arrears of a reorganised enterprise/organisation shall be paid by its legal successor as provided by this Code.

2. In the case of a merger of several enterprises/organisations, the enterprise/organisation formed as a result of the merger shall be the legal successor with respect to payment of tax liabilities of these enterprises/organisations.

3. If one enterprise/organisation is acquired by another, the legal successor with regard to payment of tax liabilities/arrears of the acquired enterprise/organisation shall be the acquiring enterprise/organisation.

4. If an enterprise/organisation is split into several enterprises/organisations, the enterprises/organisations created as result of the split shall be legal successors with respect to payment of tax liabilities/arrears of the original enterprise/organisation.

5. If there are several legal successors, the share of each of them with respect to payment of tax liabilities/arrears of the reorganised enterprise/organisation shall be determined under the division balance sheet or other deed of transfer. Newly formed enterprises/organisations shall be jointly and severally responsible for payment of tax liability/arrears of the reorganised enterprise/organisation or its respective part.

6. If an enterprise/organisation changes its organisational and legal form, the enterprise/organisation arising from such reorganisation shall be the legal successor with regard to payment of tax liability/arrears of the original enterprise/organisation.

7. If one or several enterprises/organisations separate from an enterprise/organisation, the separated enterprise(s)/organisation(s) shall be subject to paragraphs 4 and 5 of this article.

8. Any overpaid amount paid before the reorganisation of an enterprise/organisation shall be credited by a tax authority against future tax liabilities of the legal successor of the reorganised enterprise/organisation pro rata to the total amount or refunded to the legal successor(s) (pro rata to their shares) as provided by this Code.

#### **Article 57 - Payment of tax liabilities of a deceased person**

1. Tax arrears of a deceased person shall be paid by his/her heirs pro rata to their shares in the inheritance, from the day of receipt of an inheritance certificate.

2. Tax arrears of a deceased person shall be the tax arrears as of the day of his/her death.

3. The heir to the deceased person shall notify a tax authority of having obtained an inheritance certificate if he/she is aware of the tax arrears of the deceased person.

4. A tax authority shall send a notice of the tax arrears not later than 30 days after it becomes aware that the person obtained an inheritance certificate.

5. Tax arrears of a deceased person shall be written off, if:

a) the deceased person has no heir;

b) the heir waives the inheritance;

c) the amount of the tax arrears of the deceased person exceeds the value of the inherited property – in the amount of the outstanding amount of tax arrears.

6. An heir who continues the economic activity of the deceased person shall:

a) notify a tax authority accordingly;

b) before starting the economic activity, become registered as a taxpayer, and if the deceased person was a VAT payer, become registered as a VAT payer;

c) pay tax arrears of the deceased person;



d) fulfil a taxpayer's other obligations under this Code.

7. An heir who continues the economic activity of the deceased person may:

- a) apply for a refund for the sum of any tax and/or sanction (including a customs sanction) overpaid by the deceased person or keeping it as a credit against future taxes;
- b) use the deceased person's tax source documents for tax reporting;
- c) present tax returns (including, adjusted ones) for the period of the deceased person's activity;
- d) where so provided by this Code, use appropriate documents of the deceased person to confirm the costs deductible from total revenue and to obtain a deduction of excise tax/VAT;
- e) continue a tax dispute started by the deceased person;
- f) exercise a taxpayer's other rights under this Code.

8. A tax authority shall unite the deceased person's and his/her heir's personal account cards if the heir carries on with the economic activity of the deceased person.

9. If an heir applies for a refund for the sum of any tax and/or sanction (including a customs sanction) overpaid by the deceased person or keeping it as a credit against future taxes, a tax authority shall, not later than three months after the taxpayer's application is lodged:

- a) transfer the sum of any tax and/or sanction (including a customs sanction) overpaid by the deceased person to the heir's personal account card;
- b) be authorised to establish compliance of the overpaid sum of a tax and/or sanction on a person's personal account card with the legislation of Georgia, including through a tax inspection;
- c) in the case any outstanding tax liability of the deceased person is identified, be authorised to impose a respective tax:
  - c.a) to the heir's personal account card if the heir carries on with the economic activity of the deceased person;
  - c.b) to the heir's personal account card, within the scope of the overpaid sum of a tax and/or sanction if the heir does not carry on with the economic activity of the deceased person;
- d) after the procedures provided for in subparagraphs (a)-(c) of this paragraph are performed, refund to the heir of the deceased person, under the procedure established by the legislation of Georgia, the sum of any tax and/or sanction overpaid by the deceased person, or keep it as a credit against future tax liabilities.

10. In the case provided for in paragraph 9(c) of this article, sanctions defined by this Code shall not apply to the heir.

*Law of Georgia No 6446 of 12 June 2012 - website, 25.6.2012*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

#### **Article 58 - Payment of tax liabilities of missing persons and beneficiaries of support**

1. Tax arrears of a natural person who has been declared missing by a court shall be paid within three months after the person is declared missing, at the expense of the property of the missing person, by the person who is authorised by guardianship authorities to manage the property of the missing person.

2. A tax authority shall send to the person who is authorised by guardianship authorities to manage the property of the missing person a notice requesting payment of the missing person's tax arrears.

3. Tax liabilities of a beneficiary of support shall be paid by his/her supporter at the expense of the property of the beneficiary of support, unless otherwise determined under the court decision. Tax arrears of a beneficiary of support shall be paid by his/her supporter at the expense of the property of the beneficiary of support, unless otherwise determined under the court decision.

4. Tax arrears of a person recognised as missing or declared as a beneficiary of support by court shall be regarded as bad debt and shall be written off if his/her property is insufficient to cover the tax arrears and unless otherwise determined under court decision with respect to the beneficiary of support.

5. The written-off tax arrears shall be restored the day the decision is made to reverse the court's recognition of a person as missing or declaration as a beneficiary of support.

6. Tax arrears of a missing person or a beneficiary of support shall be the tax arrears as of the date when he/she was recognised as missing or declared as a beneficiary of support by court.

*Law of Georgia No 3349 of 20 March 2015 - website, 31.3.2015*

#### **Article 59 - Tax period**

1. Tax period shall be the period according to which a taxpayer's tax liability is determined in relation to a specific tax.

2. If an enterprise/organisation is founded (becomes publicly registered) after the beginning of a calendar year before 1 December of that year, its first tax period shall be the period from its foundation(registration) up to the end of that year. At the same time, the day of foundation of the enterprise/organisation indicated in Article 21(1)(c) of this Code shall be the day on which a joint activities agreement is signed.

3. If an enterprise/organisation is founded from 1 December through 31 December, its first tax period shall be the period from the day of foundation up to the end of the next year, unless otherwise provided by this article.

4. If an enterprise/organisation is liquidated/reorganised before the end of a calendar year, its last tax period shall be the period from the beginning of the year up to the day when its liquidation/reorganisation ends.



5. If an enterprise/organisation is founded after 30 November of the year preceding the year of its liquidation/reorganisation, its first and last tax periods shall be the period from the date of foundation up to the day on which its liquidation/reorganisation is finished.

6. The rules provided for in the fourth and fifth paragraphs of this article shall not apply to enterprises/organisations from which one or several enterprises/organisations separated or which acquired one or several enterprises/organisations.

7. If during a tax period, a Georgian enterprise/organisation acquires the status of a foreign enterprise or a foreign enterprise acquires the status of a Georgian enterprise, the tax period shall be divided into two parts: in the first part the enterprise/organisation shall pay taxes according to its original status, and in the second part it shall pay taxes according to the acquired status.

7<sup>1</sup>. (Deleted – 26.12.2013, No 1886).

8. The rules provided by paragraphs 2 through 4 of this article shall not apply to taxes, the tax period of which is not a calendar year.

*Law of Georgia No 6212 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

## **Article 60 - Tax privileges**

1. Exemption from the national or local taxes provided for by this Code may be granted only by making amendments to this Code.

2. Tax privilege shall be any advantage given to a certain category of taxpayers over other taxpayers, namely, the possibility to pay less tax or be tax exempt.

3. A tax privilege in relation to a local tax shall be granted by making amendments to the relevant normative act.

4. No individual tax privileges may be granted or individual tax exemptions made.

5. A taxpayer may enjoy tax privileges from the moment when the relevant legal basis for the privileges arise, throughout the entire period of their validity.

## **Article 61 – Tax assessment**

1. Tax assessment shall mean computing by a tax authority of the tax amount payable by a taxpayer for a specific tax period and recording it in a taxpayer's personal account card. The procedure for maintaining the card shall be determined by the Minister of Finance of Georgia.

2. Tax may be assessed based on:

a) a tax return/customs declaration;

a<sup>1</sup>) (Deleted – 1.5.2015, No 3581);

b) information on the amounts paid under Article 154 of this Code;

c) a tax audit report;

d) information on a person's tax liability provided to a tax authority by other controlling or law-enforcement authorities;

e) information provided to a tax authority by the National Agency of Public Registry to assess property tax on land;

f) information on assessing VAT on the sale of goods in the case provided for by Article 161<sup>1</sup> of this Code;

g) information identified during tax/customs proceedings.

3. If a person does not present the information needed for assessment of taxes, a tax authority may charge taxes based on information available to it.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 6446 of 12 June 2012 - website, 25.6.2012*

*Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Article 62 – Tax payment timeframes**

1. The timeframe for payment of taxes, including current tax payments, shall be set according to each tax.

2. If a tax payment timeframe is not specified by this Code, it shall be paid within the timeframe set for filing tax returns, and in other cases, within 30 days after receiving a tax notice.

3. The import payments payable under a customs declaration shall be paid within the time limit set for the payment of import payments under the Customs Code of Georgia.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 6446 of 12 June 2012 - website, 25.6.2012*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

## **Article 63 – Refunding overpaid amounts**

1. If the amount of taxes and/or sanctions (including a customs sanction) paid by a taxpayer exceeds the amount of the assessed taxes and/or sanctions (including a customs sanction), the tax authority shall, on the basis of the taxpayer's





- request, refund the overpaid sum to the taxpayer not later than one month after the request is submitted.
2. If the amount of taxes and/or sanctions (including a customs sanction) paid by a taxpayer exceeds the amount of the acknowledged tax arrears, the tax authority shall use the overpaid sum to cover the tax arrears that will be charged and acknowledged in future.
3. (Deleted – 1.5.2015, No 3581).
4. (Deleted – 1.5.2015, No 3581).
5. (Deleted – 14.7.2020, No 6817).
- 5<sup>1</sup>. (Deleted - 12.6.2012, No 6446).
6. (Deleted – 14.7.2020, No 6817).
7. The overpaid amount resulting from an incorrect debiting of the sum of a tax and/or tax sanction (including a customs sanction) from a taxpayer's bank account under a tax authority collection order, or from concurrent payment of a tax authority collection order by two or more banking institutions, shall be refunded to the taxpayer not later than 15 days after filing an application with the tax authority.
8. The procedure for refunding the overpaid sum to a taxpayer shall be established by the Minister of Finance of Georgia.
9. In an individual case, an overpaid amount may be refunded automatically to taxpayers who file electronic tax returns. The terms and conditions for automatically refunding overpaid amounts shall be determined by the Minister of Finance of Georgia.
10. In individual cases, by decision of the head of the Revenue Service, the overpaid sum of a tax and/or sanction (including a customs sanction) may be refunded to the taxpayer without submission of the taxpayer's application for a refund. Cases of, procedure and conditions for refunding the overpaid sum of a tax and/or sanction (including a customs sanction) without submitting a taxpayer's application for a refund shall be defined by the Minister of Finance of Georgia.
- Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*
- Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*
- Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*
- Law of Georgia No 5791 of 13 March 2012 - website, 23.3.2012*
- Law of Georgia No 6446 of 12 June 2012 - website, 25.6.2012*
- Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*
- Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*
- Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

#### **Article 64 – Tax notice**

1. A tax notice is an individual administrative-legal act of a tax authority that must be complied with as provided for in this Code.
2. A tax authority shall present a tax notice to a taxpayer if there is one of the following grounds:
- a) assessment of tax, the computation of which is the obligation of a tax authority;
  - b) the decision of a tax authority on assessing tax and/or imposing a sanction or a tax offence report;
  - c) the decision on serving a notice of levy on a third person under Article 240(1) of this Code;
  - d) the decision of a customs authority on assessing the import payment and/or imposing a customs sanction on a person, or a customs offence report.
3. Only one tax notice shall be presented to a person based on specific grounds for presentation.
4. A tax notice shall be deemed fulfilled from the moment the person pays the amount indicated in the tax notice.
5. The procedure for issuing tax notices shall be determined by order of the Minister of Finance of Georgia.
- Law of Georgia No 4705 of 20 May 2011 - website, 1.6.2011*
- Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*
- Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

#### **Article 65 – Taxpayer's claim**

1. A taxpayer's claim is a claim filed by a person with a tax authority for refunding the sum of overpaid taxes and/or sanctions (including a customs sanction), which a tax authority has to fulfil in the cases provided for and under the procedure established by this Code.
2. The basis for filing a taxpayer's claim shall be the overpaid sum of taxes and/or sanctions (including a customs sanction).
3. A taxpayer's claim shall be deemed fulfilled upon payment of the amount claimed.
4. If a tax authority deems that a taxpayer's claim is groundless, it shall submit a substantiated counterclaim to the taxpayer within 20 days after receiving the taxpayer's claim.
5. The person may appeal the tax authority's counterclaim as provided in this Code.
- Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*
- Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

#### **Article 66 – Registration as a taxpayer**

1. A Georgian citizen natural person, a person having a neutral ID or a neutral travel document, and persons legally



residing in the Autonomous Republic of Abkhazia and in Tskhinvali region (former Autonomous Region of South Ossetia) that are registered under the procedure established by the legislation of Georgia and that are granted the personal number, except for a person whose income is withheld at source or who is tax exempt, shall apply to a tax authority for granting the identification number to them before starting economic activities.

2. Tax registration of taxpayers shall be carried out by the tax authorities under the procedure established by the Minister of Finance of Georgia. This procedure shall not apply to persons whose registration under the legislation of Georgia is performed by the Legal Entity under Public Law operating under the Ministry of Justice of Georgia – the National Agency of Public Registry. The procedure and conditions for assigning the identification number to these persons shall be defined by an order of the Minister of Justice of Georgia.

3. A branch of a foreign enterprise that is subject to registration with the Register of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Entities shall be registered for tax purposes and issued an identification number by the National Agency of Public Registry at the moment of the registration of the branch. At the same time, if the said foreign enterprise was registered for tax purposes before the registration of the branch and was issued an identification number by a tax authority or if two or more branches have been registered, the identification number first issued shall remain intact.

4. If the obligation to pay taxes and/or file tax returns arises in Georgia, a Georgian citizen natural persons, a person having a neutral ID or a neutral travel document, and persons legally residing in the Autonomous Republic of Abkhazia and in Tskhinvali region (former Autonomous Region of South Ossetia) that are registered under the procedure established by the legislation of Georgia and that are granted the personal number (except for an entrepreneur natural person) may indicate, even without completing tax registration procedures with a tax authority, their personal number indicated in their identity card, neutral ID card or in a neutral travel document of a citizen, and the number granted to them at registration (identification number), when filing a return in respect of the incurred tax, including customs liabilities and when paying taxes at a banking institution. Tax registration of a Georgian citizen natural person, a person having a neutral ID card or a neutral travel document, and of persons legally residing in the Autonomous Republic of Abkhazia and in Tskhinvali region (former Autonomous Region of South Ossetia) that are registered under the procedure established by the legislation of Georgia and that are granted the personal number, shall be conducted based on the details of their tax returns, customs declarations/re-export declarations and/or payment orders presented to the bank that evidence the payment of taxes.

5. A Georgian citizen natural person (including an entrepreneur natural person) shall be granted the personal number indicated in his/her ID card as the identification number; a person having a neutral ID card or a neutral travel document shall be granted the personal number indicated in the ID card/travel document, and a person legally residing in the Autonomous Republic of Abkhazia and in Tskhinvali region (former Autonomous Region of South Ossetia) shall be granted the personal number granted to him/her at registration.

6. The identification number of a natural person who is not a Georgian citizen shall be the 9-digit identification number issued by the authority as determined under the legislation of Georgia.

7. An identification number shall be permanent and may not be changed or repeated, unless otherwise provided by the legislation of Georgia.

8. Tax registration of an enterprise/organisation, an entrepreneurial entity and a non-entrepreneurial (non-commercial) legal entity shall be performed according to the legal address; tax registration of a natural person shall be performed according to his/her declared place of residence/business.

9. A taxpayer shall indicate its taxpayer identification number in a tax return, in correspondence with a tax authority and in any other documents as determined by the tax legislation of Georgia.

10. In detecting a tax offence specified in Article 273 of this Code, a tax authority shall ensure the person's tax registration as prescribed by the Minister of Finance of Georgia.

*Law of Georgia No 4998 of 1 July 2011 - website, 15.7.2011*

*Law of Georgia No 5144 of 27 May 2016 - website, 4.6.2016*

*Law of Georgia No 2476 of 6 June 2018 – website, 21.6.2018*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Article 66<sup>1</sup> – Estimated assessment**

1. A tax authority may, without a tax audit, conduct an estimated assessment on the basis of information it holds if:

a) there is a reasonable belief that the amount of tax has been unreasonably reduced on a taxpayer's personal account card. In this case, an estimated assessment may be conducted only in the sum of the tax amount reduced;

b) a taxpayer has failed to fulfil the obligation to submit a tax return/calculation within the period set by the tax legislation of Georgia.

2. An estimated assessment may be annulled by an adjusted assessment.

3. The estimated and adjusted assessment procedure shall be defined by an order of the Minister of Finance of Georgia.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Chapter IX - Tax Reporting**



## **Article 67 – Tax return**

1. A tax return is a person's statement used to assess his/her tax liabilities under this Code.
2. The amount of total tax liabilities in a tax return is computed in full laris. For this purpose, any tax liability under GEL 1 shall be zeroed.
3. A person may file his/her tax return with a tax authority in person, or may send it by registered mail or electronically.
4. Except as defined by the Minister of Finance of Georgia, if a person fails to file a tax return he/she is deemed to have filed a tax return, based upon which the amount of the assessed taxes equals zero. A tax return filed later for the given reporting period shall be deemed as late filing.
5. Tax return forms and the procedure for their completion and electronic filing shall be determined by the Minister of Finance of Georgia.

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

## **Article 68 - Extending deadlines for filing tax returns**

The deadline for filing annual income, profit or property tax returns shall be extended for three months if a person has paid the current taxes for the period subject to declaration (or has no obligation to pay current taxes) and applies in writing to a tax authority for an extension of the deadline before the filing deadline expires. An extension of the deadline for filing tax returns shall not affect the deadline for tax payment.

## **Article 69 - Making amendments to tax returns**

1. If in a filed tax return a person discovers a mistake that causes a change in the tax liability, he/she shall make relevant amendments to the tax return.
2. If an amended tax return is filed with a tax authority before its filing deadline expires, the amended tax return shall be deemed as originally filed.
3. If a person files a tax return (including an amended tax return) for the period or issue, in respect of which a tax authority has already conducted a tax audit or assessment, the tax authority may perform a calculation according to such tax return (including an amended tax return). In this respect, the authorised person of the tax authority shall issue a reasoned order.
4. A person may not file a tax return (including an amended tax return) for the period or issue in respect of which a tax audit is being conducted or is to be conducted, from the moment of service of the relevant order/notice of a judicial/tax authority on conducting a tax audit, or from posting of this order/notice electronically on a tax payer's authorised user web page, or from preparation of a tax offence report up to the service of the relevant tax notice to the person in question.
5. The restriction under the fourth paragraph of this article shall not apply if a tax notice is deemed invalid under Article 264(3) of this Code.

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

## **Article 70 – Right to request information**

1. A tax authority may request persons:
  - a) to provide accounting documents and/or taxation-related information (including information requested by another state's competent (authorised) body on the basis of an international agreement to which Georgia is a part);
  - b) to submit a list of their property.
2. In the cases provided by this Code, an authorised person of the National Bureau of Enforcement may exercise the right under paragraph 1(b) of this article.
3. A tax authority may request a commercial bank to provide confidential information specified in Article 17 of the Law of Georgia on the Activities of Commercial Banks during a tax audit (within the scope of the audit) of a taxpayer or upon request of another state's competent (authorised) body according to an international agreement to which Georgia is a part. A tax authority shall request this information on the basis of a court decision as prescribed by the Administrative Procedure Code of Georgia, except as provided for by paragraph 3<sup>1</sup> of this article.
- 3<sup>1</sup>) A tax authority may request from a financial institution of Georgia defined in the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement the Foreign Account Tax Compliance Act (FATCA), within the framework of this Agreement, the information provided for under the same Agreement, and transfer this information to a competent body of the United States of America defined under the Agreement.
4. A tax authority may not transfer the information specified in paragraph 3 of this article to persons set out in Article 39(2) of this Code, except when the information is transferred to another state's competent (authorised) body under an international agreement to which Georgia is a part.
5. A person shall be obligated to accurately and fully provide the requested information to a tax authority/the National



Bureau of Enforcement within the indicated time limits. A person whose property has been seized by a tax authority shall be obligated to adjust the submitted property list not later than seven working days from the purchase of the property.

*Law of Georgia No 4206 of 22 February 2011 - website, 10.3.2011*

*Law of Georgia No 2946 of 12 December 2014 - website, 24.12.2014*

*Law of Georgia No 4458 of 28 October 2015 - website, 11.11.2015*

## **Article 70<sup>1</sup> – Statement of a multinational enterprise group**

1. A final parent company of a multinational enterprise group, which is a Georgian resident, shall submit a report by countries to a tax authority before 31 December of a year following the accounting year.

2. A Georgian resident enterprise – a part of a multinational enterprises group – which is a final parent or surrogate parent establishment, shall inform a tax authority thereof before end of the accounting year.

3. For the purposes of this article:

a) a multinational enterprise group shall be any group which:

a.a) includes two or more than two enterprises that are tax residents of different countries/jurisdictions, or includes an enterprise which is a resident of one country for taxation purposes and is subject to taxation in another country/jurisdiction, in relation to an economic activity performed through its permanent establishment;

a.b) is not an exceptional multinational enterprise group;

b) an exceptional multinational enterprise group – in relation to any fiscal year of the group, a group whose overall consolidated group revenues are less than EURO 750 000 000 during the fiscal year immediately preceding the accounting fiscal year, as it has been included in its consolidated financial statement for this previous financial year;

c) a final parent enterprise – a part of a multinational enterprise group, which meets the following requirements:

c.a) directly or indirectly holds sufficient number of shares in one or more than one enterprise – part of such multinational enterprise group that it is assigned to prepare consolidated financial statements in compliance with the accounting principles generally effective in a country/jurisdiction of which it is a tax resident, or would be obligated to prepare them in the case of trading at a public stock exchange with its shares;

c.b) there is no other enterprise – part of such multinational enterprise group, which directly or indirectly holds shares provided for in subparagraph c.a) of this paragraph in the aforementioned enterprise – part of the multinational enterprise group;

d) a surrogate parent establishment – an establishment – part of a multinational enterprise group, which has been appointed by this multinational enterprise group in a country/jurisdiction, of which it is a resident, as a sole substitute for a final parent establishment for the purpose of submitting a statement by countries, when conditions under the order of the Minister of Finance of Georgia have been met;

e) the following shall be deemed an enterprise – part of a multinational enterprise group:

e.a) any separate economic unit of a multinational enterprise group, which is included in the consolidated financial statements of the multinational enterprise group for financial reporting purposes, or would be included therein in the case of trading at a public stock exchange with shares of such economic unit of the multinational enterprise group;

e.b) any separate economic unit that is not included in the consolidated financial statements of the multinational enterprise group only on the basis of size or materiality;

e.c) any permanent establishment of any separate economic unit of a multinational enterprise group under subparagraphs e.a) and e.b), provided that the economic unit prepares a separate financial statement for the permanent establishment for financial/tax reporting, and internal management control purposes.

4. The procedure for submitting a statement of a multinational enterprise group shall be defined by an order of the Minister of Finance of Georgia.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Article 71 - Obligations of banking institutions**

1. A banking institution shall:

a) open a bank account for an entrepreneur natural person and/or enterprise/organisation based on documents evidencing the granting of a taxpayer identification number, except as provided by subparagraph (b) of this paragraph;

b) notify the Revenue Service of the opening of a bank account for a foreign enterprise for the first time or closing the last account of such enterprise, within three business days (except as provided by subparagraph (e) of this paragraph) and not perform any debit transactions from the account until the Revenue Service receives the notification. Furthermore, based on the information provided by a foreign enterprise, it shall provide the Revenue Service with the identification number of the foreign enterprise and/or the actual address of a permanent establishment (if such information is available or if the person opening the account has provided such information to the bank).

c) notify the relevant tax authority within three business days after the opening of an account for the first time or closing the last account of the persons indicated in subparagraph (a) of this paragraph and not perform any debit transactions from the account of the person indicated in subparagraph (a) of this paragraph within two business days after receipt of such information by the tax authority, except where a debit transaction is related to payment of taxes to the budget. If the Revenue Service and the banking institution have signed an agreement on electronic exchange of information (including



collection orders), the timeframes indicated in this subparagraph shall be determined under the agreement, but they shall not exceed the timeframes provided for in this subparagraph;

c<sup>1</sup>) within three days after establishing the fact that a natural person is an entrepreneur natural person, notify a tax authority the date of the opening of the first active account and the date of closing the last account of that person. If the Revenue Service and the banking institution have concluded an agreement on electronic exchange of information (including collection orders), the timeframe indicated in this subparagraph shall be determined under the agreement, but it shall not exceed the timeframe set in this subparagraph.

d) not perform any debit transactions (other than the bank service charges, unless such transactions are related to payment transactions outside the bank system) from the account of the persons indicated in subparagraph (a) of this paragraph without indicating a taxpayer identification number;

e) notify the Revenues Service, in the cases and according to the timeframes and conditions specified in the agreement concluded with it, about the opening and/or closing of the accounts only of the persons referred to in subparagraphs (a) and (b) of this paragraph and apply collection orders or seizure orders issued by a tax authority with the indication of the identification numbers of such persons, to the account(s) of such persons within the scope of the collection or seizure order, which shall not restrict the right to administer those funds that are in excess of the collection or seizure order, and if the funds on the bank account(s) are not enough to fully fulfil the collection or seizure order, automatically apply the collection or seizure order to all of their bank accounts;

f) at the request of the Revenue Service, provide it with information regarding the opening or closing of a taxpayer's account not later than three business days after such request. The Revenue Service may request such information within the timeframe provided in this Code. The timeframe shall commence from the opening/closing of an account. In other cases, information may be requested under a court decision. If the Revenue Service and a banking institution have signed an agreement on electronic exchange of information, the information specified in this subparagraph may be requested electronically. In that case, the timeframe indicated in this subparagraph shall be determined under the agreement;

g) inform the person about the registration for payment of a collection order issued by a tax authority with respect to the person's bank accounts, except where it is impossible to inform the person.

h) transfer, within the framework of the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement the Foreign Account Tax Compliance Act (FATCA), to a tax authority the information provided for under this Agreement.

2. If the information specified in the first paragraph of this article is provided by submitting a written notice to a tax authority, then it shall be certified with the signature of the authorised person of the tax authority on the second copy of the notice of opening a bank account, and where the notice submitted to the tax authority is not certified within two business days, the notice shall be deemed to have been certified automatically. Accordingly, the bank may perform debit transactions from that account. At the same time, a notice shall be deemed submitted upon receipt of correspondence by a tax authority.

*Law of Georgia No 4114 of 17 December 2010 - LHG III, No 76, 29.12.2010, Art. 506*

*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 4458 of 28 October 2015 - website, 11.11.2015*

## **Article 72 – Tax source document**

1. A tax source document shall be a written document based on which the parties to a business transaction can be identified. It has a date and includes the list and value of the supplied goods/rendered services. The value of goods (including a unit price of goods) need not be indicated in a tax source document issued for a transaction on the exchange of goods/services (barter transaction).

2. A tax source document shall be made in at least two identical copies that are kept by the parties to the business transaction.

3. A person shall keep a tax source document for at least three years after the end of the calendar year for the determination of the tax liabilities of which such document is necessary.

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 4680 of 18 December 2015 - website, 29.12.2015*

## **Article 72<sup>1</sup> – Tax document**

1. A tax document (the 'TD') shall be the document of the form determined by the Minister of Finance of Georgia, which is issued:

a) when transporting goods within the country;

b) when supplying goods;

c) when providing services.

2. When the SD is issued, no obligation of issuing a consignment note or a tax invoice (including a special tax invoice)



shall arise.

3. The SD shall be the VAT deduction document for a VAT payer.

4. If the SD is/is not issued, all the legal consequences that would follow in a respective case when a consignment note and/or a tax invoice (including a special tax invoice) was/was not issued shall follow.

5. When the procedure for issuing and submitting the SD is not complied with, the measures of liability established by the legislation of Georgia for an offence related to the procedure for issuing and submitting a consignment note or a tax invoice (including a special tax invoice), respectively.

6. The SD may be issued and submitted in an electronic form.

7. The procedure for issuing and submitting the SD shall be defined by the order of the Minister of Finance of Georgia.

*Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018*

### **Article 73 – Determining an object of taxation and tax liability in certain cases**

1. Income shall be taxed even if its legitimacy is in question.

2. Income earned or a transaction performed in violation of tax legislation shall be taxed as provided for by the tax legislation of Georgia.

3. If under a court decision, in the cases provided by the legislation of Georgia, income is subject to full collection in favour of the budget, it shall not be taxed.

4. If any amount is used for the interests of a particular person, the amount shall be deemed to have been received by that person.

5. A tax authority may determine a person's tax liabilities by using indirect methods (based on the volume of assets, operating income and costs, by comparing information on the person with any other tax period of his/her business or with the data on other taxpayers who are subject to the same taxes, as well as based on analyses of similar information):

a) if a person does not have accounting documents or an object of taxation cannot be determined based on accounting documents;

b) if there are more than one of the following conditions:

b.a) the increase in a person's assets is not supported by appropriate documents;

b.b) the costs incurred by a person for economic activity and/or personal use exceed the declared income;

b.c) in the audited period specified under the relevant act of a tax authority on the commencement of a tax audit, two or more cases of tax offences have been detected as a result of current tax control measures;

b.d) there is a substantial difference between the taxation-related data submitted/declared by a person to a tax authority and the actual data recorded as a result of current tax control measures.

6. In transactions between related parties, income and costs shall be distributed the same way as in the case of a transaction between unrelated persons.

7. When paying taxes, a person who sells goods/services primarily for cash applies the simplified rules established by the Minister of Finance of Georgia for recording revenues and costs. These rules shall not extend to the taxpayers who, for the purposes of profit and income taxes, are obliged to keep or voluntarily keep records on an accrual basis or to the person who is registered as a VAT-payer.

8. When the value of a barter transaction is understated, the tax authority shall adjust the value of an object of taxation according to market prices and take into account the sanctions for tax offence when reassessing the tax.

9. To determine tax liabilities, a tax authority has the right:

a) not to take into account business transactions of no substantial economic impact;

b) to change the classification of a business transaction based on its form and substance if the form of the transaction does not correspond with its substance.

10. A taxable transaction performed in a foreign currency shall be translated into the national currency of Georgia in the following order:

a) if there is an official exchange rate of lari defined by the National Bank of Georgia for a respective foreign currency as of the transaction day, at this rate;

b) if there is no official exchange rate of lari defined by the National Bank of Georgia for a respective foreign currency as of the transaction day, at the rate defined under the procedure determined by the Board of the National Bank of Georgia.

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

### **Chapter X – (Deleted)**

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 74 – (Deleted)**

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*



**Article 75 – (Deleted)**

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

**Article 76 – (Deleted)**

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

**Article 77 – (Deleted)**

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

**Article 78 – (Deleted)**

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

**SECTION V  
INCOME AND PROFIT TAXES**

**Chapter XI - Income Tax**

**Article 79 - Taxpayers**

An Income tax payer shall be:

- a) a resident natural person;
- b) a non-resident natural person earning income from a Georgian source.

**Article 80 – Object of taxation**

1. A resident natural person shall be taxed by income tax with respect to his/her taxable income, which is the difference between the total income earned during a calendar year and deductions under this Code for that period.
2. A non-resident natural person conducting business through a permanent establishment in Georgia shall be taxed by income tax with respect to his/her taxable income, which is the difference between the total income earned during a calendar year from a Georgian source related to the permanent establishment and deductions under this Code for that period.
3. The gross income of a non-resident natural person that is not related to his/her permanent establishment in Georgia shall be taxed under Article 134 of this Code at source without deductions, except as provided for by paragraphs 4 and 6 of this article.
4. A non-resident natural person who receives income from the sale of property shall pay income tax with respect to the gross income earned during a calendar year from a Georgian source that is reduced by the deductions related to the receipt of such income for that period.
5. The income from the sale of property provided for by paragraph 4 of this article shall be:
  - a) the surplus gained from the sale of ordinary shares of a resident legal entity or from the sale of a partner's share;
  - b) the surplus income earned from the assets referred to in Article 8(21) of this Code;
  - c) the surplus gained from the sale of the property used for the economic activity provided for in Article 104(1)(k) or (l) of this Code;
  - d) the surplus gained from the sale of other property.
6. The object of income taxation of a non-resident natural person, who receives a payment for leasing/renting of property from a person who is not a tax agent under Article 154(1) of this Code, shall be the difference between the gross income earned from a Georgian source during a calendar year and the sums of deductions related to the receipt of this income.
7. The object of income taxation of a natural person, who receives income from organising a game of chance in a systemic and electronic form, in a part of this activity, shall be the difference between the bets accepted from players on the game/games of chance and the profit paid out to the players.
8. The object of income taxation of a person participating in a game of chance and/or prize-winning game organised in a systemic and electronic form (except for a promotional draw organised in a systemic and electronic form shall be the sum withdrawn by him/her from the systemic and electronic gambling account.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

*Law of Georgia No 1191 of 22 December 2021 – website, 28.12.2021*

**Article 81 – Tax rate**

1. A natural person's taxable income shall be taxed at the rate of 20%, unless otherwise provided for by this Code.
2. As a result of renting out the residential space to an organisation, legal or a natural person for residential purposes, the income received by a natural person who makes no deductions from this income shall be taxed at the rate of 5%.
3. Surplus income gained by a natural person from the provision of a residential apartment (house) and of the land attached to it, or from the provision of a vehicle, shall be taxed at the rate of 5%.



3<sup>1</sup>. Taxable income received by a natural person from the organisation of a game of chance in the systemic and electronic form shall be taxed at 10%.

3<sup>2</sup>. The sum withdrawn by a person from the systemic and electronic gambling account provided for by Article 80(8) of this Code shall be taxed at 2%.

4. For the purposes of paragraph 3 of this article, surplus income received from the provision of assets shall be determined according to Article 82(4)(b) of this Code.

5. For the purposes of paragraph 2 of this article, the procedure for the maintenance of the register of persons renting out the residential space and for the enjoyment of tax privileges by persons renting out the residential space to legal persons shall be established by the Minister of Finance of Georgia.

*Law of Georgia No 118 of 20 December 2012 - website, 29.12.2012*

*Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*

*Law of Georgia No 4680 of 18 December 2015 - website, 29.12.2015*

*Law of Georgia No 1191 of 22 December 2021 – website, 28.12.2021*

## **Article 81<sup>1</sup> - (Deleted)**

*Law of Georgia No 118 of 20 December 2012 - website, 29.12.2012*

*Law of Georgia No 3015 of 26 December 2014 - website, 30.12.2014*

## **Article 82 – Tax exemption**

1. The following types of income of natural persons shall be exempt from income tax:

a) income of a non-resident earned while being employed at foreign diplomatic and other equivalent establishments in the territory of Georgia;

b) grant, state pension, state compensation, state academic scholarship, pension from cumulative and refundable private pension scheme in the amount of the contributions made, state scholarship, allowances or lump sum payments allocated from the budget and/or the amounts received by a natural person from budget reserve funds;

b<sup>1</sup>) benefit received from a non-entrepreneurial (non-commercial) legal person founded by the State within the scope of the charitable activities;

b<sup>2</sup>) benefit received from a charitable organisation for financing treatment and/or medical service expenses;

b<sup>3</sup>) cumulative pension in the amount of pension contributions made and respective benefits, except as provided for by Article 23(3) of the Law of Georgia on Cumulative Pension;

c) monetary and other awards to sportsmen and their coaches for winning and/or taking podium places in Olympic Games, Chess Olympiads, World and/or European Championships, European Games, World Youth Olympic Games and/or European Youth Olympic Festivals, as well as monetary and other awards to medical personnel of Georgian teams; also other cash prizes determined under an Ordinance of the Government of Georgia for sportsmen and their coaches and for medical personnel in individual Olympic and Non-Olympic games and in particular types of sports games;

d) alimony;

e) the value of property (income) received by a natural person as a result of dissolution of marriage;

f) natural person's:

f.a) surplus gained from the sale of a residential apartment (house) along with the land attached to it owned for more than two years;

f.b) surplus gained from the sale of a vehicle owned for more than six months after registration of title;

f.c) surplus gained from the supply of assets owned for more than two years, except for usage of assets by the transferor for economic activity before their supply and/or for cases under subparagraphs (f.a) and (f.b) of this paragraph.

**Note:** mere holding of securities/share for receiving a dividend/interest shall not be considered the usage of assets for economic activity for the purpose of this subparagraph. In addition, the usage of assets for economic activity shall not be taken into account if two years have passed from the moment when their usage for economic activity ended till their supply;

g) the value of property received as a gift or inherited by first and second line heirs during a fiscal year;

h) the value of property of up to GEL 1 000 received as a gift from a natural person during a tax year, except for the value of property received as a gift by an employee from the employer;

i) the value of the property of up to GEL 150 000 received as a gift or by inheritance during a tax year by third and fourth line heirs;

j) amount paid to a natural person (donor) for nutrition in compensation for blood donation;

k) taxable income earned from the primary supply of agricultural products produced in Georgia by a natural person engaged in agricultural production until 1 January 2023 if the gross income earned by the natural person from such supply during the calendar year does not exceed GEL 200 000;

l) gain arising from the receipt of property through privatisation (or free of charge) as well as from gratuitous receipt of apartments by the victims of earthquake or other natural disasters in exchange for damaged apartments in the same populated area or by eco-migrants in other populated areas;





- l<sup>1</sup>) gain arising from the acknowledgment of the property right according to the Law of Georgia on Recognition of Property Rights of the Parcels of Land Possessed (Used) by Natural Persons and Legal Entities under Private Law;
- m) compensations received within the framework of a privatisation program by a person having the status of a refugee or a humanitarian status or by an internally displaced person in exchange for a temporary residence; also, for internally displaced persons, the value of property granted to them by the State and income from the initial sale of that property;
- n) (Deleted – 14.7.2020, No 6817);
- o) (Deleted – 28.6.2019, No 4906);
- p) (Deleted – 23.12.2107, No 1935);
- q) income earned by a non-resident from a Georgian source as a result of risk insurance or reinsurance by a company, organisation and/or entrepreneur natural person;
- r) income earned by non-residents from leasing out the property that do not belong to the non-resident's permanent establishment in Georgia;
- s) interest income from government debt securities or debt securities of the National Bank of Georgia, the Legal Entity under Public Law – the Deposit Insurance Agency, and of an international financial institution. The list of international financial institutions shall be determined by an ordinance of the Government of Georgia;
- t) surplus income from the sale of government debt securities or debt securities of the National Bank of Georgia, the Legal Entity under Public Law – the Deposit Insurance Agency, and of an international financial institution and the income received from the interests accrued by funds placed in the accounts at the National Bank of Georgia. The list of international financial institutions shall be determined by an ordinance of the Government of Georgia;
- t<sup>1</sup>) income gained by a resident legal person from the supply of the equity securities issued through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia;
- t<sup>2</sup>) income gained by a resident legal person as an interest from the loan securities issued before 1 January 2023 through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia;
- t<sup>3</sup>) income gained by a resident legal person from the supply of the equity securities issued through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia;
- u) income (including gain) received by a resident natural person, which does not belong to Georgian source income;
- v) allowance paid by the employer to employees of the Ministry of Internal Affairs of Georgia, employees of the State Security Service of Georgia, or to military personnel maimed and/or incapacitated in the course of their duty; and in the event of their death – an allowance paid by the employer to their families (heirs);
- w) income received from lottery, the value of which does not exceed GEL 1 000;
- x) income earned by a partnership from the transfer of property to its member (co-owner), provided the members of the partnership are only natural persons, the composition of the members of the partnership did not change from the foundation of the partnership up to the transfer (distribution) of property and the partnership is not a VAT payer at the moment of the distribution. For the purposes of this subparagraph, the transfer of a partner's interest to his/her heir in the case of the partner's death or the sale of a partner's interest under the Law of Georgia on Enforcement Proceedings shall not be regarded as a change in the composition of the partnership;
- y) salary income earned by a non-resident natural person, if the employment is performed within the territory of Georgia for not more than 30 calendar days during a tax year and the payer of such income (salary) is a non-resident employer, except where such expenses are attributed to the expenses of the non-resident's permanent establishment, irrespective of whether such expenses are paid by such permanent establishment;
- z) surplus received from the transfer of real estate to a partner natural person in exchange for his/her share in the enterprise by way of liquidation or capital reduction of such company, if more than two years have elapsed from the creation of the natural person's title to that share of the enterprise;
- z<sup>1</sup>) salary paid by a person engaged in agricultural production before 1 January 2023 within the scope of that activity, if the employer's gross income received from that activity does not exceed GEL 200 000;
- z<sup>2</sup>) income earned by persons organising gambling clubs, slot machine saloons, or betting houses (other than the income earned from organising gambling in a systemic-electronic form) from such business;
- z<sup>3</sup>) the value of property received free of charge from a charitable organisation by a person duly registered in the unified database of socially vulnerable persons (who receives subsistence allowance that can be evidenced by the relevant documents), by a person maimed in the fight for the territorial integrity of Georgia, as well as by a family member of a person killed in the fight for the territorial integrity of Georgia;
- z<sup>4</sup>) gain derived from the transfer of immovable property by an administrative authority (employer) to a staff member (employee) for consideration or free of charge;
- z<sup>4</sup><sup>1</sup>) gain derived from a gratuitous transfer by an administrative authority to an employee of fuel intended for a vehicle which is in the employee's personal possession in the course of his/her official duty;
- z<sup>5</sup>) compensation payable to a person for the provision of services of the surety specified in Article 249 of this Code, of the surety specified in the Civil Code of Georgia, or easement services free of charge, and the gain received by recipients of those gratuitous services;



z<sup>6</sup>) gain derived by a hotel room owner from gratuitous hotel services (hotel accommodation) provided to him/her for maximum 60 days during a calendar year by a tourist enterprise and/or by the person(s) hired under an agreement by the tourist enterprise for the functioning/operation of the hotel;

z<sup>7</sup>) income received by a notary in the form of a financial aid from the LEPL Notary Chamber of Georgia under the Law of Georgia on Notaries in a high-mountain settlement or in a settlement where notary services were not duly available at the moment of the appointment of a notary.

z<sup>8</sup>) income earned by a person under the bankruptcy regime after commencement of the bankruptcy regime under the procedure established by the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors;

z<sup>8a</sup>) income earned by a natural person as a result of being employed by a person under the bankruptcy regime;

z<sup>8b</sup>) compensation for the property confiscated under Article 19 of the Constitution of Georgia;

z<sup>8c</sup>) income earned from the activity carried out within the status of a high-mountain settlement enterprise by an individual entrepreneur who enjoys the status of a high-mountain settlement enterprise – for 10 calendar years after the granting of the relevant status (including the calendar year in which the status was granted);

z<sup>8d</sup>) income earned from supplying the surplus energy produced by a retail consumer, an owner of a micro power plant to a distribution licensee;

z<sup>8e</sup>) income earned by a person having the status of a special enterprise from an activity under Article 24<sup>2</sup>(2)(a) and (b) of this Code.

**Note:** a tax privilege under t<sup>1</sup>–t<sup>3</sup> of this paragraph shall also apply when the loan/equity securities are allowed for trading on an organised market before its recognition by the National Bank of Georgia. In addition, the privilege shall be effective from the date of recognition of the organised market by the National Bank of Georgia.

2. Income tax shall not be levied on:

a) taxable income up to GEL 3 000 earned by the following natural persons during a calendar year:

a.a) citizens of Georgia who are veterans of World War II, veterans of military operations for the territorial integrity, freedom and independence of Georgia, and veterans of military operations in the territory of other states;

a.b) a person awarded with an honorary title of ‘Kartvli Deda’ (Mother of Georgia);

a.c) a single mother;

a.d) a person who has adopted a child (for one year from adoption);

a.e) a person has taken a child under foster care;

a.f) the taxable salary income received from a budgetary organisation in a high-mountain settlement during a calendar year by a person with three or more children (having three or more than three dependent children under age 18) who resides permanently in a settlement. Income tax on the taxable salary income of up to GEL 3 000 received from a budgetary organisation in a high-mountain settlement during a calendar year by a person with one or two children (having one or two dependent children under age 18) who resides permanently in a settlement shall be reduced by 50%.

b) the taxable income of up to GEL 6 000 earned during a calendar year by a person with a disability from childhood, as well as by a person with severe and persistent disabilities;

b<sup>1</sup>) a taxable income of up to GEL 6 000 earned during a calendar year by a person who received serious damage to health during the participation in international peacekeeping operations for the maintenance and restoration of peace and security or in other peacekeeping activities in accordance with the Law of Georgia on the Participation of the Defence Forces of Georgia in Peacekeeping Operations;

c) taxable income of up to GEL 6 000 earned by a person with the status of a person permanently residing in a high-mountain settlement from an activity in a high-mountain settlement during a calendar year, except for the salary income received from a budgetary organisation, and a medical institution established by the state or a municipality.

3. If in the cases provided for in the second paragraph of this article an income tax payer becomes eligible to more than one tax privileges, he/she shall use the highest of the tax privileges.

4. For the purposes of this article:

a) The two-year term of owning an asset shall commence:

a.a) from the date of the preparation of a certificate of title for the purpose of registration with the registration authority; if an asset that is registered with the registration authority as a single property in terms of its title deed is divided, the two-year period of ownership of the received asset shall be calculated from the date of ownership of the asset before its division.

a.b) if a title is not registered with the registration authority – from the moment of creation of the title;

a<sup>1</sup>) For the purposes of having assets in ownership for a 2-year term, a total term of ownership of a natural person and of a testator/donor, whose first line heir is this natural person, shall be taken into account;

a<sup>2</sup>) the moment of supplying, including of selling assets, shall be deemed the date of preparation of the document on the basis of which the registration of transfer of the right of ownership to another person has been carried out with a registration authority; and if the registration of the right of ownership is not carried out with a registration authority, then the moment of transferring the right of ownership;

b) ‘surplus gained from the sale’ of an asset shall be calculated as:



- b.a) the difference between the supply price of the asset and its purchase price at the moment of the creation of title to it;
- b.b) the difference between the supply price of an asset and its market price at the moment of gratuitous receipt, provided the title to the asset has been received free of charge.
- c) when receiving property as a gift and/or by will the following persons shall be deemed as first, second, third and fourth line heirs:
  - c.a) first line heirs – spouse, child, adopted child, grandchild, great grandchild and his/her child, parent, adoptive parent;
  - c.b) second line heirs – sister, brother, niece/nephew and their children;
  - c.c) third line heirs – grandmother and grandfather, parents of grandmother and parents of grandfather both maternal and paternal;
  - c.d) fourth line heirs – uncle (mother’s brother and father’s brother), aunt.

5. In the cases provided in the second paragraph of this article, in order to apply tax privileges to the income received from a payment source according to the tax year, the employee shall submit, in the manner prescribed by the Minister of Finance of Georgia, to the employer a certificate issued by a tax authority evidencing his/her right to tax privileges. If the person has more than one working place, the payment source, in respect of which tax privilege is to apply, shall be determined by the employee.

*Law of Georgia No 3882 of 7 December 2010 - LHG III, No 72, 22.12.2010, Art. 428*

*Law of Georgia No 4114 of 17 December 2010 - LHG III, No 76, 29.12.2010, Art. 506*

*Law of Georgia No 4935 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 5371 of 6 December 2011 - website, 20.12.2011*

*Law of Georgia No 5452 of 9 December 2011 - website, 22.12.2011*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 5791 of 13 March 2012 - website, 23.3.2012*

*Law of Georgia No 6053 of 24 April 2012 - website, 27.4.2012*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 6395 of 5 June 2012 - website, 19.6.2012*

*Law of Georgia No 6446 of 12 June 2012 - website, 25.6.2012*

*Law of Georgia No 6502 of 19 June 2012 - website, 2.7.2012*

*Law of Georgia No 906 of 30 July 2013 - website, 20.8.2013*

*Law of Georgia No 1046 of 6 September 2013 - website, 23.9.2013*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 2950 of 12 December 2014 - website, 23.12.2014*

*Law of Georgia No 2946 of 12 December 2014 - website, 24.12.2014*

*Law of Georgia No 3942 of 8 July 2015 - website, 15.7.2015*

*Law of Georgia No 4037 of 16 July 2015 - website, 28.7.2015*

*Law of Georgia No 4611 of 10 December 2015 - website, 22.12.2015*

*Law of Georgia No 4647 of 16 December 2015 - website, 25.12.2015*

*Law of Georgia No 4611 of 10 December 2015 - website, 22.12.2015*

*Law of Georgia No 4647 of 16 December 2015 - website, 25.12.2015*

*Law of Georgia No 4680 of 18 December 2015 - website, 29.12.2015*

*Law of Georgia No 4842 of 4 March 2016 - website, 9.3.2016*

*Law of Georgia No 5491 of 22 June 2016 - website, 29.6.2016*

*Law of Georgia No 97 of 16 December 2016 - website, 23.12.2016*

*Law of Georgia No 854 of 17 May 2017 – website, 2.6.2017*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

*Law of Georgia No 2476 of 6 June 2018 – website, 21.6.2018*

*Law of Georgia No 1607 of 27 June 2018 – website, 6.7.2018*

*Law of Georgia No 3308 of 21 July 2018 – website, 6.8.2018*

*Law of Georgia No 3383 of 5 September 2018 – website, 24.9.2018*

*Law of Georgia No 3440 of 20 September 2018 – website, 5.10.2018*

*Law of Georgia No 3600 of 31 October 2018 – website, 21.11.2018*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

*Law of Georgia No 6942 of 15 July 2020 – website, 28.7.2020*

*Law of Georgia No 7169 of 18 September 2020 – website, 25.9.2020*

## **Chapter XII - Special Tax Treatments**

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*



### **Article 83 - Special tax treatments**

Special tax treatments shall apply to:

- a) natural persons having the status of a micro business;
- b) entrepreneur natural persons having the status of a small business;
- c) persons having the status of a fixed tax payer.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

### **Article 84 - Micro business**

1. The status of a micro business may be granted to a natural person who does not use the hired labour and conducts economic activity independently, the gross receivable income from which during a calendar year does not exceed GEL 30 000.
2. The GEL 30 000 limit set by the first paragraph of this article does not apply to the types of activities identified by the Government of Georgia in agreement with the Financial-Budget Committee of the Parliament of Georgia.
3. In agreement with the Financial-Budget Committee of the Parliament of Georgia, the Government of Georgia may prohibit the conduct of certain activities, for which the status of micro business cannot be granted to a natural person.
4. In agreement with the Financial-Budget Committee of the Parliament of Georgia, the Government of Georgia may determine the types of income not taxable under special tax treatment and for the purposes of the first paragraph of this article shall not be included in gross income.
5. The status of a micro business is granted, revoked and the certificate of a micro business is issued as prescribed by the Minister of Finance of Georgia.

### **Article 85 – Granting the status of a micro business**

1. A natural person who meets the conditions set out in Article 84 of this Code may apply to a tax authority for the status of a micro business. The tax authority shall issue a certificate of a micro business.
2. The status of a micro business in the current fiscal year shall be revoked if:
  - a) a natural person has applied to a tax authority for revocation of the status of a micro business or for receiving the status of a small business;
  - b) after the inventory conducted by a tax authority it has been established that the inventory balance of a natural person having the status of a micro business exceeds GEL 45 000.
  - c) a natural person has been registered as a VAT payer.
3. If a person having the status of a micro business does not apply to a tax authority for the status of a small business within 15 days after violating the requirement (limit on the amount of gross income) of Article 84(1) of this Code, his/her status of a micro business shall be revoked and shall be removed from special tax treatment.
4. If a natural person does not comply with the requirement of Article 84(3) of this Code, a tax authority shall revoke his/her status of a micro business and remove him/her from special tax treatment.
5. If the status of micro business of a natural person is revoked, the income of the natural person at that moment shall be taxed:
  - a) at the moment of receiving the status of small business – in accordance with the procedure established for micro business;
  - b) in other cases – in accordance with Articles 79-82 of this Code.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 86 - Exemption of a micro business from tax**

A natural person having the status of a micro business shall not pay income tax.

### **Article 87 - Obligations of a micro business**

1. When drawing up a tax source document, a person having the status of a micro business shall indicate his/her status and status certificate number in the document.
2. A person having the status of a micro business shall keep the tax source document issued by or to him/her.

### **Article 88 - Small business**

1. The status of a small business may be granted to an entrepreneur natural person.
2. In agreement with the Financial-Budget Committee of the Parliament of Georgia, the Government of Georgia may prohibit the conduct of a certain activity for which the status of a small business cannot be granted to a natural person.
3. In agreement with the Financial-Budget Committee of the Parliament of Georgia, the Government of Georgia may determine the types of income that will not be taxed under the special tax treatment and will not be included in the gross income when calculating the GEL 50 000-limit of the gross income received during a calendar year determined for a natural person having the status of a small business.



### **Article 89 – Granting the status of small business**

1. An entrepreneur natural person who meets the conditions set out in Article 88 of this Code may apply to a tax authority for a status of a small business. The tax authority shall grant a certificate of small business.
2. The status of small business shall be revoked if:
  - a) the gross income received from the economic activities of a person according to two calendar years has exceeded GEL 500 000 in each calendar year;
  - b) a person has applied to a tax authority with this request before the end of the calendar year;
  - c) a person conducts an activity under Article 88(2) of this Code;
  - d) a person has been fined at least three times within a calendar year for failing to comply with the cash register usage procedures;
  - e) a person has failed to meet the requirement provided for by Article 88(1) of this Code.
3. In the case under paragraph 2(a) or (b) of this article, the status of a small business shall be considered revoked from the beginning of the year following the calendar year.
4. If the status of a small business is revoked on the ground under paragraph 2(c or d) of this article, the status of a small business shall be considered revoked from the beginning of the calendar year.
5. Where so provided for by paragraph 2(e) of this article, the status of small business shall be considered revoked from the date when an appropriate ground for this originated.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 90 – Taxable income of small business and tax rates**

1. Taxable income of a person having the status of a small business shall be taxed at 1%, except as provided for paragraph 2 of this article.
2. Taxable income of a person having the status of a small business shall be taxed at 3% if his/her gross income received from the economic activities has exceeded GEL 500 000. A person having the status of a small business shall be taxed at the rate determined under this paragraph from the beginning of a respective month (a month when the excess of the GEL 500 000-limit of the gross income has been recorded) until the end of the calendar year.
3. Taxable income of a small business consists of the incomes earned from a Georgian-based source, except for the salary income and the income earned from a type of income defined in Article 88(3) of this Code.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018*

### **Article 91 - Principles of accounting for small business income and costs**

1. A person having the status of a small business shall maintain a special book of records. The procedure for maintaining the book (including in an electronic form) shall be defined by the order of the Minister of Finance of Georgia.
2. (Deleted – 30.5.2018, No 2391 ).
3. An entrepreneur natural person having the status of a small business shall keep a tax source document issued to or by him/her.
4. (Deleted – 30.5.2018, No 2391 ).
5. The loss incurred by a small business during a tax year shall not be carried forward to the next year, unless the taxpayer is removed from special tax treatment.
6. The procedure for recording the inventory balance available when the status of a small business is revoked for an entrepreneur natural person having the status of a small business shall be defined by the order of the Minister of Finance of Georgia.
7. (Deleted – 30.5.2018, No 2391 ).

*Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018*

### **Article 92 – Registration of a small business as a VAT payer**

1. An entrepreneur natural person having the status of small business, who has become obligated to obtain mandatory registration as a VAT payer, shall pass the registration under Article 165 of this Code.
2. When an entrepreneur natural person having the status of a small business becomes liable for mandatory registration as a VAT payer, he/she shall record the inventory balance available at that moment.
3. Upon registration as a VAT payer, an entrepreneur natural person having the status of a small business may obtain a VAT deduction for the inventory balance referred to in the second paragraph of this article as provided for by this Code, provided relevant documents are available.

*Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*



### **Article 93 – Filing micro and small business tax returns**

1. Except as provided for by Article 26 of this article, before 1 April of the year following a tax year, tax returns shall be filed with a tax authority according to the place of tax registration by:

- a) a natural person having the status of micro business;
- b) (Deleted – 30.5.2018, No 2391 ).

1<sup>1</sup>. A tax return of a person having the status of small business shall be filed with, and a tax shall be paid to a tax authority not later than the 15<sup>th</sup> day of a month following the accounting month.

2. A person having the status of micro business shall file a tax return with a tax authority within 30 business days after he/she terminates his/her economic activities in Georgia.

3. (Deleted – 20.12.2011, No 5556).

4. Tax return filing procedures for persons having the status of micro or small business shall be prescribed by order of the Minister of Finance of Georgia.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 94 - Current taxes of small and micro businesses and procedure for withholding at source**

1. A natural person having the status of a micro business and a natural person having the status of a small business shall not pay current taxes.

2. An entrepreneur natural person having the status of a small business shall pay current taxes to the budget according to the annual tax paid during the previous tax year in the following amounts:

- a) by not later than 15 May – 25%;
- b) by not later than 15 July – 25%;
- c) by not later than 15 September – 25%;
- d) by not later than 15 December – 25%.

3. A natural person having the status of micro business shall not withhold tax at source if paying for the services received.

4. A salary of up to GEL 6 000 paid in total during a calendar year by a person having the status of a small business to hired persons shall not be taxed at source if there is one of the following conditions:

- a) he/she is registered as an individual entrepreneur and is granted the status of a small business within the same calendar year;
- b) the gross income he/she received during the previous calendar year does not exceed GEL 50 000.

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018*

### **Article 95 - Tax control over small and micro businesses**

1. Tax authorities may conduct the following current tax control measures with respect to persons having the status of small and micro businesses:

- a) test purchase of goods/services;
- b) visual inspection;
- c) checking the observance of rules for the use of cash registers;
- d) time study;
- e) stocktaking.

2. A tax authority may determine the income of a person having the status of micro business by indirect methods in accordance with the procedures established by the Minister of Finance of Georgia.

### **Article 95<sup>1</sup> - Flat tax payers**

A fixed tax payer may be a person who is not a VAT payer and who conducts one or more activities subject to a fixed tax.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

### **Article 95<sup>2</sup> - Activities taxable with flat tax**

The types of activities subject to a flat tax and in the case of the activities taxable at the rate specified in Article 95<sup>3</sup>(1)(a) of this Code, the activity taxable with a flat tax according to the types of activity shall be determined by the Government of Georgia.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

### **Article 95<sup>3</sup> – Flat tax rate**

1. A flat tax rate according to the types of activity determined by the Government of Georgia may be:

- a) from GEL 1 to GEL 2 000 for an object of taxation;



b) 3% of the revenues from taxable activity.

2. In the cases provided in paragraph 1(a) of this Article, a flat tax rate according to types of activity shall be determined by the Government of Georgia to the extent of the amount determined by that subparagraph. At the same time, the Government of Georgia may determine different flat tax rates according to the municipalities for the same types of activities taxable at a flat tax rate.

3. In the case provided for in paragraph 1(b) of this article conditions and types of taxable activities according to the place of business shall be determined by the Government of Georgia.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 4680 of 18 December 2015 - website, 29.12.2015*

*Law of Georgia No 6942 of 15 July 2020 – website, 28.7.2020*

#### **Article 95<sup>4</sup> - Granting the status of a flat tax payer**

1. A person who meets the requirements of Article 95<sup>1</sup> of this Code may apply to a tax authority for the status of a flat tax payer and move to a flat tax regime, for which a certificate of a flat tax payer is issued.

2. A person may move to a flat tax regime in any month of the reporting year. At the same time, a person shall be deemed to have the status of a flat tax payer and, accordingly, to be a flat tax payer from the first day of the month following the month in which the person is granted the status of a flat tax payer.

3. The procedures for granting and revoking a flat tax payer status and issuing a flat tax payer certificate shall be determined by order of the Minister of Finance of Georgia.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

#### **Article 95<sup>5</sup> - Conditions of flat rate taxation**

1. In addition to the activity taxable by a flat tax, a flat tax payer may conduct only activities permitted by the Government of Georgia.

2. Income earned from an additional activity referred to in the first paragraph of this article shall be taxed according to regular procedures.

3. Income earned from the activity taxable by a flat tax shall not be included in the gross income of a flat tax payer and shall not be subject to subsequent taxation.

4. A flat tax payer shall not pay current taxes according to a flat tax.

5. When preparing tax source documents, a flat tax payer shall indicate a flat tax payer status and a flat tax payer certificate number.

6. A flat tax payer shall retain the tax source document issued to or by him/her.

7. The procedure for payment and reporting of flat tax shall be determined by order of the Minister of Finance of Georgia.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

#### **Article 95<sup>6</sup> - Revoking a flat tax payer status**

1. A flat tax payer status shall be revoked if:

a) a person ceases the activity taxable by a flat tax;

b) a person applies to a tax authority for revocation of a flat tax payer status;

c) a person conducts activities different from the additional activities permitted by the Government of Georgia for a flat tax payer;

d) a person becomes liable to become registered as a VAT payer in respect of the additional activity permitted by the Government of Georgia for flat tax payers, or voluntarily becomes registered as a VAT payer.

2. If one of the conditions for revocation of the status of a flat tax payer occurs (except for paragraph 1(b) of this article), a person shall apply to a tax authority for revocation of a flat tax payer status not later than 10 business days after the condition occurs.

3. The status of a flat tax payer shall be deemed revoked from the day when the condition for revocation of the status of a flat tax payer specified in the first paragraph of this article occurs.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

### **Chapter XIII - Profit Tax**

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

#### **Article 96 – Profit tax payers**

Profit tax payers shall be:

a) resident enterprises;

b) non-resident enterprises that conduct business in Georgia through a permanent establishment and/or earns income



## **Article 97 – Object of profit taxation**

1. The object of profit taxation of a resident enterprise (except as provided for by paragraphs 2 and 8-9<sup>1</sup> of this article) shall be:
  - a) the distributed profit;
  - b) the expenses borne or other payments not related to the economic activity;
  - c) free delivery of goods/services and/or transfer of funds;
  - d) the representation expenses paid in excess of the limited amount determined by this Code.
2. The object of profit taxation of an organisation conducting economic activities shall be:
  - a) the costs incurred, or other payments not connected with economic activities and/or which are not related to the objective of the organisation's activities (including those not connected with charity activities or not related to the objective of a grant agreement);
  - b) the free supply of goods/provision of services, and/or transfer of financial resources if it is not related to the objective of the organisation's activities;
  - c) the entertainment costs paid in excess of the limited amount determined under this Code.
3. The object of profit taxation of a non-resident enterprise conducting business in Georgia through a permanent establishment shall be, on the basis of the activity of its permanent establishment, disbursements made/expenses paid by the non-resident enterprise, or the permanent establishment as provided for under paragraph 1 of this article.
4. Income earned by a non-resident enterprise from a Georgian source, which does not belong to its permanent establishment, shall be taxed at the source without deductions in accordance with Article 134 of this Code, except as provided for in paragraphs 5, 6 and 11 of this article.
5. The object of profit taxation of a non-resident enterprise earning income from the sale of property under paragraph 6 of this article, which is not related to the activity of its permanent establishment in Georgia, shall be the difference between the gross income earned from a Georgian source during a calendar year and the deduction amounts with respect to earning of the income.
6. Income earned from the sale of property under paragraph 5 of this article shall be:
  - a) income gained from the sale of ordinary shares or partner's equity of a resident legal entity;
  - b) income gained from the sale of assets under Article 8(21) of this Code;
  - c) income gained from the sale of property under Article 104(1)(j) or (k) of this Code;
  - d) income gained from the sale of other property.
7. If payments/disbursements under Articles 98<sup>1</sup> – 98<sup>4</sup> of this Code are made in a non-monetary form, the object of profit taxation shall be determined by the market price of the goods supplied/services delivered, and if the market price of the goods supplied/services delivered includes the value-added tax, the object of profit taxation shall be determined by the market price, without the value-added tax.
8. The difference between the gross income gained during a calendar year and the amounts of the deductions provided for by this Code shall be the object of profit taxation for:
  - a) a person that gains profit as a result of oil and gas operations based on the “existing agreements” defined by the Law of Georgia on Oil and Gas, in a part of this profit;
  - b) a party to the Main Export Pipeline project as defined by the Agreement Among Georgia, the Azerbaijan Republic and the Republic of Turkey Relating to the Transportation of Petroleum Via the Territories of the Azerbaijan Republic, Georgia and the Republic of Turkey Through the Baku-Tbilisi-Ceyhan Main Export Pipeline, in a part of the profit gained within this project;
  - c) a party to the South Caucasus Pipeline project defined by the Agreement between Georgia and the Azerbaijan Republic Relating to the Transit, Transportation and Sale of Natural Gas in and beyond the Territories of Georgia and the Azerbaijan Republic Through the South Caucasus Pipeline System, in a part of the profit gained within this project.
9. The object of profit taxation of a person, in case of organising a betting house in a systemic and electronic form, with regard to this activity shall be determined under Article 309(16) of this Code.
- 9<sup>1</sup>. The object of profit taxation of a person, in the case of organisation of a game of chance in a systemic and electronic form, in a part of this activity, shall be the difference between the bets accepted from players and the profit paid out to the players.
- 9<sup>2</sup>. In cases provided for by paragraphs 9 and 9<sup>1</sup> of this article, for identification of the amount of profit received from the activities provided for by the same paragraphs, it shall be deemed that, during distribution of dividends by a person, this amount is paid out in the first place.
10. For the purposes of paragraphs 1–3 of this article, the amount subject to profit taxation shall be calculated by dividing the sum of a disbursement made/expense paid according to the object of taxation determined under the same paragraphs by 0.85.
11. The object of profit taxation of a non-resident enterprise, which receives a payment for leasing/renting of property





from a person who is not a tax agent under Article 154(1) of this Code, shall be the difference between the gross income earned from a Georgian source during a calendar year and the sums of deductions related to the receipt of this income.

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

*Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

*Law of Georgia No 1191 of 22 December 2021 – website, 28.12.2021*

## **Article 98 – Tax rate**

1. The profit tax rate shall be 15%, except as provided for in paragraphs 2 and 3 of this article.

2. Profit gained from oil and gas operations as a result of implementation of the “existing agreements” defined under the Law of Georgia on Oil and Gas shall be taxed at the rate of 10%, provided these agreements were signed before 1 January 1998.

3. The taxable profit received by a person from the organisation of a game of chance in a systemic and electronic form shall be taxed at the rate of 10%.

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 1191 of 22 December 2021 – website, 28.12.2021*

## **Article 98<sup>1</sup> – Distributed profit**

1. Distributed profit shall be a profit distributed by an enterprise to its partner as a dividend in a monetary or non-monetary form.

2. The following shall not be deemed as distributed profit:

a) a payment/disbursement made in cash or in kind at the time of liquidation of an enterprise or at the time of buying out a share/interest, which does not exceed the amount of contribution made by a partner to the capital (outstanding and additional paid-in capital). Increase of the capital of an enterprise as a result of an operation conducted under sub-paragraph b) of this paragraph for the purposes of this sub-paragraph shall not be considered a contribution made by a partner to the capital (outstanding and additional paid-in capital);

b) a payment made to a partner of an enterprise by transferring a share/interest of the enterprise into ownership, except for transferring by a resident legal person the equity securities issued through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia;

c) distribution of dividends to persons provided for by Article 2(3) of the Law of Georgia on Entrepreneurs (except for an individual enterprise and a person exempted from profit tax under this Code);

d) transfer of assets to the state and/or a municipality by an enterprise through capital reduction if more than 50% of shares/interest of the enterprise is in the ownership of the state and/or the municipality;

e) distribution by an enterprise of a dividend received from a foreign enterprise (except for a person registered in a country with preferential tax treatment);

f) further distribution of the received dividend by a person provided for by Article 21(1)(b) of the Tax Code of Georgia (except for a permanent establishment of a foreign enterprise), who has moved the place of management to Georgia.

3. For the purposes of this article, distributed profit of a permanent establishment of a non-resident enterprise shall be deemed a disbursement made to the non-resident enterprise in cash or in kind out of the profit gained as a result of the activity of the permanent establishment (taking away by the non-resident enterprise of the profit allotted to its permanent establishment). A permanent establishment shall be allotted a profit it might have gained as an independent enterprise conducting the same or similar activity and being in the same or similar conditions.

4. The following shall be deemed as distribution of profit:

a) any operation performed by an enterprise with a related party (who is not subject to profit tax according to objects of taxation under Article 97(1, 3)) if the price of a transaction concluded between them is different from its market price and their relation affects the outcome of the transaction. In such a case the amount of distributed profit shall be:

a.a) the difference between the market price of a transaction and the income gained/to be gained if the market price of the transaction exceeds the income gained/to be gained;

a.b) the difference between the costs incurred as a result of a transaction and the market price of the transaction if the costs incurred as a result of the transaction exceeds the market price of the transaction;

b) conduct of a controlled transaction if the established conditions for the transaction fail to satisfy the market principle. In such a case, the amount of distributed profit shall be determined by the adjustment amount calculated under the procedure established by Chapter XVII of this Code;

c) any operation performed by an enterprise with a person exempt from income tax/profit tax (except for a budget organisation, the Legal Entity under Public Law – the Deposit Insurance Agency and the National Bank of Georgia) if the price of a transaction concluded between them is different from its market price. In such a case the amount of distributed profit shall be:

c.a) the difference between the market price of a transaction and the income gained/to be gained if the market price of



the transaction exceeds the income gained/to be gained;

c.b) the difference between the costs incurred as a result of a transaction and the market price of the transaction if the costs incurred as a result of the transaction exceeds the market price of the transaction.

5. For the identification of the amount under paragraph 2(e) of this article it shall be deemed that this amount is to be paid first when a dividend is distributed by an enterprise.

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 854 of 17 May 2017 – website, 2.6.2017*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

*Law of Georgia No 884 of 2 August 2021 – website, 4.8.2021*

## **Article 98<sup>2</sup> – Costs incurred or other payments not related to economic activity**

1. For the purposes of this article, costs not related to economic activity shall be:
  - a) costs that are not documented if this obligation is established under this Code;
  - b) costs the purpose of payment of which is not to gain profit, income or compensation;
  - c) costs paid for goods/services purchased from a natural person having the status of a micro business, except when the income gained from the delivery of goods/services by a person having this status is taxed under the general rule, or when a consignment note/a document of a form determined by the Minister of Finance of Georgia is issued upon the supply/purchase of goods;
  - d) costs paid for goods/services purchased from a person having the status of a fixed taxpayer within the scope of an activity taxed at a fixed rate (except for an activity to be taxed at a fixed rate under Article 95<sup>3</sup>(1)(b) of this Code);
  - e) the interest paid for a credit (loan) above the annual interest rate established by the Minister of Finance of Georgia;
  - f) costs paid by a person (except for a special trade company) for purchasing foreign goods from a special trade company in the amount exceeding the customs value of the goods, except for the costs not related to payments to the special trade company.
2. Costs paid in order to make disbursements provided for in Articles 98<sup>1</sup> and 98<sup>3</sup> of this Code (including a disbursement not subject to profit tax), as well as a disbursement taxed at source shall not be included in the costs under paragraph 1 of this article.
3. The following shall be subject to profit taxation:
  - a) payments made to purchase debt securities issued by a person registered in a country with preferential tax treatment, as well as by a person exempt from profit tax under this Code (except for a budget organisation, the Legal Entity under Public Law – the Deposit Insurance Agency and the National Bank of Georgia);
  - b) contractual penalties and/or other fines paid to a person registered in a country with preferential tax treatment, as well as to a person exempt from profit tax under this Code (except for a budget organisation, the Legal Entity under Public Law – the Deposit Insurance Agency and the National Bank of Georgia), which were incurred on the basis of contractual relations;
  - c) advance payments to a person registered in a country with preferential tax treatment, as well as to a person exempt from profit tax under this Code (except for a budget organisation, the Legal Entity under Public Law – the Deposit Insurance Agency and the National Bank of Georgia);
  - d) granting of a loan to a person registered in a country with preferential tax treatment, as well as to a person exempt from profit tax under this Code (except for the Legal Entity under Public Law – the Deposit Insurance Agency and the National Bank of Georgia) and/or payments made to purchase a claim against that person. This subparagraph shall not apply to transactions conducted by a commercial bank, credit union, microfinance organisation and loan provider with a person exempt from profit tax under this Code;
  - e) loss incurred due to the transfer of the right to claim to and/or the denial of the right to claim for a person registered in a country with preferential tax treatment, as well as a person exempt from profit tax under this Code (except for the Legal Entity under Public Law – the Deposit Insurance Agency and the National Bank of Georgia);
  - f) a contribution made to the capital of a non-resident, as well as of a person exempt from profit tax under this Code, and/or a payment made to purchase a share/equity (except for a share/equity placed on a foreign recognised stock exchange);
  - g) granting of a loan to a natural person or a non-resident (except for the purchase of loan securities placed on a foreign recognised stock exchange). This subparagraph shall not apply to transactions conducted by a commercial bank, credit union, microfinance organisation and a loan provider;
  - g<sup>1</sup>) securing of a loan obtained by a partner natural person or a partner non-resident from a third person with the funds deposited to a bank account. In such a case, the sum of an object of profit taxation shall be the amount of funds deposited to the bank account for securing the loan. This sub-paragraph shall not apply to operations conducted by a commercial bank, credit union, microfinance organisation and a loan provider;
  - h) granting of a loan by a commercial bank, credit union, microfinance organisation or a loan provider to a non-resident



partner, a partner exempt from profit tax under this Code or a partner natural person with at least 1 % of the capital participation, and/or securing of a loan taken out by a partner from a third party with the funds deposited to a bank account. In such a case, the sum of an object of profit taxation shall be the amount of funds deposited to the bank account for securing the loan.

4. Expenses related to the placement of shares and/or Global Depositary Receipts at stock exchange (including at the stock exchange recognised by a foreign country), and to the issuing of such shares and/or Global Depositary Receipts, as well as expenses related to changes made in the listing category/regime shall be considered as the expenses related to economic activity.

5. A country shall be considered as having preferential tax treatment if under the tax legislation of the country and/or separate territories of the country:

a) a legal person is exempt from profit tax;

b) no profit tax is imposed on profit gained and/or distributed by a legal person, or the profit tax rate does not exceed 1/3 of the profit tax rate existing in Georgia.

6. if, under the tax legislation of a foreign country or separate territories of a foreign country, either of the cases under paragraph 5 of this article takes place in relation to a legal person, this country and/or separate territories of the country shall, in this regard, be considered as a country with preferential tax treatment.

7. If payment was effected (a sum was actually received) as a result of providing debt securities purchased or the right to participate in the capital (shares/interest), or satisfying a demand, a person may set off and recover under the procedure established by this Code a sum of the previously paid profit tax in the amount of a profit tax calculated according to the sum paid within the accounting period of the actual receipt of the sum.

8. If a loan granted/advance payment was repaid, or goods/services were received in return for the advance payment, a person may set off and recover under the procedure established by this Code a sum of the previously paid profit tax in the amount of a profit tax calculated according to the sum repaid within the accounting period for repayment of the loan/advance payment or actual receipt of the goods/services, or according to the amount of compensation for the goods/services received.

9. If securing of a loan by the funds deposited to a bank account is cancelled, a person may set off and recover under the procedure established by this Code a sum of the previously paid profit tax in the amount of a profit tax calculated according to the security with the funds deposited to the bank account cancelled during the accounting period of cancellation of the security.

10. The list of countries and/or separate territories of countries that are considered as countries with preferential tax treatment for the purposes of this Code shall be compiled based on the criteria under paragraphs 5 and 6 of this article by ordinance of the Government of Georgia.

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 854 of 17 May 2017 – website, 2.6.2017*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018*

*Law of Georgia No 4225 of 27 December 2018 – website, 31.12.2018*

### **Article 98<sup>3</sup> – Free delivery of goods/services and/or transfer of funds**

1. For the purposes of this article, delivery of goods or services not intended to gain profit, income or compensation shall be considered free delivery.

2. Shortage in the inventory and/or assets provided for under this Code at the moment of its identification shall be considered as free delivery of the good.

3. The following cases of free delivery of goods/services and/or transfer of funds shall not be subject to profit taxation:

a) a donation made to a charity organisation during a calendar year not exceeding 10 % of the net profit gained by the organisation during a previous calendar year;

b) free delivery of goods, provision of services, or transfer of funds that are taxed at source under Article 154 of this Code;

c) free provision of hotel services (hotel accommodation) for not more than 60 days during a calendar year to a hotel room owner by a tour company and/or a person/persons invited by a tour company under a contract for running/operating the hotel;

d) free delivery of goods, provision of services, and/or transfer of funds to the state, a municipality or a legal entity under public law;

e) free provision of immovable property to a charitable organisation if the property recipient organisation does charitable work in relation to persons with disabilities from childhood and/or persons with severe and persistent disabilities for at least three previous calendar years;

f) free provision of a surety under Article 249 of this Code, a surety under the Civil Code of Georgia, and an easement;

g) free delivery of goods, provision of services, and/or transfer of funds to a person who is subject to profit taxation according to the objects of taxation under Article 97(1) and (3) of this Code.

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*



## **Article 98<sup>4</sup> – Taxation of entertainment expenses**

1. For the purposes of this article, entertainment expenses shall be defined under Article 8(33) of this Code.
2. For the purposes of Article 97 of this Code, the amount of entertainment expenses to be incurred during a calendar year shall be limited to 1 % of the income gained during a previous calendar year, and to 1 % of the expenses incurred if the expenses exceed the income gained.
3. The amount of entertainment expenses incurred during the calendar year of an enterprise establishment shall be limited to 1 % of the expenses incurred before the end of the current calendar year.

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

## **Article 99 – Tax exemption**

1. The following shall be exempt from profit tax:

- a) (Deleted – 30.5.2018, No 2391);
- b) (Deleted – 30.5.2018, No 2391);
- c) (Deleted – 30.5.2018, No 2391);
- c<sup>1</sup>) (Deleted – 30.5.2018, No 2391);
- d) profit from the sale of crosses, candles, icons, books and calendars used by the Patriarchate of Georgia for religious purposes;
- e) profit earned by a person engaged in agricultural production from the primary supply of agricultural products made in Georgia before their industrial processing (changing of commodity code) before 1 January 2018 or distribution of profit, and expenses incurred/disbursements made within the scope of the same activity that are provided for in Article 97(1)(b-d) of this Code if the income gained from such supply during a calendar year does not exceed GEL 200 000;
- f) profit earned by an agricultural cooperative from a primary supply of agricultural products made in Georgia before their industrial processing (changing their commodity code) before 1 January 2023 or distribution of profit, and expenses incurred/disbursements made within the scope of the same activity that are provided for in Article 97(1)(b-d) of this Code;
- g) (Deleted – 28.6.2019, No 4906);
- h) (Deleted – 28.6.2019, No 4906);
- i) (Deleted – 23.12.2017, No 1935);
- j) income earned by a non-resident from a Georgian source based on the risk insurance and reinsurance by a company, organisation and/or entrepreneur natural person;
- k) income earned by non-residents from leasing out property that does not belong to the non-resident's permanent establishment in Georgia;
- l) profit or distribution of profit earned from the sale of debt securities of the state, of the National Bank of Georgia, the Legal Entity under Public Law – the Deposit Insurance Agency or of an international financial institution and profit in the form of interests received from those securities, as well as profit or distribution of profit earned from the interest accrued to the funds placed on the accounts with the National Bank of Georgia. The list of international financial institutions shall be determined by an ordinance of the Government of Georgia;
- l<sup>1</sup>) income earned by a non-resident as a result of supplying the loan securities issued by a resident legal person through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia, which does not belong to the permanent establishment of the non-resident in Georgia;
- l<sup>2</sup>) income earned by a non-resident as an interest from the loan securities issued before 1 January 2023 by a resident legal person through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia, which does not belong to the permanent establishment of the non-resident in Georgia;
- l<sup>3</sup>) income earned by a non-resident as a result of supplying the equity securities issued by a resident legal person through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia, which does not belong to the permanent establishment of the non-resident in Georgia;
- m) profit or distribution of profit earned by a FIZ Enterprise from business permitted within the Free Industrial Zone, and expenses incurred/disbursements made within the scope of the same activity that are provided for in Article 97(1)(b-d) of this Code;
- n) (Deleted – 28.6.2019, No 4906);
- o) (Deleted – 30.5.2018, No 2391);
- p) profit (distribution of profit) earned from the supply of information technologies outside Georgia developed by a legal entity of a virtual zone;
- q) distribution of profit earned by a tourist zone entrepreneur from the delivery of hotel services up to 1 January 2026, and expenses incurred/disbursements made within the scope of the same activity that are provided for in Article 97(1)(b-d) of this Code;
- r) distribution of profit earned by persons from organising a gambling club, a slot machine saloon, a betting house (except for the profit earned by them from organising games in a systemic-electronic form).



- s) distribution of profit earned by a special trading company from the conduct of permitted activities (except for the profit earned by the company from the supply of a fixed asset used by the company for its economic activity for over two years);
- t) (Deleted – 30.5.2018, No 2391);
- u) distribution of profit earned by a person under the bankruptcy regime after commencement of the bankruptcy regime under the procedure established by the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors;
- v) distribution of profit from compensation received in return for the property confiscated under Article 19 of the Constitution of Georgia;
- w) distribution of profit earned by a high-mountain settlement enterprise from an activity carried out in the same high-mountain settlement, and expenses incurred/disbursements made within the scope of the same activity that are provided for in Article 97(1)(b-d) of this Code – for 10 years after being granted the relevant status (including the calendar year when the status was granted);
- x) distribution of profit gained from the interest earned from a financial institute certified under the legislation of Georgia;
- y) distribution of profit earned by a person having the status of a special enterprise from an activity under Article 24<sup>2</sup> (2)(a) and (b) of this Code.

**Note:** a tax privilege under l<sup>1</sup>–l<sup>3</sup> of this paragraph shall also apply when the loan/equity securities are allowed for trading on an organised market before its recognition by the National Bank of Georgia. In addition, the privilege shall be effective from the date of recognition of the organised market by the National Bank of Georgia.

2. For the purposes of this article, the types of hotel services (except for the hotel services under Article 8(33)(d.d) of this Code) shall be determined by the Government of Georgia.

3. For the identification of the amount of profit exempt from profit tax under paragraph 1 of this article it shall be deemed that this amount is to be paid first when a dividend is distributed by an enterprise.

*Law of Georgia No 4061 of 15 December 2010 - LHG III, No 75, 27.12.2010, Art. 469*

*Law of Georgia No 4935 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 4961 of 24 June 2011 - website, 06.7.2011*

*Law of Georgia No 5120 of 13 October 2011 - website, 19.10.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 5452 of 9 December 2011 - website, 22.12.2011*

*Law of Georgia No 5791 of 13 March 2012 - website, 23.3.2012*

*Law of Georgia No 6053 of 24 April 2012 - website, 27.4.2012*

*Law of Georgia No 6015 of 10 April 2012 - website, 30. 4.2012*

*Law of Georgia No 6395 of 5 June 2012 - website, 19.6.2012*

*Law of Georgia No 6446 of 12 June 2012 - website, 25.6.2012*

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

*Law of Georgia No 817 of 12 July 2013 - website, 05.8.2013*

*Law of Georgia No 906 of 30 July 2013 - website, 20.8.2013*

*Law of Georgia No 1046 of 6 September 2013 - website, 23.9.2013*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 4037 of 16 July 2015 - website, 28.7.2015*

*Law of Georgia No 5503 of 22 June 2016 - website, 12.7.2016*

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 854 of 17 May 2017 – website, 2.6.2017*

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

*Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018*

*Law of Georgia No 2476 of 6 June 2018 – website, 21.6.2018*

*Law of Georgia No 3109 of 5 July 2018 – website, 11.7.2018*

*Law of Georgia No 3383 of 5 September 2018 – website, 24.9.2018*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 7169 of 18 September 2020 – website, 25.9.2020*

## Chapter XIV - Gross income

### Article 100 – Gross income

1. The gross income of a resident shall consist of the income earned from a source located in and outside Georgia.
2. A non-resident's gross income shall consist of the income earned from a Georgian source.
3. Gross income shall be income earned in any form and/or through any activity, namely:
  - a) salary income;
  - b) income earned from economic activity, which is not related to employment;
  - c) other income not related to employment and economic activity.



4. The following shall not be included into the gross income:

a) (Deleted – 13.5.2016, No 5092).

b) gratuitous transfer of goods and/or gratuitous provision of services to the State and/or the municipalities;

c) transfer of goods to other persons, within the framework of the projects (including the preparatory stage) provided for in the international treaties ratified by the Parliament of Georgia, by legal persons under public law carrying out those projects and with which the Ministry of Finance has signed an agreement on the implementation of the projects;

d) salary paid by a person having the status of a small business to a hired person, which, under Article 94(4)(a) of this Code, is not taxed at source;

e) return of a fixed asset to a lessor in the cases provided for in Article 115(4)(b) of this Code;

f) benefit received by reducing taxes and/or sanctions (including a customs sanction) under a tax agreement made with a taxpayer, writing off tax arrears, and by exempting from a tax sanction on the basis of Article 269(7) of this Code, or by exempting from a customs sanction on the basis of Article 163(11) of the Customs Code of Georgia;

f<sup>1</sup>) benefit received by reducing the amount of fee and the related fine and surcharge on the basis of a tax agreement;

g) supply of agricultural produce made in Georgia as a result of agricultural activity between an agricultural cooperative and its members (shareholders) and/or provision of services related to such activity before 1 January 2023;

h) market value of the immovable property (including land) supplied free of charge to a charitable organisation, if the organisation receiving such property has been providing charitable activities for at least the last three calendar years to persons with a disability from childhood and/or severe and persistent disabilities;

j) income earned by a tour company as a result of providing hotel services with the use of hotel assets/part of assets in possession of a natural person (using them as hotel rooms/apartments) – for a natural person;

l) supply of the surplus energy produced by a retail consumer organisation, an owner of a micro power plant to a distribution licensee.

*Law of Georgia No 4705 of 20 May 2011 - website, 1.6.2011*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 817 of 12 July 2013 - website, 5.8.2013*

*Law of Georgia No 906 of 30 July 2013 - website, 20.8.2013*

*Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*

*Law of Georgia No 4088 of 22 July 2015 - website, 4.8.2015*

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 5491 of 22 June 2016 - website, 29.6.2016*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

*Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 6942 of 15 July 2020 – website, 28.7.2020*

## **Article 101 – Salary income**

1. Salary income shall be any compensation or benefit received by a natural person as a result of employment, including income earned as a pension or in any other form from the previous employment, or income from future employment.

2. For the purposes of the first paragraph of this article, the value of the benefit shall be the amount specified below which is reduced by the amount paid by an employee to an employer at the time of receiving the benefit:

a) (Deleted – 28.6.2019, No 4906);

b) where an employer issues a loan to an employee at an interest rate lower than the rate fixed by the Minister of Finance of Georgia – the amount corresponding to the interest payable at the interest rate fixed by the Minister of Finance of Georgia;

c) where an employer supplies, or gratuitously transfers, goods/services to an employee – the market price of such goods/services;

d) where an employer provides accommodation to an employee for use – the annual market value of the rental fee (in proportion to the period concerned);

e) where an employer assists an employee or his/her dependants to receive education (not including a training program directly related to the fulfilment of the employee's obligations) – the value of the assistance rendered by the employer for the education;

f) where an employer reimburses an employee's expenses – the amount of the reimbursement;

g) where an employer waives an employee's debt or obligation – the amount of the debt or obligation, except when the expenses for taking measures under the legislation of Georgia for enforcing payment of a monetary claim exceeds the amount of the monetary claim.

h) where an employer pays an insurance premium or other amount for an employee's life and health insurance or under any pension insurance contract – the amount of the insurance premium or other amount paid by the employer;

i) in other cases – the market value of the benefit under Article 18 of this Code.



2 . The benefit gained by an employee as a result of using the employer's motor car for his/her personal need shall be considered as a salary and shall be subject to income tax, in the following amounts:

| No | Motor vehicle engine displacement                          | Amount of income tax (in laris) |
|----|--|---------------------------------|
| 1  | More than 3 500 cm <sup>3</sup>                            | 300                             |
| 2  | 2 500 – 3 500 cm <sup>3</sup>                              | 200                             |
| 3  | Less than 2 500 cm <sup>3</sup>                            | 100                             |
| 4  | In case of a hybrid motor vehicle, any engine displacement | 60                              |

2<sup>2</sup>. The reporting period for the income tax under paragraph 2<sup>1</sup> of this article shall be the calendar year, and it shall be paid by a tax agent (employer) (except as provided for by Article 154(1)(a) of this Code) not later than the 15<sup>th</sup> day of a month following the reporting month.

2<sup>3</sup>. Use of an employer's electric engine motor car by an employee for his/her personal need shall not be subject to income tax.

2<sup>4</sup>. The procedure for keeping record of an employer's motor car used by an employee for his/her personal need and for communicating information on such car to a tax authority shall be defined by an order of the Minister of Finance of Georgia.

3. Salary income shall not include:

a) reimbursement of business travel expenses paid to an employee within limits prescribed by the Ministry of Finance of Georgia;

b) reimbursement of entertainment expenses;

c) organised transportation of an employee from the place of residence to the place of work, or from the place of work to the place of residence by an employer if this cannot be done with the use of public transport, or if an employee needs to incur unreasonable expenses and/or spend unreasonable time to travel;

d) the amount of pension contributions made under the Law of Georgia on Cumulative Pension by an employer to the pension account on behalf and in favour of an employee, except as provided for by Article 32(4) and Article 34(2) of the Law of Georgia on Cumulative Pension;

e) the benefit received as a result of payment of an insurance premium by an employer in favour of an employee within the compulsory insurance in accordance with the legislation of Georgia;

f) transfer of accommodation for use and/or provision of food service and/or reimbursement of the expenses related to these services by an employer to an employee if all the following conditions are met:

f.a) the accommodation/food is provided based on the specifics of an employer's activity and it is a necessary condition for the proper performance of obligations undertaken by an employee under an employment agreement, and/or provision of an employee with a place of residence/food, without provision by an employer, requires payment of unreasonable expenses and/or spending of unreasonable time by the employee;

f.b) the transfer of accommodation for use and/or provision of food service and/or reimbursement of the expenses related to these services is not part of the labour remuneration provided for by an employment agreement between an employer and employees.

4. The amount specified in the second paragraph of this article shall include excise taxes, VAT and other taxes payable by an employee.

5. For the purposes of paragraph 2(b) of this article, the interest rate shall be determined by the Minister of Finance of Georgia.

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 3308 of 21 July 2018 – website, 6.8.2018*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Article 102 - Income from economic activity**

1. Income from economic activity shall be:

a) income from supplying goods/services;

b) surplus income from the sale of assets;

c) income received as a result of the restriction of economic activities or shutdown of an enterprise;

d) amounts received from the sale of fixed assets; in the case of gratuitous supplying of fixed assets the market value shall be included in the income under Article 111(7) of this Code;

e) reimbursed deductions under Article 146 of this Code;

f) interest income, other than interest income from funds deposited by a natural person with banks and other credit



institutions on deposits and time deposits;

g) dividends;

h) royalty;

i) benefit from writing off a person's debt;

j) income from the transfer of property by leasing, easement, renting, letting or in any other similar form;

k) income from other economic activity.

2. Where goods/services are delivered free of charge, the market price of such goods/services shall be included in gross income. This shall not apply to free dissemination of advertising goods, including through retail sellers, which have no independent consumer specifications and are an integral part of the supply of the primary goods/services.

3. (Deleted – 13.5.2016, No 5092).

*Law of Georgia No 2946 of 12 December 2014 - website, 24.12.2014*

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

### **Article 103 – Income not related to employment and economic activity**

1. Income not related to employment and economic activity shall include any income or benefit, except for:

a) the contributions of partners increasing net assets of the enterprise in which they are partners;

b) according to an insurance contract:

b.a) the insurance compensation paid by an insurer to an insured natural person under a health insurance contract upon the occurrence of an insured event;

b.b) the insurance compensation not exceeding the amount of the damage occurred, paid by an insurer to an insured natural person under an insurance contract upon the occurrence of an insured event;

b<sup>1</sup>) the compensation, within powers delegated by the insurer, made by the Non-entrepreneurial (Non-commercial) Legal Person – Compulsory Insurance Centre specified in the Law of Georgia on Compulsory Insurance of Civil Liability of Owner of Transport Vehicle Registered in Foreign State and Moving within the Territory of Georgia for damage inflicted on the affected person (third person) by the owner of an uninsured transport vehicle involving the transport vehicle, which does not exceed the amount of damage occurred;

c) the value of goods and services purchased as test purchases under this Code and the legislation of Georgia, as well as income or benefit secretly earned by a person who secretly assists criminal investigation authorities;

d) the amount of pension contributions made under the Law of Georgia on Cumulative Pension by an employer to the pension account on behalf and in favour of an employee, except as provided for by Article 32(4) and Article 34(2) of the Law of Georgia on Cumulative Pension;

e) the benefit received as a result of payment of an insurance premium by an employer in favour of an employee within the compulsory insurance in accordance with the legislation of Georgia.

2. If a person receives property or benefit from another person, the value of the property or benefit to be included in gross income shall be determined under Article 101(2) of this Code.

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

*Law of Georgia No 3308 of 21 July 2018 – website, 6.8.2018*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 104 - Georgian source income**

1. For the purposes of this Section, Georgian source income shall be:

a) income earned from employment in Georgia;

b) income or benefit earned from the supply of goods in the territory of Georgia;

c) income earned from the delivery of services in Georgia. For this purpose, unless otherwise provided by this article, services shall be deemed to be delivered in Georgia, if:

c.a) services are actually rendered in Georgia;

c.b) services are related directly to the immovable property located in Georgia;

c.c) services are related directly to the movable property located in Georgia;

c.d) services are related to the securities issued by a Georgian resident;

c.e) the place of actual delivery of services is Georgia and services are delivered in the sphere of culture, art, education, tourism, recreation, physical culture and sports;

c.f) the delivery of services is related to transportation of cargo or passengers, and the place of commencement and ending of transportation is Georgia;

c.g) a service provider and a service recipient are in different states and the service provider is a Georgian resident, except where the service provider delivers services through its permanent establishment in another country that confirms the fact that the service provider has delivered services in another country (other than in Georgia).

c.h) a service provider and a service recipient are in different states and the service provider delivers services in Georgia through its permanent establishment to an employee or otherwise (at the same time, the expenses related to the delivery of services by the service provider are incurred in Georgia irrespective of the place of actual payment of such expenses)





that confirms the fact that the service provider has delivered services in Georgia.

- d) income earned from economic activity conducted in Georgia by a non-resident's permanent establishment, including income earned by a non-resident from the sale of identical (similar) goods in Georgia; as well as income from the services delivered in Georgia, which are identical or similar to the services delivered by a permanent establishment;
- e) income from the cancellation of obligations as a result of writing off bad debts related to economic activity conducted in Georgia and income from the sale of fixed assets under Article 111(7) of this Code or income received as a result of compensation under Article 146 of this Code;
- f) dividends received from a resident legal person, or income earned from the sale of shares of a resident legal person and/or a partner's share in a legal person;
- g) interest, provided the interest payer is a Georgian resident. At the same time, irrespective of whether the interest payer is a Georgian resident:
  - g.a) interest shall be deemed as a Georgian source income if a non-resident person has a permanent establishment in Georgia to which the non-resident's debt obligation is related and the interest expenses related to such debt obligation is attributed to the expenses of the permanent establishment, irrespective of whether such expenses have been incurred by the permanent establishment or not;
  - g.b) interest shall not be deemed as a Georgian source income if a resident person confirms that it has a permanent establishment in a foreign country to which the resident's debt obligation is related and the interest expenses related to such debt obligation is attributed to the expenses of the permanent establishment, irrespective of whether such expense has been incurred by the permanent establishment or not;
- h) pension or scholarship paid by a resident;
- i) royalty, if the payer of such royalty is a Georgia resident. At the same time, irrespective of whether the payer of the royalty is a Georgia resident or not:
  - i.a) a royalty shall be deemed as Georgian source income if a non-resident person has a permanent establishment in Georgia with respect to which the obligation to pay royalty arose, irrespective of whether such expense has been incurred by the permanent establishment or not;
  - i.b) a royalty shall not be deemed as a Georgian source income if a resident confirms that it has a permanent establishment in a foreign country with respect to which the obligation to pay royalty arose, irrespective of whether such expense has been incurred by the permanent establishment or not;
- j) income earned from the sale or assignment of rights existing or exercised in Georgia provided in Article 8(21) of this Code;
- k) income earned from leasing movable property used in Georgia and/or from transferring any other contractual right of use;
- l) income earned from immovable property located in Georgia and used for economic activity, including income from the sale of a partner's interest in such property;
- m) income earned from the supply of shares of or partner's interest in an enterprise, more than 50% of the value of which assets is directly or indirectly created from the value of the immovable property located in Georgia;
- n) income received from a resident enterprise or a non-resident's permanent establishment in Georgia for management, as well as financial and/or insurance services (including reinsurance services);
- o) income earned in the form of insurance premiums under risk insurance or reinsurance contracts made in Georgia;
- p) income earned from the provision of transport services in international carriage between Georgia and foreign countries or from the provision of telecommunication services in international communication;
- q) other income earned from carrying on activities in Georgia.

2. In determining the source of income specified in the first paragraph of this article, the place of receipt of the amount of income shall not be taken into account.

3. (Deleted – 28.6.2019, No 4906).

*Law of Georgia No 4114 of 17 December 2010 - LHG III, No 76, 29.12.2010, Art. 506*

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

## Chapter XV - Deductions and Loss

### Article 105 - Expenses related to earning income

1. All expenses related to earning income, other than the expenses that are not deductible under this Section, shall be deducted from gross income.
2. Unless otherwise provided for by this Code, all expenses shall be documented.
3. The expense of purchase, installation and other capitalisable expenses of fixed assets shall be deducted on a phased basis as depreciation charges, except where a taxpayer exercises the right to full deduction of depreciation charges.
4. A taxpayer may deduct from gross income:
  - a) benefit arising from supplying (including, free of charge) of goods/services to him/her, taking into account the restrictions provided for by this Code, in the reporting year, in which such goods and services are used in economic



activity;

b) the VAT amount assessed on goods with independent consumer specifications, disseminated gratuitously for advertising purposes, unless a tax invoice has been issued with respect to the transaction.

c) costs related to the placement of shares and/or Global Depositary Receipts at stock exchange (including at the stock exchange recognised by a foreign country) and to issuing such shares and/or Global Depositary Receipts, as well as expenses related to changes made in the listing category/regime.

d) costs related to the income (profit) exempted from profit tax under Article 99(1)(l) of this Code.

5. The Minister of Finance of Georgia may determine:

a) certain cases where expenses need not be documented;

b) the list of documents that will be deemed as documents evidencing expenses notwithstanding the requirements of this Code.

6. (Deleted – 13.5.2016, No 5092).

7. (Deleted – 26.12.2013, No 1886).

8. (Deleted – 13.5.2016, No 5092).

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 6212 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 6330 of 25 May 2012 - website, 08.6.2012*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 2946 of 12 December 2014 - website, 24.12.2014*

*Law of Georgia No 4720 of 24 December 2015 - website, 29.12.2015*

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

## **Article 106 – Non-deductible expenses**

The following expenses shall not be deducted from gross income:

a) expenses that are not related to economic activity, except for:

a.a) the case provided in Article 117 of this Code;

a.b) the case where a legal person under public law supplies goods and/or provides services to the State and/or the municipalities free of charge;

b) entertainment expenses, except where a taxpayer is engaged in the entertainment business and the expenses are incurred within the framework of such business;

c) personal expenses of a natural person, expenses related to winnings from lotteries, casinos, gambling and other games of chance or related to earning salary income;

d) expenses related to earning income that is exempt from profit or income tax, except as provided in the note to this article;

e) expenses incurred for goods/services that are not regarded as being supplied for the purposes of a profit tax, or during the supply of which the corresponding income/market price is not included in the gross income under Article 100(4) of this Code, except as provided in Article 100(4)(b) of this Code;

f) expenses incurred for goods/services purchased from a natural person having the status of a micro business, except when the income received by a person having this status from the supply of goods/provision of services is taxed under regular procedures, or when a consignment note/a document of a form determined by the Minister of Finance of Georgia is issued upon the supply/purchase of goods;

g) (Deleted – 26.12.2013, No 1886)

h) expenses incurred with respect to the goods/services purchased from a flat tax payer within the scope of the activity subject to a flat tax;

h) expenses incurred with respect to the goods/services purchased from a person having a status of a flat tax payer within the scope of the activity (except for the activity taxable at a tax rate determined under Article 95<sup>3</sup> (1)(b) of this Code) subject to a flat tax

i) expenses of a person having the status of a flat tax payer not separated between the activity subject to a flat tax and additionally performed activities.

**Note :** where so provided for in Article 82(1)(f) and (k) of this Code, a person may deduct expenses relating to the exempted income. When using this right, a person shall apply income tax to the income exempt from income tax under Article 82(1)(f) and (k) of this Code.

*Law of Georgia No 4206 of 22 February 2011 - website, 10.3.2011*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 6330 of 25 May 2012 - website, 8.6.2012*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 2950 of 12 December 2014 - website, 23.12.2014*

*Law of Georgia No 2946 of 12 December 2014 - website, 24.12.2014*

*Law of Georgia No 4680 of 18 December 2015 - website, 29.12.2015*



*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*  
*Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018*  
*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*  
*Law of Georgia No 6942 of 15 July 2020 – website, 28.7.2020*

### **Article 107 - Limiting interest deductions**

1. Taking into consideration the second paragraph of this article, interest paid and/or payable (under an accrual method) for a credit (loan) shall be deducted within limits not higher than the annual interest rate set by the Minister of Finance of Georgia, in proportion to the period concerned.

2. In an enterprise, more than 20% of the interest (shares) of which is directly or indirectly held by a legal person exempt from the tax on profits, the maximum amount of interest deductible under the first paragraph of this article shall not exceed the total of any interest income earned by a taxpayer and 50% of the total amount of taxable profit calculated without regard to interest income earned and interest expenses incurred.

*Law of Georgia No 4114 of 17 December 2010 - LHG III, No 76, 29.12.2010, Art. 506*

*Law of Georgia No 6446 of 12 June 2012 - website, 25.6.2012*

*Law of Georgia No 6547 of 22 June 2012 - website, 4.7.2012*

### **Article 108 - Deduction of bad debts**

1. A taxpayer may deduct bad debts related to goods and service sold, where receivable income in previous reporting periods was included in the gross income received from the economic activity.

2. Bad debts may be deducted only if tax arrears have been written off and recorded in the taxpayer's financial statements.

### **Article 109 – Deduction of allocations to reserve funds**

1. A legal person engaged in a licensed insurance business may deduct from the gross income of a reporting year 'insurance losses/losses incurred, net' of the same reporting period, calculated in the manner prescribed by the National Bank of Georgia, except for the income from recourse and from salvaged property.

2. Banks and credit unions shall, under the procedure established by the National Bank of Georgia for the classification of assets and creation and use of possible loan loss reserves by commercial banks, deduct possible loan loss reserves defined by the same procedure.

2<sup>1</sup>. A microfinance organisation shall deduct potential loan loss reserves under the procedure established by the National Bank of Georgia for classifying assets of microfinance organisations and forming potential loan loss reserves.

3. A leasing company may deduct, as prescribed by the Minister of Finance of Georgia, from the gross income of a reporting period the expenses of lease loss reserves.

*Law of Georgia No 4114 of 17 December 2010 - LHG III, No 76, 29.12.2010, Art. 506*

*Law of Georgia No 5118 of 13 October 2011 - website, 31.10.2011*

*Law of Georgia No 4225 of 27 December 2018 – website, 31.12.2018*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **[Article 109 – (Deleted) (Shall become effective from 1 January 2023)]**

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 2392 of 30 May 2018 – website, 12.6.2018*

### **Article 110 - Deduction of scientific-research, design and development service expenses**

Scientific-research, design and development service expenses related to the receipt of gross income shall be deductible, except for the expenses related to fixed-asset purchases, installation and other capitalisable expenses.

### **Article 111 - Depreciation charges and deductions according to fixed assets**

1. The depreciation charges of fixed assets used for economic activity shall be deducted under this article.

2. Depreciation shall not be charged against land, works of art, museum exhibits, objects (other than buildings) of historical significance, and other non-depreciable assets. At the same time, depreciation shall not be charged against a fixed asset and biological asset with a value of up to GEL 1 000. A fixed asset with a value of up to GEL 1 000 shall be fully deducted from gross income in the tax year in which it is put into service, and the expenses incurred for a biological asset shall be deducted from gross income in the tax year in which they were actually incurred.

3. Fixed assets subject to depreciation shall be grouped according to the following depreciation rates:

| Group number | Fixed Assets  | Depreciation rate, % |
|--------------|---|----------------------|
| 1            | Motor cars; motor and tractor equipment to be used on roads; office | 20                   |



|   |   |    |
|---|---|----|
|   | furniture; motor transport rolling stock; trucks, buses, special vehicles and trailers; machinery and equipment for all fields of industry, foundry industry; forging and pressing equipment; construction equipment; agricultural machinery and equipment. |    |
| 2 | Special instruments, fittings and equipment; computers, data processing peripheral equipment and devices; electronic devices.   | 20 |
| 3 | Railway, sea and river transport; power machinery and equipment; heating equipment, turbine equipment, electric motors and diesel generators, power transmission and communication facilities; pipelines.   | 8  |
| 4 | Buildings, structures.  | 5  |
| 5 | Depreciable assets not included in other groups.  | 15 |

4. The amount of depreciation charges for each group is calculated from the book value of a group at the end of a tax year in accordance with the depreciation rates indicated in the third paragraph of this article.

5. Buildings and structures ('buildings') depreciation shall be charged against each building separately. Accordingly, each building shall be regarded as a separate group.

6. The book value of a group at the end of a tax year shall be the amount calculated as follows: the book value of a group at the end of a tax year preceding the reporting year:

a) shall be reduced:

a.a) by the depreciation amount charged in the tax year preceding the reporting year;

a.b) by the amount of deductions made under the eighth and ninth paragraphs of this article;

a.c) by the amount derived from the sale of fixed assets of a group during a reporting tax year, and in the event of gratuitous supply of fixed assets, by market value;

b) shall be increased:

b.a) by the value of fixed assets specified in Article 148 of this Code (other than non-depreciable fixed assets) added to the group in the reporting tax year;

b.b) by the amount that exceeds the maximum limit for repair expenses incurred on fixed assets during a reporting tax year, in accordance with Article 115(2) of this Code.

7. If the amount from the sale of fixed assets of a group during a tax year, and in the case of a gratuitous supply of fixed assets – their market price, exceeds the book value of the group at the end of the year, the surplus amount shall be included into gross income and the book value of the group shall be equal zero.

8. If the amount of the book value of a group at the end of the year is less than GEL 1 000, the amount of the book value of the group shall be subject to deduction.

9. If all fixed assets of a group are sold or liquidated, the amount of the book value of the group shall be subject to deduction from gross income.

10. Taxpayers may apply an accelerated depreciation rate to the second and third groups but the rate shall not exceed double the amount of the respective rate provided for in the third paragraph of this article.

11. A non-entrepreneur natural person may not deduct depreciation charges against fixed assets used for economic activity.

12. Each fixed asset leased by a lessor shall be classified as a separate group. Depreciation charges for such assets shall be deducted in the amount of discounted value of leasing fees that are calculated according to the leasing conditions and the book value of the group of such fixed assets.

13. Where a leased fixed asset is returned to the lessor after expiry or termination of a lease contract, such fixed asset shall remain in the same group and the deduction of depreciation charges against it shall be suspended pending its subsequent transfer by lease.

14. (Deleted – 26.12.2013, No 1886).

*Law of Georgia No 5118 of 13 October 2011 - website, 31.10.2011*

*Law of Georgia No 6212 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

## **Article 112 - Full deduction of depreciation charges of fixed assets**

1. A taxpayer may fully deduct the value of fixed assets, except for those contributed to the enterprise's capital, in the tax year in which the fixed assets are put into service.

2. If a taxpayer exercises the right of full deduction of the value of fixed assets, the taxpayer shall apply the same method



in respect of all subsequently purchased (manufactured) fixed assets.

3. When fully deducting the value of fixed assets:

a) the fixed assets shall not be included in the book value of the group provided for in Article 111;

b) the amounts received and/or receivable from subsequent supply of such assets, and in the absence of such amounts – market value without VAT, shall be included in gross income.

4. If a taxpayer fully deducts the value of fixed assets, the taxpayer may not alter the chosen deduction rate for the next five years. At the same time, the rate of deduction shall be chosen in the tax year in which the fixed assets are put into service.

5. The right of full deduction of the value of fixed assets shall not apply to non-depreciable fixed assets.

*Law of Georgia No 5118 of 13 October 2011 - website, 31.10.2011*

### **Article 113 - Deduction of depreciation charges on intangible assets**

1. The value of intangible assets shall be deducted in the form of depreciation charges, throughout their useful life, in proportion to the reporting period. At the same time, a taxpayer may fully deduct an intangible asset with the value of up to GEL 1 000 from gross income in the reporting year in which the relevant expenses were incurred.

2. If the useful life of intangible assets cannot be determined, the depreciation rate shall be 15%.

3. Each intangible asset shall be recorded in a separate group.

4. The value of amortisable intangible assets shall not include the expenses of purchase or manufacture of such assets if these expenses were already deducted when calculating a taxpayer's taxable profit (income).

5. If the amount of the book value of a group of intangible assets by the end of the year is less than GEL 1 000, the amount of the book value of the group shall be deducted.

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 2946 of 12 December 2014 - website, 24.12.2014*

### **Article 114 - (Deleted)**

*Law of Georgia No 5118 of 13 October 2011 - website, 31.10.2011*

### **Article 115 - Deducting fixed asset repair expenses**

1. Repair expenses of fixed assets in each group under Article 111(3) of this Code may be deducted annually up to 5% of the book value of the group at the end of the tax year preceding the reporting year.

2. The amount exceeding the limit set by the first paragraph of this article shall increase the book value of the group concerned.

3. In exercising the right of full deduction of the value of fixed assets under Article 112 of this Code, repair expenses shall be deducted in full, notwithstanding the limitation provided for in this article.

4. Repair expenses of fixed assets taken under lease, unless a contract provides for the reduction of rental charges in exchange for the repairs, expenses shall be capitalised with the recipient of fixed assets and shall form by the end of the reporting period a separate group. In that case:

a) expenses incurred shall be deducted from gross income according to the depreciation rates set by this Code for fixed assets at 15%;

b) if a fixed asset is returned to the lessor in the event of expiry or early termination of the contract, the book value of the group shall be equal to zero and the remaining sum shall not be deducted from gross income. At the same time, the return of fixed assets to the lessor shall not be regarded as supply.

5. (Deleted – 26.12.2013, No 1886).

*Law of Georgia No 6212 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

### **Article 116 - Limiting the deduction of entertainment expenses**

Persons carrying on economic activity may deduct entertainment expenses up to a maximum of 1% of gross income received during a tax year.

### **Article 117 - Deducting donations to charitable organisations**

The amount donated by an enterprise/entrepreneur natural person to a charitable organisation shall be deducted from gross income, also the market price of goods (other than immovable property)/services supplied free of charge and included into gross income, but not more than 10% of the amount remaining after deductions under this Code from gross income (without the deductions specified in this article).

*Law of Georgia No 906 of 30 July 2013 - website, 20.8.2013*

### **Article 118 - Deducting insurance premium expenses**

Insurance premiums paid and/or payable (using an accrual basis method) under an insurance contract by the policyholders and/or the ensured in connection with economic activity, except for the insurance premiums paid by the



insured under a pension insurance contract, shall subject to deduction.

## **Article 119 - Expenses of the geological survey and preparatory services in connection with extraction of natural resources**

1. Expenses of the geological survey and preparatory services in connection with extraction of natural resources shall be deducted as depreciation charges from gross income according to the book value of the group at the depreciation rate of 20% under Article 111 of this Code, according to the book value of a group and shall be recorded as a separate group.

2. This article shall:

- a) apply to the expenses on intangible assets incurred by a taxpayer for purchasing the right to geological survey, processing or extraction of natural resources;
- b) not extend to the intangible assets the useful life of which can be established and which can be deducted retain proportion to the reporting period.

3. Expenses of the geological survey, preparatory services and drillings in connection with extraction of natural resources performed under the production sharing agreement in accordance with the Law of Georgia on Oil and Gas shall be deducted according to the rates provided by an agreement.

## **Article 120 - Non-deductible expenses and fines**

1. The following shall not be deducted:

- a) profit tax and income tax paid or payable in Georgia or in a foreign country, except for the income tax paid in connection with a natural person's earning of benefit (except for the benefit received from employment and economic activity). In that case, the amount of the income tax payable for the income earned from the sale of property shall be reduced by the amount of the income tax paid for this property (including in the preceding tax periods);
- b) amounts of penalties/fines prescribed by the legislation of Georgia and paid or payable by a taxpayer to the budget.

2. (Deleted – 26.12.2013, No 1886).

*Law of Georgia No 6212 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

## **Article 121 - Carry-forward of losses**

1. Losses incurred by an entrepreneur natural person upon sale of an asset (other than an asset used in economic activity) shall be compensated by the surplus value resulting from the sale of an asset of the same type. If the losses cannot be compensated in the same year, it shall not be carried forward to the next year.

2. Losses incurred by a natural person (other than an entrepreneur natural person) upon sale of an asset during a tax year shall be compensated by the surplus value resulting from the sale of the asset of the same type. At the same time, if the loss cannot be compensated in the same year, it shall not be carried forward to the next year.

3. The excess of deductions over the gross income from economic activity not related to employment, received by an entrepreneur natural person shall not be deducted from the salary received by such person. It shall be carried forward for up to five years and shall be covered by the excess of gross income of future periods over deductions not related to employment.

4. The excess of deductions over the gross income of a legal person shall be carried forward for up to five years and covered from the excess of the gross income of future periods over deductions.

5. (Deleted – 28.6.2019, No 4906).

*Law of Georgia No 5120 of 13 October 2011 - website, 19.10.2011*

*Law of Georgia No 6015 of 10 April 2012 - website, 30.4.2012*

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

## **Article 122 - Extension of the loss carry-forward period**

1. A person may replace the 5-year loss carry-forward period specified in Article 121 of this Code with a 10-year loss carry-forward period. For this purpose, the person shall apply to a tax authority before the expiry of the 5-year loss carry-forward period specified in Article 121 of this Code.

2. In applying the provisions of the first paragraph of this article, a person, in the case of loss coverage, may change again the chosen 10-year loss carry-forward period back to a 5-year loss carry-forward period. For this purpose, the person shall, in any tax year following the loss coverage, notify a tax authority of reverting to a 5-year loss carry-forward period.

3. (Deleted – 18.12.2015, No 4680).

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 4680 of 18 December 2015 - website, 29.12.2015*

## **Article 123 – (Deleted)**

*Law of Georgia No 5118 of 13 October 2011 - website, 31.10.2011*



## **Chapter XVI - International Taxation and Prevention of Tax Evasion**

### **Article 124 – Setting off taxes paid outside Georgia**

1. An enterprise (except for an enterprise under paragraph 2 of this article) may set off profit tax paid outside Georgia for a respective tax year when paying tax on that profit in Georgia with respect to the income not earned from a Georgian source.
2. An enterprise subject to profit tax in the course of profit distribution may, when paying tax according to a dividend paid, set off profit tax for a respective tax year, which is paid outside Georgia with respect to the income not earned from a Georgian source.
3. Amounts that are set off under paragraphs 1 and 2 of this article must not exceed the amounts of taxes that would be charged in Georgia on that profit under the procedure and at the rates existing in Georgia.

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

### **Article 125 – Use of tax privileges by a non-resident under international agreements on prevention of double taxation**

The procedure for granting tax privileges under international agreements on prevention of double taxation and for refunding to a non-resident the taxes paid by the non-resident in Georgia shall be determined by an order of the Minister of Finance of Georgia.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

## **Chapter XVII - Transfer Pricing**

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

### **Article 126 - Meaning of the concepts for the purposes of this Chapter**

1. Two persons shall be related if:
  - a) one person directly or indirectly participates in the management, control or capital of the other person;
  - b) the same persons directly or indirectly participate in the management, control or capital of two persons.
2. A person directly or indirectly participates in the management, control or capital of an enterprise if:
  - a) he/she directly or indirectly owns over 50% of an enterprise;
  - b) he/she actually controls the business decisions of an enterprise.
3. Persons that are not related shall be independent.
4. Any transaction between related persons shall be a controlled transaction.
5. Any transaction between independent persons shall be an uncontrolled transaction.
6. Margin is a rate of profitability calculated as the ratio of such indicators as purchases, sales, expenses and assets.
7. Transaction conditions shall mean the financial or other relevant indicators used in applying a transfer pricing method.

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

### **Article 127 - General principles of transfer pricing**

1. For the purposes of this Code, where a Georgian enterprise performs one or several financial or commercial transactions with a related enterprise, which is not a Georgian enterprise, each of such enterprises shall determine the amount of its profit in accordance with the concept of an arm's length transaction.
2. The amount of taxable profit of an enterprise performing one or several financial or commercial controlled transactions with a related enterprise shall be in accordance with the concept of an arm's length transaction, if the terms of the transaction do not differ from the terms which would have been agreed upon if a comparable transaction had been performed between related enterprises under comparable circumstances.
3. If the established terms of the transaction specified in the first paragraph of this article are not conducted as if it were at arm's length, any profits that would have accrued to one of the enterprises if the established terms of the transaction had been conducted at arm's length, but have not so accrued by reason of nonconformity with an arm's length transaction, may be included in the profits of that enterprise and taxed accordingly.
4. An uncontrolled transaction shall be comparable with a controlled transaction if:
  - a) there is no such significant difference between them that would have had any essential effect on the financial indicator that is measured by a transfer pricing method;
  - b) in the case of the difference indicated in subparagraph (a) of this paragraph, for the purpose of eliminating the results of such difference, a reasonably correct adjustment in the financial indicator of an uncontrolled transaction has been made.
5. Provisions of paragraph 3 of this article shall also apply to cases where a Georgian enterprise performs one or several financial or commercial transactions with a resident of a country with preferential tax treatment, irrespective of whether



they are related persons or not. However, a transaction, one of the parties to which is a resident of a country with preferential tax treatment, shall be considered as a controlled transaction.

6. The criteria, according to which the price of a transaction to be examined is deemed to be an arms-length price for the purposes of this article, shall be determined by the Minister of Finance of Georgia.

7. The provisions of the third paragraph of this article shall also apply where a Georgian enterprise performs one or several financial or commercial transactions with its permanent establishment.

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 6547 of 22 June 2012 - website, 4.7.2012*

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

### **Article 128 – Transfer pricing methods**

1. The following transfer pricing methods shall apply to determine the conformity of the amount of taxable profit with the concept of an arm's length transaction:

a) Comparable Uncontrolled Price (CUP) Method. This method compares the price charged for property or services transferred in a controlled transaction to the price charged for property or services transferred in a comparable uncontrolled transaction;

b) Resale Price Method. This method compares the margin arising from the sale in an uncontrolled transaction of goods purchased in a controlled transaction with the margin arising from the sale in a comparable uncontrolled transaction of goods purchased in comparable and uncontrolled transactions;

c) Cost Plus Method. Under this method, a cost plus mark-up that is added to the direct or indirect costs incurred for the supply of goods or services in a controlled transaction is compared with the cost plus mark-up that is added to the direct or indirect costs incurred for the supply of goods or services in a comparable uncontrolled transaction;

d) Transactional Net Margin Method. Under this method, the net profit margin obtained by an enterprise in a controlled international transaction in relation to the appropriate indicator (e.g. sales, costs, assets) is compared to the net profit margin obtained in a comparable uncontrolled transaction in relation to the appropriate indicators;

e) Transactional Profit Split Method. Under this method, a portion of the profit/loss received from the transaction, which an independent enterprise would presumably have earned in a comparable uncontrolled transaction, is attributed to each enterprise involved in the controlled transaction.

2. The arm's length price of a controlled transaction shall be determined by the method that best suits each particular transfer pricing instance.

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

### **Article 129 – Special provisions of transfer pricing**

1. If so requested by a tax authority, a taxpayer shall provide an explanation as to why he/she believes that the profit earned by him/her is in accordance with the concept of an arm's length transaction defined by Article 127(1) of this Code. At the same time, a taxpayer may provide sufficient information and analysis to back up his/her arguments and to verify the conformity of the transactions performed by the taxpayer with related persons with Article 127(1) of this Code.

2. If the terms of an agreement concluded between an enterprise taxed in Georgia and its related enterprise is adjusted by a tax authority of another country, as a result of which that country is to charge taxes on that portion of the profit that has already been taxed in Georgia, and Georgia has signed a double taxation avoidance agreement with that country, then the Georgian tax authority shall, based on the request from the Georgian taxpayer enterprise, verify whether the adjustment made is in accordance with the concept of an arm's length transaction. If the tax authority concludes that the aforesaid adjustment complies with the concept of an arm's length transaction, it shall make appropriate corrections and adjust the amount of tax of the Georgian taxpayer enterprise.

3. Transfer pricing methods and their application, determination of comparability of uncontrolled transactions, transaction adjustment procedure, information and documents to be submitted by the parties to a transaction to a tax authority, sources of information on arms-length prices, price range application procedure, timeframes to be applied for the purposes of this Chapter and other procedural matters shall be determined by an order of the Minister of Finance of Georgia.

4. Controlled transactions are examined in accordance with the provisions of this Chapter under the decision of the Head of the Revenue Service.

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

### **Article 129<sup>1</sup> – Advance pricing arrangement**

1. Based on a taxpayer's application, the Head of the Revenue Service may sign an advance pricing arrangement with the taxpayer for purposes of this Chapter. An advance pricing arrangement is made before the commencement of a transaction, for a fixed period of time; it determines a set of criteria for determining the transfer pricing for those transactions. Such criteria include methods, comparable transactions and appropriate adjustments to them, as well as





critical assumptions as to future transactions, etc.

2. An advance pricing arrangement shall apply only to the person in relation to whom it has been concluded. At the same time, an advance pricing arrangement shall make a reference to the provision of the legislation of Georgia on which it is based.

3. If a person acts under an advance pricing arrangement, a controlling authority shall in no event make a decision or charge taxes and/or penalties that contradict the advance pricing arrangement.

4. An advance pricing arrangement shall not apply if:

a) the facts and circumstances indicated in the advance pricing arrangement which would have affected the advance pricing arrangement, do not correspond to the actual facts and circumstances;

b) the provision of the legislation of Georgia on which the advance pricing arrangement was based, has been abolished or amended.

5. The provision of the legislation of Georgia that is unfavourable to a taxpayer and that has been given a retroactive force shall not affect the transactions performed under an advance pricing arrangement signed before the provision took effect.

6. The information provided by a person for signing an advance pricing arrangement shall be treated as a tax secret.

7. If the price declared by a taxpayer is in accordance with the concept of an arm's length transaction, the taxpayer shall not be held liable under this Code just because he/she has violated a condition of the advance pricing arrangement referred to in the first paragraph of this article.

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

## **Chapter XVIII - Taxation of Income at the Source**

### **Article 130 – Taxation of dividends at the source**

1. Dividends paid by a resident enterprise to a natural person, a non-entrepreneurial (non-commercial) legal entity or a non-resident enterprise shall be taxed at source at the rate of 5% of the amount payable.

2. Dividends received by the persons provided for by Article 2(3) of the Law of Georgia on Entrepreneurs (except for an individual enterprise) shall not be taxed at the source and shall not be included in the gross income by an enterprise receiving the dividends.

3. Dividends received by a resident natural person that have been taxed at the source, shall not be included in the gross income of that person and shall not be subject to further taxation.

3<sup>1</sup>. (Deleted – 14.7.2020, No 6817).

4. (Deleted – 28.6.2019, No 4906).

4<sup>1</sup>. Dividends received by a member of an agricultural cooperative from the cooperative before 1 January 2023 (except for the dividends received from the profit earned from the activities provided for by Article 6(2) of the Law of Georgia on the Agricultural Cooperative) shall not be taxed at source and shall not be included in the gross income by a person receiving the dividends.

5. (Deleted – 23.12.2017, No 1935).

6. Dividends paid to the State by a resident enterprise shall not be taxed at the source.

7. Dividends earned from a FIZ Enterprise in a Free Industrial Zone shall not be taxed at the source and shall not be included in gross income by the person earning the dividends.

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 6015 of 10 April 2012 - website, 30.4.2012*

*Law of Georgia No 118 of 20 December 2012 - website, 29.12.2012*

*Law of Georgia No 817 of 12 July 2013 - website, 5.8.2013*

*Law of Georgia No 5491 of 22 June 2016 - website, 29.6.2016*

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 5499 of 11 December 2019 – website, 23.12.2019*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

*Law of Georgia No 884 of 2 August 2021 – website, 4.8.2021*

### **Article 131 – Taxation of interest at the source**

1. Interests paid by a non-resident's permanent establishment or by a resident, or on their behalf to a natural person or to a non-resident having no permanent establishment in Georgia shall be taxed at the source at the rate of 5% of the amount payable.

2. (Deleted – 30.6.2017, No 1182).

3. Interest received by a natural person that have been taxed at the source shall not be included into the person's gross income and shall not be subject to further taxation.

4. (Deleted – 14.7.2020, No 6817).

5. Interest earned from a licensed financial institution in accordance with the legislation of Georgia shall not be taxed at the source. At the same time, such interest shall not be included in gross income by the person earning the interest, unless



the recipient of the interest is a licensed financial institution.

6. (Deleted – 23.12.2017, No 1935).

7. Interest paid to the State by a resident enterprise shall not be taxed at the source.

8. Interest earned from debt securities issued by a Georgian enterprise and listed on a recognised stock exchange of a foreign country shall not be taxed at the source and shall not be included in gross income by the person earning the interest.

9. Interest earned from a FIZ Enterprise in a Free Industrial Zone shall not be taxed at the source and shall not be included in gross income by the person earning the interest.

*Law of Georgia No 6015 of 10 April 2012 - website, 30.4.2012*

*Law of Georgia No 118 of 20 December 2012 - website, 29.12.2012*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 132 - Taxation of royalty at the source**

1. Royalty paid by a non-resident's permanent establishment or by a resident or on their behalf to a resident natural person (other than the natural person registered as a VAT payer) shall be taxed at the source at the rate of 20% of the amount payable.

2. Royalty received by a natural person (except as provided for in the third paragraph of this article) that has been taxed at the source shall not be included into the person's gross income and shall not be subject to further taxation.

3. An entrepreneur natural person who has received royalty taxed at the source in Georgia may deduct the amount of the tax paid at the source.

4. Royalty paid to the State shall not be taxed at source.

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 118 of 20 December 2012 - website, 29.12.2012*

### **Article 133 - (Deleted)**

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

### **Article 133<sup>1</sup> – Taxation of the income of a renter of a trade outlet and/or a trading place in an STZ territory**

1. Compensation received/receivable by a renter of a trade outlet and/or a trading place (for a VAT payer – net of VAT) in an STZ territory from the sale of goods (except as provided for in Article 26(6) of this Code) shall be taxed by the person having an STZ status at the rate of 3%.

2. (Deleted – 10.4.2012, No 6015).

3. Income earned by a person in an STZ territory that has been taxed under this article shall not be included in such person's gross income and shall not be subject to further taxation.

4. The procedure for a person holding an STZ status to pay taxes under this article shall be determined by a resolution of the Government of Georgia.

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 6015 of 10 April 2012 - website, 30.4.2012*

### **Article 133<sup>2</sup> – Taxation by a tourist enterprise of the income of a natural person who is the owner of the hotel assets/part of the assets**

1. Remuneration paid by a tourist enterprise to a natural person under a relevant contract shall be taxed at the rate of 5% of the amount taxed at source.

2. In the case set out in paragraph 1 of this article, the income received by a natural person, which is taxed at source, shall not be included in the gross income of the receiving person and shall not be subject to subsequent taxation.

*Law of Georgia No 2946 of 12 December 2014 - website, 24.12.2014*

### **Article 133<sup>3</sup> – Taxation of the income of a natural person supplying certain goods**

1. The Minister of Finance of Georgia may define the list of goods by supplying of which the income earned by a natural person shall be taxed at source at the rate of 3%, by a person purchasing the goods.

2. The procedure of taxing at source under paragraph 1 of this article shall apply if a consignment note is not prepared when supplying goods.

3. The income earned by a natural person, which is taxed under this article, shall not be included in the gross income of the person and shall not be subject to subsequent taxation.

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018*



## **Article 134 - Taxation of a non-resident's income at source**

1. Income earned by a non-resident from a Georgian-based source that is not attributed to the non-resident's permanent establishment registered for tax purposes in Georgia shall be taxed at the source without deductions at the following rates:

a) dividends – under Article 130 of this Code;

b) interests – under Article 131 of this Code;

b<sup>1</sup>) royalty – 5%;

c) amounts paid by an enterprise, organisation and/or entrepreneur natural person for international telecommunication services and international transport services – at the rate of 10%.

d) income earned by non-resident subcontractors in conducting the oil and gas operations provided for by the Law of Georgia on Oil and Gas - at the rate of 4%.

d<sup>1</sup>) lease service charges paid to a natural person – at the rate fixed by Article 81 of this Code.

e) other paid amounts, which under this Code are regarded as Georgian source income – at the rate of 10%;

f) salary income – at the rate fixed by Article 81 of this Code.

1<sup>1</sup>. Income earned by a person registered in a country with a preferential tax treatment in cases provided for in paragraph 1(b), (b<sup>1</sup>) and (e) of this article shall be taxed at source without deductions, at 15%.

2. For the purposes of this article, the taxes paid by or on behalf of a non-resident's permanent establishment in Georgia shall be deemed as paid by a resident enterprise.

3. A non-resident who earns income under paragraph 1(c)-(e) of this article and is taxed at the source, may file a return by the 1 April of the year following the reporting year requesting recalculation and refund of withheld taxes.

4. If a person exercises the right under the third paragraph of this article:

a) Taxable income/profit of a non-resident shall be defined as a difference between the gross income gained from a Georgian source and the amounts to be deducted under this Code;

b) (Deleted – 13.5.2016, No 5092);

c) taxes paid by a non-resident shall not exceed the amount withheld at the source under the first paragraph of this article.

5. (Deleted – 13.5.2016, No 5092).

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 6446 of 12 June 2012 - website, 25.6.2012*

*Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

## **Chapter XIX - Tax Accounting Rules**

### **Article 135 – Accounting period**

1. The accounting period for a person (except for persons provided for by paragraphs 2-4 of this article) shall be a calendar year.

2. The accounting period for a resident enterprise, organisation, and for a permanent establishment of a non-resident in Georgia (persons subject to profit taxation according to objects of taxation under Article 97 (1–3) of this Code) shall be a calendar month.

3. The accounting period for a person, which is subject to income/profit taxation according to the object of taxation under Article 309(16) of this Code, with regard to the organisation of a betting house in a systemic and electronic form, shall be a calendar month.

4. The accounting period for a person organising a game of chance in a systemic and electronic form shall be a calendar month.

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 97 of 16 December 2016 - website, 23.12.2016*

*Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018*

*Law of Georgia No 1191 of 22 December 2021 – website, 28.12.2021*

### **Article 136 – Principles of accounting for income and expenses**

1. A taxpayer shall accurately and timely account for income and expenses based on documented data by applying the methods provided in this Chapter and attribute them to the reporting period in which they were earned or incurred.

2. Unless otherwise provided in this Chapter, a taxpayer shall use a cash method of accounting or an accrual method of accounting depending on which method he/she uses for accounting.

3. A taxpayer shall fully account for all transactions related to his/her activity in order to guarantee control over their commencement, progress and completion.

4. In the case of transporting goods domestically for entrepreneurial activity, and in the case of supplying goods – at the



request of a buyer (except for supply carried out according to a Special VAT Invoice that contains the details found in a consignment note), a consignment note shall be issued in the form and manner prescribed by the Minister of Finance of Georgia. At the same time, if a consignment is issued at the request of a buyer for the supply of goods, the goods may not be stored without the consignment note.

4<sup>1</sup>. The Minister of Finance of Georgia may determine cases where a consignment note is not issued.

5. Taxable income (profit) shall be determined by the same method that a taxpayer uses for accounting. At the same time, income (profit) is adjusted only in compliance with the requirements of this Code. If the accounting data produced by a taxpayer according to the deductions under this Code, and the limits provided for by this Code, differ, then the taxpayer shall apply the norms under this Code to determine an object of taxation.

6. According to the provisions of this article, a taxpayer shall keep accounts for tax purposes on a cash basis or an accrual basis provided that he/she uses one method throughout a tax year.

7. A natural person may account for income and expenses on a cash basis.

8. (Deleted – 14.7.2020, No 6817).

9. If a taxpayer changes any aspect of an accounting method, taxable income (profit) shall be adjusted in the year of such change, provided that no element related to determining taxable income (profit) is omitted or included twice.

10. If a taxpayer earns income or incurs expenses in a non-cash form, the moment of earning such income or incurring such expenses shall be determined in the same way as the moment of earning income or incurring expenses in cash form is determined.

11. The Minister of Finance of Georgia may require a taxpayer who conducts a certain type of activity, provided that different taxation terms are provided for by this Code for such activity, to separately account for income and expenses related to that activity. At the same time, income and expenses related to certain type of activity shall be evidenced by accounting documents.

12. A taxpayer may account for income and expenses in the manner prescribed by the Minister of Finance of Georgia.

13. Contractual penalties and other fines shall be accounted for on a cash basis.

14. The moment of incurring expenses and making other payments/disbursements under Articles 98<sup>1</sup> – 98<sup>4</sup> of this Code shall be the very moment when they were actually incurred/made.

15. A person shall define and recognise the amounts of revenues and expenses within a derivative in compliance with International Accounting Standards. In addition, the Minister of Finance of Georgia shall have the right to define individual cases to which the aforementioned procedure for defining and recognising the amounts of revenues and expenses within a derivative, and to regulate such cases in a different way.

*Law of Georgia No 5118 of 13 October 2011 - website, 31.10.2011*

*Law of Georgia No 6446 of 12 June 2012 - website, 25.6.2012*

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 5677 of 20 December 2019 – website, 31.12.2019*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 137 - Accounting for income and expenses under a cash method**

In using a cash method of accounting, a taxpayer shall:

- a) account for income upon obtaining the right to receive it or use and administer it;
- b) deduct expenses after payment (this does not apply to fixed assets subject to depreciation under Article 111 of this Code).

### **Article 138 - Moment of earning income under the cash method**

1. When using a cash method of accounting, the moment of earning income shall be:

- a) if payment is made in cash – the moment of receiving cash;
- b) in the case of non-cash settlement – transfer of funds to a taxpayer's current account or to any other account with a bank, from which he/she may administer or draw those fund.

2. If a taxpayer's financial obligations are cancelled or covered, namely, in the case of a mutual set-off, the moment of earning income shall be the moment of cancellation or coverage of the obligations.

*Law of Georgia No 6312 of 25 May 2012 - website, 12.6.2012*

### **Article 139 – The moment of incurring expenses under the cash method**

1. When using a cash method of accounting, the moment of incurring expenses shall be the moment when a taxpayer actually incurs expenses, except as provided for in the third and fourth paragraphs of this article.

2. When using a cash method of accounting, the moment of incurring expenses by a taxpayer shall be:

- a) if payment is made in cash – the moment when cash is paid;
- b) in the case of non-cash settlement – the moment when a bank debits sums from a taxpayer's banking or other account.

3. If financial obligations of a taxpayer are cancelled or covered, namely in the case of a mutual set-off, the moment of incurring expenses shall be the moment of cancellation or coverage of those obligations.

4. In connection with debt obligations or payments related to leasing property, if the term of debt obligations or lease



agreement includes several reporting periods, the amount of actually paid interest (rent) that is deducted throughout a tax year shall be the amount of interest (rent) that is calculated according to the amount charged or to be charged in each reporting period.

#### **Article 140 - Accounting for income and expenses under the accrual method**

When using the accrual method of accounting, a taxpayer shall account for income and expenses according to the moment when the right to earn the income is obtained and expenses are recognised, respectively, regardless of when income is actually earned or expenses are actually incurred, except as provided for in Article 142(4) of this Code.

#### **Article 141 – The moment of earning income under the accrual method**

1. A taxpayer shall be deemed to have obtained the right to earn income if:
  - a) the appropriate amount is subject to payment to the taxpayer;
  - b) the taxpayer has fulfilled all the obligations under a contract (agreement).
2. If a taxpayer provides services, the right indicated in the first paragraph of this article shall be deemed obtained at the moment when the taxpayer completes the services under the contract (agreement).
3. If a taxpayer earns or has the right to earn income in the form of interest or from leasing property, the income shall be deemed to have been obtained at the moment when the debt obligation or lease agreement expires. At the same time, if the term of the debt obligation or lease agreement includes several reporting periods, income shall be apportioned to these reporting periods according to the amount charged or to be charged in each reporting period.
4. Banks shall recognise interest and penalties accrued on loans as income in the manner prescribed by the National Bank of Georgia.

**[4. (Deleted – 13.5.2016, No 5092). (Shall become effective from 1 January 2023)]**

*Law of Georgia No 5118 of 13 October 2011 - website, 31.10.2011*

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 2392 of 30 May 2018 – website, 12.6.2018*

#### **Article 142 – The moment of incurring expenses under the accrual method**

1. Unless otherwise provided for in this article, when using an accrual method of accounting, the moment of incurring expenses related to a contract (agreement) shall be the moment when all the following conditions are fulfilled:
  - a) a taxpayer can be clearly deemed to have assumed a financial obligation;
  - b) the amount of the financial obligation may be assessed with sufficient accuracy;
  - c) all the parties to the contract (agreement) have actually fulfilled their obligations under the contract (agreement) and the appropriate compensation is subject to necessary payment.
2. Financial obligations shall mean the obligations assumed under a contract (agreement) as a result of the fulfilment of which the other party to the contract (agreement) shall indicate income corresponding to the obligation in cash or in any other form.
3. When interest on a debt obligation or rent for leased property is paid, the moment of incurring expenses shall be the moment when the term of the debt obligation or lease agreement expires. If the term of a debt obligation or lease agreement includes several reporting periods, the expenses shall be apportioned to the reporting periods according to their accrual.
4. Notwithstanding paragraphs (1-3) of this article, if a person, other than a licensed financial institution, uses an accrual method of accounting, the moment of incurring expenses shall be the moment when the amount is paid, if:
  - a) the payment is related to a natural person other than a natural person registered as a VAT payer;
  - b) the payment of the amount in compensation for services received is related to a non-resident enterprise that does not belong to a non-resident's permanent establishment in Georgia.

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

#### **Article 143 - Joint ownership**

1. The object of profit taxation of a partnership or other similar entity conducting economic activity and is deemed as an enterprise under Article 21(1)(c) of this Code shall be defined under Article 97(1) of this Code.
2. A holder of an interest in a partnership shall include his/her share in the profit (its income) allocated to him/her from the partnership in the gross income of a respective accounting period.
3. A partnership shall, under Article 154 of this Code, impose tax at source on the income distributed to a natural person (a person who is not registered as an individual entrepreneur and/or a VAT payer) holding an interest in the partnership.
4. A member of a partnership may set off the tax withheld at source under paragraph 3 of this article against the amount of taxes payable for the gross income earned during a year.
5. The losses of a partnership shall be attributed to its owners in proportion to their interests. At the same time, the losses of the partnership shall not be distributed to its owners and shall not be deducted from owners' gross income.
6. The portion of losses of an owner of a partnership may be deducted only at the expense of the owner's share of the taxable profit (of a future year/years) in the partnership. The losses shall be carried forward under the procedure



established by Article 121(4) of this Code.

7. The losses of a partnership attributed to its owner shall not be deducted from the profit received as a result of the owners' participation in another partnership.

8. The delivery of goods/services by a partnership to its member in return for his/her interest shall not be deemed as a free delivery of goods/services.

9. Provisions of paragraph 2 and paragraphs 5–7 of this article shall not apply to a member of a partnership, who is subject to profit taxation according to the objects of taxation provided for in Article 97(1 – 3) of this Code.

10. Receipt of hotel assets/part of the assets by a tour company from a natural person under a relevant contract, use of the assets as hotel rooms/apartments and organisation of the operation of the hotel shall not be regarded as a partnership under Article 21(1)(c) of this Code.

*Law of Georgia No 2946 of 12 December 2014 - website, 24.12.2014*

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018*

#### **Article 144 - Income and deductions under long-term contracts**

1. If a taxpayer keeps accounting under an accrual method, income and expenses from long-term contracts must be reported throughout a tax year proportionately, according to their actual performance.

2. The volume of actual performance under long-term contracts shall be determined by comparing the expenses incurred by the end of the tax year with the total expenses provided for by the contract.

#### **Article 145 - Accounting for inventories**

1. A taxpayer shall include in its inventories finished or semi-finished goods in his/her ownership irrespective of their location, namely, raw materials and/or materials (other than capitalisable expenses), which are purchased for subsequent sale or for production of goods/delivery of services.

2. In determining taxable income (profit), the value of the inventory available at the beginning of a reporting period shall be subtracted from, and the value of the inventory available at the end of the reporting period shall be added to, gross income.

3. When accounting for inventories, a taxpayer shall record the value of produced or purchased goods at the price of the expenses (other than the depreciation charges) incurred during the production of these goods or at the purchase price of such goods. At the same time, the taxpayer shall include the storage and transportation expenses in the value of the goods.

4. When selling goods, a taxpayer may apply one of the following methods to account for inventories:

a) specific identification method;

b) weighted-average method;

c) FIFO method, under which the goods purchased at the beginning of a reporting period are assumed to be the first item sold in the reporting period, and the goods produced (purchased) during the reporting period are assumed to be the items sold later, according to the time of their production (purchase).

5. When accounting for inventories, a taxpayer may evaluate defective or obsolete and outdated goods that cannot be sold at a price higher than their production cost or purchase price, at an estimated selling price of such goods.

6. When writing off obsolete inventory items and/or items that are unfit for use or further supply, the taxpayer shall notify a tax authority about the inventory write-off (indicating the types, quantity and value of the inventory) and write them off only in the case of approval by the tax authority.

6<sup>1</sup>. A tax payer may, without taking account of the conditions specified in paragraph 6 of this article, write off inventories destroyed/lost as a result of the effect of force majeure events (earthquake, flooding, landslide, avalanche, fire, accident or another emergency or extraordinary circumstance as a result of which inventories were destroyed/lost due to the reason independent of the tax payer).

7. In the case provided for in the sixth paragraph of this article, when a taxpayer writes off inventories, a tax authority shall, within 10 business days after receiving a taxpayer's application, approve the write-off or perform a physical inspection of the inventories by visiting the premises and endorsing the taxpayer's write-off document.

8. In cases provided for in paragraphs 6 and 6<sup>1</sup> of this article, the procedure for writing off inventories shall be determined by the Minister of Finance of Georgia.

9. A taxpayer may account for inventories electronically under the procedure determined by the Minister of Finance of Georgia.

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

#### **Article 146 - Reimbursed deductions and reduction of reserves**

1. The amount of compensation for previously deducted expenses, losses and bad debts shall be reported as income in the year in which it is received.

2. If the reserves deducted in advance are reduced, the reduced amount shall be included in gross income.



#### **Article 147 - Profit and loss upon supply of assets**

1. Profit earned from the supply of assets shall be a positive difference between the income earned from their supply and the value of those assets determined under Article 148 of this Code.
2. Loss incurred from the supply of assets shall be a negative difference between the income earned from their supply and the value of those assets.
3. If assets are supplied free of charge or at a price lower than their cost, the supplier's profit shall be a positive difference between the market price of the supplied assets and the value of the assets specified in Article 148 of this Code.
4. Provisions of paragraphs (1–3) of this article shall not apply to assets and inventories subject to a group depreciation method.

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

#### **Article 148 – Value of assets**

1. Value of assets shall include their purchase, production, construction, assembly and installation expenses (costs) as well as other expenses (costs) that increase their value, except for the expenses (costs) that may be directly deducted by a taxpayer, and in the event of receiving assets free of charge, the market price of such assets.
2. If only a portion of assets is supplied or transferred, the value of the assets at the moment of supply or transfer shall be apportioned between the remaining and the supplied or transferred portions.
3. If a fixed asset that was originally leased has been used for other purposes, its value shall be determined by the book value of the group in which the fixed asset was previously recorded.
4. If, within a repo agreement, securities lending or financial collateral, a buyer/lendee supplies primarily purchased/supplied loan securities to a third person, the value and the price of the supplied/redeemed loan securities shall be defined in each case by the market price of the securities primarily supplied by a seller/lender.
5. An interest received by a buyer after purchasing loan securities, which is part of the purchase amount, must be considered as the interest under Article 8(19)(b.d) of this Code, thus reducing the value of the securities. It shall not be included in the gross income of the buyer.

*Law of Georgia No 5118 of 13 October 2011 - website, 31.10.2011*

*Law of Georgia No 5677 of 20 December 2019 – website, 31.12.2019*

#### **Article 149 – Non-recognition of profit or loss**

1. In determining taxable income, no profit or loss shall be taken into account if:
  - a) assets are transferred between spouses;
  - b) assets are transferred between the former spouses at the time of dissolution of marriage;
  - c) assets are involuntarily destroyed/confiscated and if before the end of the next two years from the year in which the assets are destroyed/confiscated:
    - c.a) the amount received as a compensation for the destruction/confiscation is reinvested into an asset of similar type and character;
    - c.b) the destroyed/confiscated asset is replaced with an asset of similar type and character obtained as a result of compensation.
  - d) the registered shareholder of the resident company listed on/placed at a stock exchange of the foreign country in any form (including in the form of Global Depositary Receipts) is changed without changing of the beneficiary shareholder;
  - e) within a repo agreement, securities lending or financial collateral, the loan securities are supplied and they or their other equivalent loan securities are returned to the seller/lender at a pre-agreed price.
2. The value of the replacement asset referred to in paragraph 1(c) of this article shall be determined by taking into account the value of the replaced asset at the moment of the destruction/confiscation.
3. The value of the asset transferred under paragraph 1 (a) and (b) of this article shall be the value of the given asset at the moment of the transaction for the transferring party.
4. The provisions of this article shall not apply to the assets that are subject to a group depreciation method under Chapter XV of this Code, except where all the assets of a group are transferred simultaneously under paragraph 1(a) and (b) of this Article.

*Law of Georgia No 4720 of 24 December 2015 - website, 29.12.2015*

*Law of Georgia No 5677 of 20 December 2019 – website, 31.12.2019*

#### **Article 150 - Liquidation of legal persons**

1. If a legal person is liquidated and a partner legal person receives assets in proportion (corresponding) to his/her interest and if before the liquidation the partner legal person owned 50% or more in the given legal person, then:
  - a) such transfer shall not be regarded as the sale (supply) of assets by the liquidated legal person;
  - b) the value of the assets transferred to the partner in proportion (corresponding) to his/her share is the same as the value of the asset before its transfer to the liquidated legal person;
  - c) distribution of assets shall not be regarded as a dividend;
  - d) profit and loss shall not be taken into consideration when cancelling the partner's interest in the liquidated legal



person.

2. The provisions of this article shall not apply to the assets that are subject to a group depreciation method under Chapter XV of this Code, except where all the assets of a group classified according to one rate of depreciation are transferred simultaneously.

3. If all the assets of the group referred to in the second paragraph of this article, classified according to one rate of depreciation, are transferred simultaneously, the value of the assets for the transferee shall be the book value of the group at the moment of the transfer.

4. The first paragraph of this article shall not apply if:

a) a tax authority proves that the purpose of liquidation is tax evasion;

b) the partner legal person in the liquidation is a non-resident, except as provided for in paragraph 5 of this article.

5. If liquidation involves a non-resident partner legal person, the first paragraph of this article may be applied if, based on the information produced by such person, a tax authority concludes that no tax evasion takes place and issues the appropriate consent.

6. Provisions of this article shall not apply if any party to a transaction is subject to profit taxation according to the objects of taxation provided for in Article 97(1 and 3) of this Code.

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

### **Article 151 - Transfer of assets to a legal person in exchange for interest (shares) in that legal person**

1. Transfer of assets (with or without liability) by a person(s) to a legal person in exchange for 50% or more interest (shares) in such legal person shall not be regarded as supply of assets.

2. Where so provided for in the first paragraph of this article, the value of assets for the receiving party shall be the same as their value for the supplier at the moment of transfer.

3. The value of the partner's interest received as a result of the exchange referred to in the first paragraph of this article shall be equal to the value of the transferred assets minus the transferred (corresponding) liability.

4. The provisions of this article shall not apply to assets that are subject to a group depreciation method under Chapter XV of this Code, except where all the assets of a group classified according to one rate of depreciation are transferred simultaneously.

5. If all the assets of the group classified according to one rate of depreciation referred to in the fourth paragraph of this article are transferred simultaneously, the value of the assets for the transferee shall be the book value of the group at the moment of transfer.

6. The requirements of this article shall not apply to the transferor of assets with a legal defect if the liability exceeds the value of the assets transferred.

7. Provisions of this article shall not apply if any party to a transaction is subject to profit taxation according to the objects of taxation provided for in Article 97(1) and (3) of this Code, except for the case when a natural person transfers assets to a legal person in return of 50 % or more equity/shares of the legal person.

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

### **Article 152 - Reorganisation of legal persons**

1. The value of the property and interest (shares) owned by the legal person (persons) that is a party to a reorganisation shall be equal to the value of such property or interest (shares) before the reorganisation.

2. The transfer of property or interest (shares) between legal persons that are parties to a reorganisation shall not be regarded as sale of property.

3. Any exchange of an interest (shares) in a resident legal person that is a party to a reorganisation for an interest (shares) in any other similar legal person, which is also a party to the reorganisation, shall not be regarded as sale of the interest (shares).

4. The value of the interest (shares) exchanged under the third paragraph of this article shall be equal to the original value of the interest (shares).

5. Any distribution of an interest in a legal person that is a party to a reorganisation that gives rise to a similar right in any other legal person, which is also a party to the reorganisation, shall not be regarded as a dividend.

6. The value of the original interest (shares) referred to in the fifth paragraph of this article shall be attributable to the distributable interest (shares) at the ratio that is defined as the ratio between the market value of the distributed and original interest (stocks) at the moment of distribution and the value of the original share after distribution.

7. If a tax authority fails to prove that the purpose of the operation of merger, acquisition, takeover or division is tax evasion, a reorganisation shall involve:

a) the merger of two or more legal persons;

b) the acquisition or takeover of 50% or more of the interest and 50% or more of a partner's interest in a resident legal person, only with rights similar to those of the partners in an acquisition or takeover transactions, in exchange for an interest (shares);

c) acquisition of 50% or more of the assets of a resident legal person by another resident legal person in exchange for a





- voting interest (shares), without preferential rights in relation to dividends;
- d) division of a resident legal person into two or more resident legal persons.
8. A party to a reorganisation shall be any resident legal person:
- a) that is directly involved in the reorganisation;
- b) that directly owns a resident legal person directly involved in the reorganisation;
- c) that is owned by a resident legal person directly involved in the reorganisation.
9. For the purposes of the eighth paragraph of this article, the ownership of a legal person shall mean the ownership of 50% or more of the voting interest (shares) in that legal person or the ownership of 50% or more of the value of all other remaining interest (shares).
10. The provisions of this article shall not apply to assets that are subject to a group depreciation method under Chapter XV of this Code, except where all the assets of a group classified according to one rate of depreciation are transferred simultaneously.
11. With respect to all the assets of the group classified according to one rate of depreciation referred to in the tenth paragraph of this article, the value of the assets for the transferee shall be the book value of the group at the moment of transfer.
12. Provisions of this article shall not apply if any party to a transaction is subject to profit taxation according to the objects of taxation provided for in Article 97(1 and 3) of this Code.
- Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

## **Chapter XX - Tax Administration Procedures**

### **Article 153 – Filing tax returns**

1. An income tax/profit tax return shall be filed with a tax authority by 1 April of a year following the reporting year by:
- a) a resident natural person whose income is not taxed at a Georgian source (except for a person who is subject to income taxation according to the object of taxation provided for by Article 80(7) of this Code);
- b) an enterprise (except for enterprises that are subject to profit taxation according to the objects of taxation under Article 97(1–3) of this Code);
- c) a non-resident natural person and a non-resident enterprise without a permanent establishment in Georgia if the income they earn from a Georgian source is not taxed at source.
2. When terminating economic activity in Georgia, an entrepreneur natural person shall file with a tax authority a return of gross income and deductions within 30 business days. At the same time, the taxpayer shall not be required to file tax returns in any future period until the renewal of economic activity.
3. A liquidation commission or a taxpayer shall immediately notify a tax authority in writing of the liquidation of a legal person. The liquidation commission shall file a return with a tax authority within 15 days of making a decision on liquidation of the legal person.
- 3<sup>1</sup>. (Deleted – 1.5.2015, No 3581);
4. A natural person that is not obligated to submit tax returns may submit them to claim tax recalculation and refund.
- 4<sup>1</sup>. (Deleted – 26.12.2014, No 3015).
5. An entrepreneur natural person, an enterprise and an organisation shall, not later than the 15<sup>th</sup> day of a month following the accounting month, file a tax return to a tax authority on the amounts paid as remuneration, and taxes withheld during the accounting month.
- 5<sup>1</sup>. A taxpayer shall, within 15 days after entry into force of the ruling on commencing the bankruptcy regime delivered by the court under the procedure established by the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors, submit to a tax authority:
- a) tax returns provided for in paragraph 1 of this article not submitted according to the complete/incomplete tax period (periods) before commencement of the bankruptcy regime. In addition, a taxpayer shall not submit an income/profit tax return according to the complete/incomplete tax period (periods) after commencement of the bankruptcy regime;
- b) tax returns provided for in paragraph 5 of this article not submitted according to the complete/incomplete tax period (periods) before commencement of the bankruptcy regime. In addition, a taxpayer shall not submit a declaration on the amounts of remuneration of labour paid out and taxes withheld according to the complete/incomplete tax period (periods) after commencement of the bankruptcy regime.
6. Before registering the title of a future owner, a registration authority shall notify a natural person about the obligation to report and pay taxes, as well as about the liability for failure to fulfil such obligation:
- a) where an asset owned by a natural person is sold;
- b) where property is received as a gift (except where first and second line heirs receive property as a gift and where third and fourth line heirs receive property with a value of up to GEL 150 000 as a gift and/or inheritance during a tax year);
- c) where third and fourth line heirs receive property with a value of GEL 150 000 or more as a gift and/or inheritance during a tax year.
7. If third and fourth line heirs receive property with a value of GEL 150 000 or more as a gift and/or inheritance during a



tax year, income tax shall be paid within not later than two calendar years. The timeframes for filing returns and paying taxes within the two-year period shall be fixed by the Minister of Finance of Georgia.

8. The procedure for levying taxes on the remuneration paid to the citizens of Georgia by international organisations with diplomatic status operating in Georgia shall be determined by the Minister of Finance of Georgia.

9. The procedure for levying taxes on the salary paid to the employees by a Free Industrial Zone Enterprise shall be determined by the Government of Georgia.

10. An enterprise, an organisation and a permanent establishment of a non-resident enterprise (enterprises subject to profit taxation according to the objects of taxation under Article 97(1-3) and 9<sup>1</sup> of this Code) shall, on a monthly basis, not later than the 15<sup>th</sup> day of a month following the accounting month, file a tax return to a tax authority on the profit tax.

11. A natural person who is subject to income taxation according to the object of taxation provided for by Article 80(7)n of this Code shall, on a monthly basis, not later than the 15<sup>th</sup> day of a month following the accounting month, file a tax return to a tax authority on the income tax.

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 6395 of 5 June 2012 - website, 19.6.2012*

*Law of Georgia No 118 of 20 December 2012 - website, 29.12.2012*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 3015 of 26 December 2014 - website, 30.12.2014*

*Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

*Law of Georgia No 7169 of 18 September 2020 – website, 25.9.2020*

*Law of Georgia No 1191 of 22 December 2021 – website, 28.12.2021*

## **Article 154 – Procedure for withholding tax at source**

1. Tax shall be withheld at source by a withholding agent who is a legal person, an enterprise/organisation or entrepreneur natural person, namely:

a) a person paying salary to an employee, except for:

a.a) salary paid by a Free Industrial Zone Enterprise to a Georgian resident employee;

a.b) salary paid by a non-resident to an employee where such expenses are not attributed to the expenses of the non-resident's permanent establishment;

b) a person paying a pension to another person, other than the pension paid out within the state social security system;

c) a person paying taxes under Article 134(1) of this Code;

d) an enterprise/an organisation or an entrepreneur natural person, that pays the cost of rendered services to a natural person (except for a natural person registered as a VAT payer, a notary officer, a private enforcement officer, a natural person having the status of a micro business and a natural person having the status of a fixed tax payer, in the part of their activities) who is not registered as an individual entrepreneur;

e) a person organising a promotional game, casino (with respect to organising a gambling tournament), a gambling club (with respect to organising a gambling tournament), lotto, bingo, lottery who pays winnings to a natural person.

### **Note:**

1. If a natural person wins, at his/her request, the person organising a casino, gambling club, betting house, slot machines saloon, shall discharge the withholding agent's obligations under this article with respect to such activity;

2. This subparagraph shall not apply to the case provided for by subparagraph e<sup>1</sup>) of this paragraph;

e<sup>1</sup>) a person organising a game of chance and/or a prize-winning game in a systemic and electronic form (except for a promotional draw), who pays a sum to a player from the systemic and electronic gambling account;

f) a person paying another person a scholarship, other than state scholarship;

g) a resident enterprise paying dividends to a person;

h) a person paying an interest to another person in the case provided for in Article 131 of this Code;

i) a person paying a royalty to a natural person;

j) (Deleted – 8.11.2011, No 5202).

k) a brokerage company provided for in Article 2(26) of the Law of Georgia on Securities Market, in the case of the sale of the securities of a person that is not registered as a taxpayer, when paying the surplus income from the sale;

l) a person transferring property free of charge to a natural person that is not registered as an individual entrepreneur, except when this person transfers free of charge to the same natural person property with a value of up to GEL 1 000 during a tax year. In such a case, the procedure for withholding a tax at source by a tax agent shall be determined by the Minister of Finance of Georgia;

m) a legal person having an STZ status – as provided for in Article 133<sup>1</sup> of this Code;

n) a tourist enterprise – in the case set out in Article 133<sup>2</sup> of this Code;



o) a person that pays a natural person the cost of goods purchased from him/her in the case provided for in Article 133<sup>3</sup> of this Code.

2. When withholding taxes at the source:

- a) the responsibility for withholding taxes and transferring them to the budget shall rest with the payer of income;
- b) if the payer of income fails to withhold taxes, it shall transfer to the budget the amount of the tax not withheld according to actually paid compensation along with the penalties related to it;
- c) the recipient of income may pay the taxes and penalties on behalf of the payer of income.

3. The person withholding tax at the source under the first paragraph of this article shall:

- a) transfer the tax to the budget upon paying an amount to a person, and when making non-monetary disbursements – on the last day of the respective month;
- b) when paying salary, at the request of the natural person receiving income, issue to that person a notice indicating the name and surname of this person, the amount and type of income, as well as the amount of the tax withheld (if tax has been withheld);
- c) submit a notice indicating the person's registration number, name and surname, residential address, the total amount of income and the total amount of tax withheld in the reporting period:
  - c.a) to a tax authority by not later than the 15<sup>th</sup> day of the month following the month in which the tax is withheld;
  - c.b) to the person who receives income upon request.

3<sup>1</sup>. The Minister of Finance of Georgia may set for certain categories of taxpayers' information submission timeframes different from those prescribed by paragraph 3(c.a) of this article.

4. For each reporting period specified in Article 153(5) of this Code, by not later than the 15<sup>th</sup> day of the month following that period, the withholding agent referred to in the first paragraph of this article shall file with a tax authority a return on the performed disbursements, in the form and manner prescribed by the Minister of Finance of Georgia.

5. To fulfil tax obligations with respect to the salary specified in paragraph 1(a.b) of this article, the employee may fulfil the obligations regarding computing, reporting and paying taxes to the budget on his/her own in the manner prescribed by the Minister of Finance of Georgia. In that case, a non-resident employer shall be released from the obligation to withhold tax at the source.

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 4935 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 5452 of 9 December 2011 - website, 22.12.2011*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 6053 of 24 April 2012 - website, 27.4.2012*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 6547 of 22 June 2012 - website, 4.7.2012*

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

*Law of Georgia No 2946 of 12 December 2014 - website, 24.12.2014*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

*Law of Georgia No 1191 of 22 December 2021 – website, 28.12.2021*

## **Article 155 - Current taxes**

1. An enterprise and an entrepreneur natural person, whose accounting period is a calendar year (with regard to the part of activity for which the object of taxation is defined on the basis of a calendar year), shall make current tax payments to the budget according to the annual tax payment of a previous tax year in the following amount:

- a) not later than 15 May – 25%;
- b) not later than 15 July – 25%;
- c) not later than 15 September – 25%;
- d) not later than 15 December – 25%.

2. A taxpayer who did not have any taxable income/profit during the last tax year or a person whose status of a micro business or of a flat tax payer has been revoked in the current year and who had taxable income in the last tax year shall not pay current taxes.

3. If a taxpayer's anticipated taxable income (profit) for the current tax year, taking into account tax privileges, decreases by at least 50% compared with the last tax year's income (profit) and the taxpayer notifies a tax authority about this before the due date for the current taxes set by the first paragraph of this article, the taxpayer has the right to reduce or not to pay current taxes.

4. If a taxpayer applies the third paragraph of this article and if the presented actual annual results do not confirm the fact of at least 50% reduction of the anticipated taxable income (profit) and the taxpayer has not fully paid his/her current taxes in the reporting year, he/she shall pay a penalty under this Code within the period from the dates fixed for the



payment of current taxes to the date of filing a tax return.

5. If a tax rate changes compared with the previous tax period, a taxpayer may pay current taxes from the amounts of the taxable income (profit) of the previous taxable year recalculated at the rate applicable in the current taxable year.

5<sup>1</sup>. (Deleted – 26.12.2013, No 1886).

6. The amounts of current taxes transferred to the budget shall be credited against the taxes assessed to the taxpayer according to a tax year.

7. If current taxes are not paid, the tax enforcement measures under Article 238 of this Code shall apply.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 6212 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 97 of 16 December 2016 - website, 23.12.2016*

## SECTION VI VALUE-ADDED TAX

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### Chapter XXI – General Part

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

#### Article 156 – General provisions

1. This Section shall define the procedure for calculating and paying the value-added tax (the ‘VAT’).

2. The VAT is a tax set on the consumption of goods/services, which is directly proportional to the price of the goods/services.

3. The obligation to pay the VAT shall arise at all stages of supply of goods/provision of services, including the retail supply.

4. Where so provided for in this Section, the amount of VAT due can be reduced by the amount of VAT directly assigned to the value of various components of charges related to the supply of goods/provision of services.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

#### Article 157 – Definition of terms

The terms used for the purposes of this Section shall have the following meaning:

a) a person:

a.a) a natural person;

a.b) an enterprise or an organisation under this Code;

a.c) an association of persons which independently participates in legal relations but does not have the status of legal person;

b) the place of establishment of a taxable person – a place from where a taxable person performs its main economic activities, where the management body of the taxable person operates and the main decisions regarding its activities/management are made.

Note: if the criteria provided for in this subparagraph fail to precisely identify the place of establishment of the taxable person, preference shall be given to the place where the main decisions regarding its activities/management are made;

c) the fixed establishment – any place which is not the place of establishment of a taxable person but is characterised by a sufficient degree of consistence, and by a proper structure in terms of human and technical resources, thus allowing it to provide or receive services and use them for its own need;

d) the permanent address – the address of a natural person where he/she has been registered under the procedure established by the legislation, or the address of which a natural person has informed a tax authority, unless there is evidence that this address fails to show the reality;

e) a place of residence – a place which a natural person has chosen as his/her ordinary residence, based on the personal purpose/obligation or that of an economic activity, considering the close/stable connection to this place of residence of his/her;

f) the territory of Georgia – the territory defined by the legislation of Georgia, including the land space, its subsoil and air space above it, internal waters and territorial sea, their bed, subsoil and air space above them, and the area adjacent to its territorial sea, the special economic zone and the continental shelf, in relation to which Georgia can exercise its sovereign rights and/or jurisdiction in accordance with international law;

g) public authorities – bodies that exercise the legislative, executive or judicial power, and the state supervision and control, in accordance with the legislation of Georgia;

h) an immovable thing:

h.a) any place on or below the earth’s surface in relation to which the right of ownership or possession can arise;

h.b) any building/structure located on or below the earth, which is firmly linked to the earth and is not intended for



- temporary use;
- h.c) any thing which is an integral part of a building/structure and without which the building or structure is incomplete, in particular a door, a window, a roof, a staircase, an elevator and other similar things;
- h.d) any thing, equipment or machinery, which is permanently installed in a building/structure and which cannot be removed without destroying or remaking it or without changing its intended purpose;
- i) a gift of little value – goods or services that are transferred free of charge and the value of which, without VAT, does not exceed GEL 50 during a calendar year, for one natural person. Advertisement and entertainment expenses shall not be considered a gift of little value;
- j) a trade agent – a taxable person whose main activity is to resell natural gas or electricity purchased, and whose consumed volume of the aforementioned goods for personal purpose is insignificant;
- k) an independently operable subdivision – part of the assets of a taxable person, which constitutes a combination of the functionally interrelated fixed assets and the accompanying communications, and the independent operation of which does not depend on the change of an owner;
- l) an ancillary service/goods – a service/goods purchasing of which is not the main purpose of their customers but intend to ensure improvement of the conditions for providing major services/supplying goods to them, and/or better usage;
- m) a directly relating service/goods – a service/goods that are supplied to ensure supply of the main service/goods and which are necessary to perform this main operation;
- n) a continuous service – a service the result of which can be used by a customer continuously, at any moment of the accounting period;
- o) a regular service – a service which is not a continuous service but it may be accepted by a customer at any specific moment of an accounting period, based on a contract/agreement, without additional agreement with a service provider;
- p) an electronically provided service – a service which is provided through internet or electronic network, supply of which is essentially automated, requires minimum human interference and it cannot be provided without information technology; including:
- p.a) supply of digital products, including software support and supply of its updated version;
- p.b) provision of websites;
- p.c) webhosting, remote software and hardware maintenance;
- p.d) software and the appropriate update;
- p.e) provision of an image, text and information to ensure the accessibility of a database;
- p.f) provision of music, films and games (including gambling games);
- p.g) broadcasting and provision of political, cultural, arts, sports, scientific and entertainment programmes;
- p.h) provision of distance learning;
- p.i) other types of services defined by an order of the Minister of Finance of Georgia.
- Note: the circumstance alone that the provider and buyer of services exchange information electronically does not in itself mean that the service has been provided electronically.
- q) the market price – the price that a customer would have to pay at an appropriate time when buying these goods or services at a market of the same level where, under the conditions of free competition and economic independence of entities, the goods are supplied or services are provided, and where this transaction is subject to VAT tax. If the comparable price of the goods or services cannot be set, the market price, for VAT purpose, shall be:
- q.a) for the goods – the price that must not be less than the purchase price for these or similar goods, and, where there is no purchase price, the production cost of these goods at the time of their supply;
- q.b) the services – the price that must not be less than the cost of all charges related to the provision of the services;
- r) a voucher – an instrument that gives rise to an obligation of a taxable person to accept it as a remuneration or part of a remuneration in return for the supply of goods/services, and the goods/services to be supplied or a potential supplier are identifiable in it or in a related document, and the conditions for using this instrument;
- s) a single-use voucher – a voucher upon issuance of which the place of supplying goods/providing services related thereto and the VAT to be assessed in respect to this transaction is identifiable;
- t) a multi-use voucher – a voucher that is not a single-use voucher;
- u) a second-hand thing – a used movable thing, which is still suitable as is or after repair for usage, except for a piece of art, a collectible item and antique, and for a precious metal or a precious stone, in the meaning defined by the legislation of Georgia;
- v) a taxable dealer – any taxable person who, within economic activities, buys for further selling or uses for own economic activities a second-hand thing, a piece of art, a collectible item or antique, or carries out the import of goods, irrespective of whether he/she acts on behalf of himself/herself or another person, on the basis of a contract with him/her, according to which a commission charge is payable when buying or selling goods;
- w) NCNFEA – the National Commodity Nomenclature of Foreign Economic Activity;
- x) short term leasing of a vehicle – continuous possession or usage of a vehicle (of an air vehicle, ship and any other vehicle provided for in Groups 86, 87, 88 and 89 of the NCNFEA), for not more than 90 days in the case of a ship, and for not more than 30 days in the case of another vehicle;
- y) a tour operator – a person creating a tourist product and providing it to a tourist;



z) a tourist – a natural person to whom a tourist product is provided, for travelling in Georgia for at least 24 hours and for not more than one year (including for recreation and/or health improvement purposes);  
z1) a tourist product – a combination of at least two components of tourist service types (including transportation, accommodation, food, tour guide service, and ancillary service for tourist services);  
z2) repair of a fixed asset (building/structure) – modification (reconstruction) of the elements of a building/structure for the purpose of prolonging their useful service and for ensuring enhancement of their capacity, except for current operating expenses that are paid for the restoration or maintenance of the initial capacity of the fixed asset.  
*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 158 – A VAT taxable person**

1. A VAT taxable person (the ‘taxable person’) shall be considered any person who, at any place, independently performs any type of economic activity, irrespective of the purpose and result of the activity.  
2. For the purposes of this Section, the following shall be considered an economic activities:  
a) activities provided for by Article 2(2) and Article 3(1 and 2) of the Law of Georgia on Entrepreneurs;  
b) activities of persons performing transactions of supplying goods/providing services, except for a one-off/occasional activities, based on paragraph 3 of this article;  
c) use of property for earning regular income.  
3. Despite the one-off/occasional nature, in any case, delivery of a non-residential building/structure shall be considered an economic activity.  
4. The following shall not be considered economic activities:  
a) activities provided for by Article 9(2)(b-f) of this Code;  
b) activities of a public authority/municipality body or of a legal person under public law if, when performing activities, it acts as a state body (exercises powers delegated to it by the state), even when a membership fee and other fees, or another payment is established for this activity, except for:  
b.a) the telecommunication services;  
b.b) the supply of water, gas, electricity or thermal energy;  
b.c) the transportation of goods;  
b.d) the port or airport services;  
b.e) the passenger transportation;  
b.f) the supply of goods produced for selling purposes;  
b.g) the supply of agricultural products and provision of services through an intermediary agency;  
b.h) the organisation of the exhibition and sale;  
b.i) the warehousing;  
b.j) the advertising activities;  
b.k) the activity of a tourist agent;  
b.l) the food service;  
b.m) the broadcasting and telecasting activities.  
5. The Government of Georgia may, for avoiding the restriction of competition, define the types of activities different from paragraph 4 of this article, and if and when they are performed, activities of a public authority/municipality body or of a legal entity under public law shall be considered economic activities.  
*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*  
*Law of Georgia No 884 of 2 August 2021 – website, 4.8.2021*

## **Chapter XXII – Taxable Transactions**

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 159 – VAT taxable transactions**

1. The VAT taxable transactions shall be as follows:  
a) the supply of goods by a taxable person within economic activity in the territory of Georgia, for consideration;  
b) the provision of a service by a taxable person within economic activity in the territory of Georgia, for consideration;  
c) the import of goods.  
2. Supply of goods/provision of a service that is directly related to the supply of another type of goods/provision of another type of services, or is of ancillary nature for the supply of another type of goods/provision of another type of services shall be considered as part of the provision of this service/supply of these goods.  
*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 160 – Supply of goods**

1. Supply of goods shall be the transfer of the right of ownership of disposing of tangible property. The following shall also be considered the supply of goods:  
a) the transfer of the right of ownership of property, for consideration, by a decision of a public authority/municipality



- body, and/or as provided for by the law;
- b) the factual transfer of goods under a rental, leasing or similar agreement, with the right of redemption;
- c) the transfer of goods on the basis of an agreement according to which a commission fee is paid when buying or selling goods.
2. Electricity, gas, thermal energy, cooling energy and other similar property shall be considered as tangible property. Money (except for a collectible item and/or a coin with numismatic value), and cryptography currencies (crypto assets) shall not be considered as goods.
3. The following shall also be considered supply of goods for consideration:
- a) the free supply of goods by a taxable person if its VAT on the goods or on the related charges has been fully or partially deducted. In addition, the transfer/use of the goods as a sample or a gift of little value shall not be considered supply of goods for consideration;
- b) the use by a taxable person of a building/structure of own production as a fixed asset if it would not be able to fully receive the VAT deduction in the case of purchasing the building/structure from another person.
- Note:** for the purpose of this subparagraph, own production shall mean construction of a building/structure on a plot of land owned by/in possession of the taxable person by own efforts and/or by purchasing construction and installation services;
- c) the supply of goods by a taxable person for personal use of its employees or the supply/use of goods for the purpose different from the purpose of its own activity if its VAT on the goods or on the related charges has been fully or partially deducted;
- d) the leaving of goods by a taxable person or its successor in title in its own possession after terminating economic activities if its VAT on the goods or on the related charges has been fully or partially deducted;
- e) the cancellation of the registration of a taxable person as a VAT payer if its VAT on the goods left on the balance sheet at the time of cancellation of its registration as a VAT payer or on the related charges has been fully or partially deducted;
- f) the transfer of goods by an enterprise or an association into ownership of a partner or a member of association respectively in return for a share;
- g) the expiry or early termination of the validity period of the status of a tourist enterprise;
- h) the shortage provided for by this Code.
4. Supply by a co-owner of an immovable thing of his/her share in the co-ownership shall be considered supply of the immovable thing.
5. If the right of ownership of an immovable thing has been registered on its purchaser in a registration authority with regard to a facility under construction, the construction, installation and/or repair services provided by the supplier of the immovable thing with respect to the supply of this thing shall be considered part of the supply of the immovable thing.
6. Joint supply of a land plot and the attached building/structure shall be considered supply of the building/structure.
7. The following shall not be considered supply of goods:
- a) the supply by a taxable person of all assets or its part (independently operable subdivision) to another taxable person;
- b) the contribution of an asset into the capital of an enterprise or partnership;
- c) the transfer of an asset between persons – parties to the reorganisation of an enterprise.
- Note:** for the purpose of this paragraph, a person who has received the asset shall be considered a successor in title for the supplier of this asset.
8. Conditions and procedure for the application of paragraph 7 of this article, and cases when the provisions under this paragraph do not apply shall be defined by the Minister of Finance of Georgia.
- Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Article 160<sup>1</sup> – Provision of services**

1. Provision of services shall be any activity that is not supply of goods. The following shall also be considered provision of services:
- a) the transfer of intangible property;
- b) the obligation to abstain from acting or to allow a specific act/situation;
- c) the provision of services on the basis of a decision by a public authority/municipality body and/or as provided for by law.
2. The following shall also be considered provision of services for consideration:
- a) the free provision of services by a taxable person for personal use of its employee or for the purpose different from the one of its own activity;
- b) the repair of own fixed asset (building/structure) carried out by a taxable person for the purpose of its activity if it would not be able to fully receive the VAT deduction in the case of purchasing this service from another person.
- Note:** for the purpose of this subparagraph, the repair of the fixed asset (building/structure) shall be considered carried out by the taxable person, whether by own efforts and/or through purchasing the repair services/works from a person who is not registered as a VAT payer;
- c) the provision of services by an enterprise or an association to a partner or a member of association respectively, in return for a share.



3. A person who, on behalf of himself/herself but by order of another person, participates in the provision of services shall be considered a beneficiary of the services and a provider of services.
4. The following shall not be considered provision of services:
  - a) the transactions provided for by Article 160(7) of this Code;
  - b) the transfer of the right of ownership of money, and of cryptography currency (crypto asset).
5. Provisions provided for by Article 160(7) of this Code, in cases defined by the same paragraph, shall also apply to the supply of services.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 160<sup>2</sup> – Import of goods**

The import of goods shall be the placement of goods under the Release for free circulation procedure under the Customs Code of Georgia.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 160<sup>3</sup> – Transactions conducted through vouchers**

1. The transfer of a single-use voucher to another person by a taxable person acting on its own behalf shall be considered the voucher-related supply of goods or provision of services.
2. Where so provided for by paragraph 1 of this article, a factual supply of goods/services, in return for a single-use voucher, shall not be considered an independent taxable transaction.
3. The transfer of a single-use voucher by a taxable person acting on behalf of another taxable person shall be considered the voucher-related supply of goods/provision of services carried out by the taxable person on behalf of whom this person acts.
4. If a taxable person, who carries out supply of goods/provision of services, is not a taxable person that has issued a single-use voucher and who acts on its own behalf, it shall be considered that he/she has supplied the voucher-related goods/services to the taxable person that has issued the voucher.
5. A factual supply of goods/services by a supplier in return for a multi-use voucher shall be considered a VAT taxable transaction. In addition, all previous transfers of the multi-use voucher shall not be considered a VAT taxable transaction.
6. If transfer of a multi-use voucher is carried out by a taxable person who is not a person to carry out a taxable transaction provided for by paragraph 5 of this article, provision of any service that can be defined as a service promoting the distribution/sales of goods or a similar service shall be considered a VAT taxable transaction.
7. When goods/services are supplied continuously or regularly, in return for a voucher, VAT taxation shall be carried out for taxation of the respective continuous/regular supply, at the moment defined under Article 163 of this Code.
8. The Minister of Finance of Georgia may define the procedure for taxing individual taxable transactions carried out through a single-use voucher, which is different from the one in paragraphs 1-3 of this article.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 161 – Reverse charge**

1. The following shall be subject to VAT reverse charge:
  - a) provision of a service to a tax agent in the territory of Georgia by a taxable person who is not established or does not normally live in Georgia, or who has no fixed establishment in Georgia which participates in providing this service;
  - b) transfer of a collateral (goods) to the possession of a creditor under a contractual obligation performance security measure;
  - c) foreign goods purchased from a person in the customs warehouse in the case provided for by Article 164<sup>1</sup>(4) of this Code, which are placed under the Release for customs free circulation procedure;
  - d) in the case provided for by Article 164<sup>1</sup>(5) of this Code, foreign goods purchased from a FIZ enterprise, which are placed under the Release for customs free circulation procedure.
2. For the purpose of this article, the following persons shall be considered tax agents:
  - a) for the purpose of paragraph (1)(a) of this article, any person established in Georgia (except for a non-entrepreneur natural person and a FIZ enterprise), or which has a fixed establishment in Georgia through which the service was purchased;
  - b) for the purpose of paragraph (1)(b) of this article, a person (creditor) who takes possession of a collateral (goods) under a contractual obligation performance security measure;
  - c) for the purpose of paragraph (1)(c) and (d) of this article, a person placing goods under the Release for customs free circulation procedure.
3. Where so provided for by paragraph 1 of this article, a tax agent shall assess VAT:
  - a) where so provided for by paragraph (1)(a) of this article, on the sum to be paid for a service;
  - b) where so provided for by paragraph (1)(b) of this article, on the market price of a collateral (goods) taken into possession, excluding VAT;
  - c) where so provided for by paragraph (1)(c) of this article:





- c.a) if the import and supply of goods are not VAT exempt, on the amount of a positive difference between the purchase value of foreign goods in a customs warehouse and the amount of import of goods;
- c.b) if the import of goods is VAT exempt and the supply of goods is VAT taxable, on the purchase value of foreign goods in a customs warehouse;
- d) where so provided for by paragraph (1)(d) of this article:
- d.a) if the import and supply of goods are not VAT exempt, on the amount of a positive difference between the purchase value of foreign goods from a FIZ enterprise and the amount of import of goods;
- d.b) if the import of goods is VAT exempt and the supply of goods is VAT taxable, on the purchase value of foreign goods from a FIZ enterprise.
- 4. Where so provided for by 1 paragraph of this article, the procedure for submitting a report by a tax agent to a tax authority and paying the assessed tax to the budget shall be defined by the Minister of Finance of Georgia.
- 5. Where so provided for by paragraph (3)(b) of this article, the obligation of VAT assessment shall not be imposed on a person registered as a VAT taxpayer. In addition, it shall be considered that he/she has received a VAT deduction of the appropriate amount on the goods.
- 6. The following shall not be subject to VAT reverse charge:
  - a) the supply of goods or provision of services that are VAT exempt under this Code;
  - b) where so provided for by paragraph (1)(b) of this article, the transfer of a plot of land owned by a natural person and of a flat/dwelling house attached to it.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 161<sup>1</sup> – VAT taxation in individual cases**

- 1. Sale (supply) of goods by auction, direct sale or in another way, as part of a tax liability collection security measure or for any other pecuniary liability (except for sanctions imposed under criminal and administrative procedures) shall be VAT taxable under this article, and payment of the VAT assessed on this transaction on behalf of a person (the owner of goods) to the budget shall be ensured by an authorised person carrying out sale of goods. In addition, in such a case, VAT shall not be charged on:
  - a) the supply of a flat/dwelling house;
  - b) the supply of a plot of land;
  - c) the supply of a car specified under the NCNFEA Code 8703 and/or a motorcycle (including a moped) specified under the NCNFEA Code 8711;
  - d) the supply of property owned by a natural person (except for an individual entrepreneur).
- 2. Sale of insolvency mass by auction, direct sale or in another way under the procedure established by the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors shall be VAT taxable under this article, and payment of the amount of VAT assessed on this transaction on behalf of a person (the owner of insolvency mass) to the budget shall be ensured by an authorised person selling the goods. In addition, except where insolvency mass is sold (supplied) as an integrated complex, VAT shall not be charged on:
  - a) the supply of a flat/dwelling house owned by an individual entrepreneur;
  - b) the supply of a plot of land;
  - c) the supply of a motor vehicle;
  - d) the supply of agricultural machinery.
- 3. Where so provided for by paragraphs 1 and 2 of this article:
  - a) the selling price of goods (the compensation paid/to be paid by the buyer) shall include the amount of VAT;
  - b) when VAT is charged on the supply of goods, Articles 170-172 of this Code, and other statutory provisions under this Code that provide for the VAT exemption of the supply of goods, shall not apply.
- 4. The procedure for VAT taxation of the transactions under this article and payment of the VAT amount to the budget shall be defined by an order of the Minister of Finance of Georgia.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

*Law of Georgia No 7169 of 18 September 2020 – website, 25.9.2020*

### **Article 161<sup>2</sup> – Special taxation scheme for supply of certain goods**

- 1. Supply of a second-hand thing, a piece of art, a collectible item or antique may be subject to VAT taxation according to the special taxation scheme ('the special scheme').
- 2. The profit margin of a taxable dealer shall be the difference between the supply price of goods and its purchase price.
- 3. The purchase price of goods imported by a taxable dealer, which must be taken into account when calculating the profit margin, shall be the sum of the VAT taxable amount when importing the goods and the respective amount of VAT.
- 4. The VAT taxable amount following the supply of goods shall be obtained as a result of division of the amount of the profit margin received by a taxable dealer by 1.18.
- 5. A taxable dealer shall not be entitled to have VAT deducted on the goods supply of which is subject to taxation under the special scheme.
- 6. A taxable person shall be entitled to have VAT deducted with regard to the goods supplied or to be supplied to it by a



taxable dealer if the supply of the goods is subject to taxation under the special scheme.

7. A taxable dealer shall inform a tax authority about application of the special scheme provided for by this article, where a period of application of the scheme shall be indicated, which may not be less than 24 months. The aforementioned period shall be calculated from the beginning of a month the information under this paragraph was filed with the tax authority.

8. The procedure for applying the special scheme under this article and informing a tax authority about the application of the scheme, and the types of pieces of art, collectible items and antiques supply of which may be subject to taxation according to the special scheme shall be defined by the Minister of Finance of Georgia.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Chapter XXIII – Place of Conducting Taxable Transactions** *Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 162 – Place of supply of goods**

1. A place where the goods are located at the moment of their supply shall be considered the place of supply of goods, unless the goods are dispatched or transported.

2. If goods are dispatched or transported, a place where the goods are located at the moment of starting to dispatch or transport them to the purchaser shall be considered the place of supply of goods.

3. If natural gas or electricity is supplied to a trade agent through the distribution network, a place where the trade agent has established its activity, or where it has a fixed establishment for which the goods are supplied shall be considered the place of supply of goods; and if there is no place of establishment of activity or fixed establishment, a place where the trade agent has permanent address, or where it normally lives shall be considered the place of supply of goods.

4. When natural gas or electricity is supplied through the distribution network, unless it is provided for by paragraph 3 of this article, a place of factual use and consumption of the goods by the consumer shall be considered the place of supply of goods.

5. If a consumer does not factually consume natural gas or electricity fully or partially, the goods that were not consumed shall be deemed used and consumed at the place where the consumer conducts its activities or has a fixed establishment for which the goods are supplied. If there is no place of activity or fixed establishment, it shall be deemed that the goods have been used and consumed by the consumer at the place where he/she has permanent address, or where he/she normally lives.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 162<sup>1</sup> – Place of provision of services**

1. If, under this article, services are provided within the territory of Georgia, it shall be deemed that they have not been provided within the territory of another country, and if services are not provided within the territory of Georgia, they shall be considered as having been provided within the territory of another country.

2. For the purpose of defining the place of provision of services, a person (except for a non-entrepreneur natural person) shall be considered a taxable person in relation to any service provided to him/her/it.

3. Unless otherwise determined by this article:

a) the location where a service recipient is established shall be considered the place of provision of services, if the service recipient is a taxable person. In addition, if services are provided for a fixed establishment of a service recipient, which is not located in the place where the service recipient is established, the location of the fixed establishment shall be considered the place of provision of services. If there is no place of establishment or fixed establishment, the location where the service recipient has permanent address or where he/she/it normally lives shall be considered the place of provision of services;

b) the location where a service provider (taxable person) is established shall be considered the place of provision of services, if the service recipient is not a taxable person. In addition, if services are provided by a fixed establishment of a service provider, which is not located in the place where the service provider is established, the location of the fixed establishment shall be considered the place of provision of services. If there is no place of establishment or fixed establishment, the location where the service provider has permanent address or where he/she/it normally lives shall be considered the place of provision of services.

4. The place of provision of services related to an immovable thing shall be considered the place where the immovable thing is located, including:

a) the services of an expert and an agent of immovable thing;

b) the services for the preparation and coordination of construction works (exercise of control and supervision on the construction site).

5. The place of provision of a service provided to a non-taxable person by an intermediary acting on behalf and by order of another person shall be considered the place of conducting a transaction for which the intermediary service has been provided.

6. For a non-taxable person, the place of cultural, art, scientific, education, entertainment, physical culture and sports or



similar events such as a performance, a presentation or an exhibition, and the place of provision of services for organising the above events (including ancillary services) shall be considered the place where the events are actually carried out.

7. For a taxable person, the place of exercising the right of entry/access to cultural, art, scientific, education, entertainment, physical culture and sports or similar events such as a performance, a presentation or an exhibition, and/or the place of provision of ancillary services related to the above right of entry/access shall be considered the place where the events are actually carried out.

8. The place of provision of services shall be considered the location of its actual performance if any of the following services has been provided to a non-taxable person:

a) the transportation-related services, which include loading, unloading, repacking, warehousing, and storage of goods during carriage, packing of goods for transportation, preparation of documents before completion of custom clearance formalities, inspection, check-up-related services and other similar services;

b) the assessment of a movable thing or the work/service related to such property.

9. The place of provision of transportation services to a passenger shall be considered the place where the transportation is carried out, in proportion to the distance driven.

10. The place of provision of services of transportation of goods to a non-taxable person shall be considered the place where the transportation is carried out, in proportion to the distance driven.

11. The place of provision of restaurant and/or food services shall be considered the place where the above services are actually performed.

12. The place of provision of short-term vehicle lease services shall be considered the place where the vehicle is actually placed in customer's service.

13. The place of renting/leasing of a vehicle, except for short-term leasing, to a non-taxable person shall be the place where the customer is established, has permanent address or normally lives. In addition, the place of rental of a leisure boat (except for short-term leasing) to a non-taxable person shall be the place where the leisure boat is actually placed in customer's service.

14. The place of provision of services to a non-taxable person shall be considered the place where he/she/it is established, has permanent address or normally lives if any of the following services have been provided to him/her/it:

a) telecommunication services;

b) radio and TV broadcasting services;

c) electronically provided services;

d) the transfer or cession of a copyright, a patent, a licence, a trademark or other similar rights;

e) advertisement services;

f) consultancy, engineering, legal, accounting and other similar services, and data processing and information delivery service;

g) the obligation to abstain from full or partial performance or exercise of an economic activity or a right provided for by this paragraph;

h) banking, financial and insurance transactions, including reinsurance, except for safe rental service;

i) personnel provision services;

j) leasing out of a movable thing, except for leasing of any type of vehicle.

15. The Minister of Finance of Georgia may define the cases when a certain service under paragraphs 3 and 12-14 of this article is considered:

a) provided in another country if it is performed within the territory of Georgia, but the service is actually employed and/or used outside the territory of Georgia;

b) provided in Georgia if it is performed outside the territory of Georgia, but the service is actually employed and/or used in Georgia.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Chapter XXIII<sup>1</sup> – Time of Taxation**

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 163 – Time of taxation when supplying goods/providing services**

1. VAT taxation of supply of goods/provision of services shall be carried out at the moment of supplying goods/providing services, unless otherwise provided for by this article.

2. If the sum is fully or partially paid before goods are supplied/ services are provided, payment of the respective VAT of the sum paid shall be effected according to the accounting period for payment of the sum, except as provided for by paragraphs 5 and 9 of this article.

3. a) a transaction provided for by Article 160(3)(b) of this Code shall be subject to VAT taxation at the moment when a taxable person starts using its produced building/structure (fixed asset) in economic activities;

b) transactions provided for by Article 160(3)(d) and (e) of this Code shall be subject to VAT taxation at the moment when an appropriate person terminates economic activities/cancels VAT registration;



- c) transactions provided for by Article 160(3)(g) of this Code shall be subject to VAT taxation at the moment when the status of a tourist enterprise is cancelled;
- d) where so provided for by Article 160(3)(h) of this Code, VAT taxation shall be carried out at the moment when the shortage under this Code is identified.
- 4. VAT taxation of a transaction provided for by Article 160<sup>1</sup>(2)(b) of this Code shall be carried out at the moment when repair of the building/structure (fixed asset) is finished (the moment when provision of repair services/works would be VAT taxable if performed by a person registered as a VAT taxpayer).
- 5. VAT taxation shall be carried out not later than the last day of each accounting period if telecommunication/communication services are provided or goods (guaranteed capacity, electricity, gas, water, thermal energy, cooling energy or other similar goods) are supplied regularly or continuously.
- 6. Unless the condition under paragraph 2 of this article is present, VAT taxation shall be carried out:
  - a) not later than the last day of each accounting period if services are provided regularly or continuously, considering paragraph 5 of this article;
  - b) except as provided for in Article 160(5) of this Code, when an immovable thing is supplied, at the moment of preparation of a document confirming the right of ownership to be filed with a registration authority for the registration of the right of ownership, and if the registration (transfer) of the right of ownership depends on the fulfilment of a certain obligation by a party (parties) to this document and/or on the presence of the condition, then at the moment when such obligation is fulfilled/condition is present;
  - c) where so provided for by Article 160(1)(b) of this Code, at the moment when goods are actually transferred;
  - d) where so provided for by Article 160(5) of this Code, at the moment when an immovable thing is accepted into service.
- 7. Where so provided for by Article 161(1)(c) and (d) of this Code, VAT taxation of a respective transaction shall be carried out at the moment when charging VAT on the import of goods.
- 8. Where so provided for in paragraph 5 of this article, if a taxable person keeps record of the supply of goods/services on different days of an accounting period according to the amount of goods/services supplied during not a calendar month but during a certain period (cycle) which may include the accounting period as well as a period preceding the accounting period, the amount of goods/services recorded according to the different days of the accounting period (recorded according to the amount of goods/services supplied during the certain period (cycle)) shall be considered supplied within the accounting period, irrespective of the amount actually supplied within the accounting period.
- 9. The Minister of Finance of Georgia may define cases of certain taxable transactions when paragraph 2 of this article does not apply.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 163<sup>1</sup> – Time of taxation at import**

VAT taxation of the import of goods shall be carried out in accordance with the customs legislation of Georgia at the moment when customs obligations arise, and if the goods are not subject to import tax or are exempt from import tax, then at the moment when the goods would be assessed unless they were exempt from this tax.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Chapter XXIII<sup>2</sup> – Taxable Amount**

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 164 – Taxable amount when supplying goods/providing services**

- 1. Unless otherwise provided for by this article, a VAT taxable amount shall be the compensation received/to be received in return for the supply of goods/provision of services, without VAT, including the subsidy directly related to the price of the goods/services. The aforementioned provision shall also apply to the case of goods/services exchange transaction (barter transaction).
- 2. In cases provided for by:
  - a) Article 160(3)(a-e) of this Code, a VAT taxable amount shall be the purchase price of goods for the current or similar goods, or if it does not exist, then their production price which, in appropriate cases, is set at the moment when goods are used, alienated, converted (kept in possession) or when the registration as a VAT taxpayer is cancelled;
  - b) Article 160(3)(f) and (h) of this Code, a VAT taxable amount shall be the market price of goods, without VAT;
  - c) Article 160(3)(g) of this Code, a VAT taxable amount shall be the difference between the sum obtained as a result of division of the turnover exempt from VAT under Article 172(4)(v) of this Code with the right of deduction by 1.18 and the declared sum of the VAT taxable transactions (except for the VAT exempt transactions) as a result of functioning of the hotel (facility/its part) by a person/persons invited for functioning/operation of a tourist enterprise and/or a hotel (including the sum additionally assessed by a tax authority according to the aforementioned facility).
- 3. In cases provided for by:
  - a) Article 160<sup>1</sup>(2)(a) and (b) of this Code, a VAT taxable amount shall be the value of all expenses related to the provision of a service;



b) Article 160<sup>1</sup>(2)(c) of this Code, a VAT taxable amount shall be the market price of a service.

4. A VAT taxable amount must include:

a) taxes, fees and dues, except for VAT;

b) related expenses, such as commission fees, or packing, transportation, and insurance costs charged by a supplier to a purchaser.

5. The following shall not be included in a VAT taxable amount:

a) the discount for an advance payment;

b) the discount awarded to a purchaser of goods/services and obtained by him/her at the moment of supply, or another concession;

c) the amount received by a taxable person from a purchaser of goods/services as a compensation for the expenses borne on behalf and by order of the purchaser. In addition, the taxable person shall have the obligation to prove the actual amount of expenses specified in this subparagraph and he/she/it shall have no right to deduct the VAT paid in relation to the aforementioned;

d) the benefit under a leasing agreement – when goods are supplied under lease in the case provided for by Article 160(1)(b) of this Code;

e) the sum of a penalty received/to be received with regard to the violation of a contractual obligation, or another kind of financial compensation.

6. When goods/services under a multi-use voucher are supplied/provided, a VAT taxable amount shall be the compensation paid for this voucher, without VAT. And if there is no information on the compensation, the VAT taxable amount shall be obtained as a result of dividing the value specified in the multi-use voucher or the related documentation by 1.18.

7. When a taxable transaction is carried out between interdependent persons, a VAT taxable amount shall be the market price of goods/services without VAT if:

a) the compensation amount of the taxable transaction is lower than its market price and the purchaser of the goods/services, under this Code, has no right to fully deduct the VAT on this transaction;

b) the compensation amount of the taxable transaction is lower than its market price and the supplier of the goods/services, under this Code, has no right to fully deduct the VAT and the supply is VAT exempt without the right of deduction;

c) the compensation amount of the taxable transaction is higher than its market price and the supplier of the goods/services has no right to fully deduct the VAT.

8. Costs of multi-use (returnable) goods/tare shall not be included in a VAT taxable amount. In addition, if the aforementioned goods were not returned, the VAT taxable amount shall be adjusted. The procedure for applying this paragraph shall be defined by an order of the Minister of Finance of Georgia.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Article 164<sup>1</sup> – Taxable amount during customs procedures**

1. A taxable amount when importing goods shall be the value of goods for customs purposes.

2. Unless a taxable amount contains the below components, the following shall be included in it:

a) taxes, fees or other dues, except for VAT, due in a foreign country and/or in Georgia, based on the import of goods;

b) related expenses, such as commission fees, or packing, transportation and insurance costs that are paid for transporting goods to the first place of destination, and costs paid in the territory of Georgia for transporting goods to another place of destination if this another place is known at the moment when the tax obligation arises.

**Note:** for the purpose of subparagraph b) of this paragraph, the first place of destination shall be the place indicated in the document by which the goods are imported. In addition, if this place is not indicated in the appropriate document, the place of the first transportation/transfer of goods in the territory of Georgia shall be considered the first place of destination.

3. The following shall not be included in a taxable amount:

a) the discount for an advance payment;

b) the discount awarded to a purchaser and obtained by him/her at the moment of import, or another concession.

4. When importing goods supplied to the customs warehouse, if:

a) the import and supply of goods are not VAT exempt, the amount of VAT due at import shall be paid based on the amount of import, and the amount of a positive difference between the value of purchasing foreign goods at the customs warehouse by the importer and the amount of import of goods shall be subject to VAT reverse charge;

b) the import of goods is VAT exempt and the supply of goods is VAT taxable, the value of purchasing foreign goods at the customs warehouse by the importer shall be subject to VAT reverse charge;

c) the import of goods is VAT taxable and the supply of goods is VAT exempt, the importer shall pay the amount of VAT due at import based on the amount of import.

5. When a person imports goods purchased from a FIZ enterprise, if:

a) the import and supply of goods are not VAT exempt, the amount of VAT due at import shall be paid based on the amount of import, and the amount of a positive difference between the value of purchasing foreign goods from a FIZ



- enterprise by the importer and the amount of import of goods shall be subject to VAT reverse charge;
- b) the import of goods is VAT exempt and the supply of goods is VAT taxable, the value of purchasing foreign goods from a FIZ enterprise by the importer shall be subject to VAT reverse charge;
- c) the import of goods is VAT taxable, and if the supply of goods is VAT exempt, the importer shall pay the amount of VAT due at import based on the amount of import.

**Note:** where so provided for by this paragraph, obligations of the FIZ enterprise under this Code in a part of VAT, with regard to the transaction of supplying goods to the importer shall be considered fulfilled.

6. Where so provided for by Article 54(2), (3) or (4) of the Customs Code of Georgia, the amount of import shall be defined in accordance with the procedure established by the same paragraph for calculating the amount of import tax.

7. The export/re-export of goods shall be considered carried out if the goods are declared in the export procedure or when they are re-exported, during which the export/re-export amount is the customs value of goods.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Chapter XXIV – Registration of Taxable Persons**

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 165 – Registration as a VAT taxpayer**

1. A taxable person shall, unless otherwise provided for by this Code, from the day when he/she exceeds the total amount of GEL 100 000 for VAT taxable transactions of supplying goods/providing services carried out during any 12 consecutive calendar months, within not later than 2 business days, apply to a tax authority for registration as a VAT taxpayer.

2. The obligation of a taxable person to calculate and pay the VAT shall arise from the moment of carrying out a taxable transaction under paragraph 1 of this article (including this transaction), according to which the total amount of taxable transactions has exceeded GEL 100 000.

3. A taxable person, who produces excisable goods in Georgia, shall apply to a tax authority for registration as a VAT taxpayer before supplying the excisable goods.

4. A person set up as a result of reorganisation, if any party to the reorganisation is registered as a VAT taxpayer, shall apply to a tax authority for registration as a VAT taxpayer before carrying out a VAT taxable transaction provided for by paragraph 1 of this article, but not later than 10 days after completion of the reorganisation.

5. If an enterprise/partnership accepts goods/services as a contribution from a partner/member registered as a VAT taxpayer, the enterprise/partnership shall apply to a tax authority for registration as a VAT taxpayer before carrying out a VAT taxable transaction provided for by paragraph 1 of this article, but not later than 10 days after making the contribution.

6. A person may voluntarily get registered as a VAT taxpayer. In such a case, he/she shall be considered a VAT taxpayer from the day of applying to the tax authority, but not later than the period allowed for compulsory registration.

7. When defining the total amount of VAT taxable transactions provided for by paragraph 1 of this article, the taxable transactions exempt from VAT under this Code shall not be taken into account, except for:

- a) the transactions exempt from VAT under this Code that are related to a financial or immovable thing if carrying them out is the main activity of the taxable person;
- b) the export transactions of goods;
- c) the transactions exempt from VAT under Article 172(1) and (2) of this Code.

8. When defining the total amount of VAT taxable transactions provided for by paragraph 1 of this article, for a person set up as a result of reorganisation, the VAT taxable transactions of the parties to reorganisation shall be taken into account, under the procedure established by this article.

9. Irrespective of the requirements of paragraphs 1 and 2 of this article, the obligation of a taxable person, who has a fixed establishment in Georgia, to calculate and pay the VAT shall arise from the moment of providing services/supplying goods (including this transaction), and he/she shall apply to a tax authority for registration as a VAT taxpayer not later than the last day of the accounting period for carrying out this transaction.

10. The procedure for registering VAT taxpayers shall be defined by the Minister of Finance of Georgia.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 165<sup>1</sup> – Cancellation of registration as a VAT taxpayer**

1. If the total amount, without VAT, of taxable transactions (except for the transactions that are VAT exempt under this Code, based on Article 165(7) of this Code) provided for by Article 165(1) of this Code carried out by a person during the last 12 calendar months does not exceed GEL 100 000 and one year has passed from the date when he/she was last registered as a VAT taxpayer, he/she can apply to a tax authority for the cancellation of his/her registration as a VAT taxpayer.

2. With the consent of a person, a tax authority may, irrespective of the requirements of paragraph 1 of this article, at its own discretion, cancel the registration of this person as a VAT taxpayer. The procedure for applying this paragraph shall be defined by an order of the Minister of Finance of Georgia.

3. The registration as a VAT tax payer shall be cancelled:



- a) upon liquidation of an enterprise/organisation – from the date when the registration was cancelled in the state/entrepreneurial register;
- b) when a person dies – from the date of his/her death;
- c) when a person makes an application for or consents to a cancellation of VAT registration from the first day of the month following the written application/consent of the person;
- d) upon commencement of the bankruptcy regime under the procedure established by the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors – from the publication of the court ruling on commencing the bankruptcy regime.

4. The procedure for cancelling registration as a VAT taxpayer shall be defined by an order of the Minister of Finance of Georgia.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

*Law of Georgia No 7169 of 18 September 2020 – website, 25.9.2020*

## **Article 165<sup>2</sup> – Persons liable for VAT payment**

1. The obligation to calculate and pay VAT shall arise for a person registered or liable for registration as a VAT taxpayer, except as provided for by paragraph 2 of this article.

2. Without liability for registration as a VAT taxpayer, the obligation to calculate and pay VAT shall arise for:

- a) a person importing goods;
- b) a tax agent, for a transaction subject to reverse charge under this Code;
- c) a person authorised to sell goods, when selling the goods, within a measure for insuring payment of a tax liability or for the purpose of enforcing payment of another pecuniary liability (except for a sanction imposed under criminal and administrative procedure), by auction, direct sales or another way;
- d) a person selling the goods, when selling insolvency mass under the procedure established by the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors;
- e) a taxable person who is not established or does not normally live in Georgia, or who has no fixed establishment which participates in the provision of services, if the place of provision of services by him/her/it is Georgia under this Code and this transaction is not subject to reverse charge. The procedures for fulfilling the obligation defined by this subparagraph and for informing the taxable person shall be defined by an order of the Minister of Finance of Georgia.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

*Law of Georgia No 7169 of 18 September 2020 – website, 25.9.2020*

## **Chapter XXIV<sup>1</sup> – VAT Rate, Tax Period and Reporting**

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 166 – VAT rate**

The VAT rate shall be 18%.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 167 – Tax period**

The VAT accounting period shall be a calendar month.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 168 – Declaration procedure**

1. A taxable person registered as a VAT taxpayer shall submit to a tax authority a VAT declaration not later than the 15<sup>th</sup> day of the month following the accounting period and shall pay the tax within the same period.

2. When importing goods, the amount of VAT shall be paid in accordance with the procedure established for payment of the import tax, except as provided for by paragraph 3 of this article.

3. The VAT assessed when importing goods provided in the list defined by the Government of Georgia and specified under the NCNFEA codes 8401-9033 shall be paid not later than 45 days after releasing the goods for free circulation.

4. Where so provided for by this Code, when a transaction is subject to reverse charge, a tax agent (except for a person registered as a VAT taxpayer) shall pay the assessed amount of VAT under the procedure established by the Minister of Finance of Georgia, not later than the 15<sup>th</sup> day of the month following the accounting period.

5. A person registered as a VAT taxpayer shall, within a period of 15 days after entry into legal force of the ruling on commencing the bankruptcy regime delivered by the court under the procedure established by the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors, submit to a tax authority the appropriate not-submitted declarations for the complete/incomplete tax period (periods) before commencement of the bankruptcy regime.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

*Law of Georgia No 7169 of 18 September 2020 – website, 25.9.2020*



**Article 169 – General provisions**

1. This Chapter shall define cases of VAT exemption of taxable transactions.
2. Taxable transactions provided for by Articles 170 and 171 of this Code shall be VAT exempt without the right of VAT deduction meaning that if these transactions are carried out, the taxable persons shall have no right to deduct the VAT, in relation to the charges borne with regard to the transactions.
3. Taxable transactions provided for by Articles 172 of this Code shall be VAT exempt with the right of VAT deduction meaning that if these transactions are carried out, the taxable persons shall have the right to deduct the VAT in relation to the charges borne with regard to the transactions, under the procedure established by this Code.
4. Joint supply of goods and/or provision of services that are VAT taxable and VAT exempt shall be considered as separate VAT taxable and VAT exempt transactions of the supply of goods and/or provision of services, except for the supply of the main goods/provision of the main services together with the supply/provision of the directly related goods/services.
5. A taxable person shall have the right not to enjoy a tax privilege under this Code and charge the transactions provided for in Article 171(1)(a) and (c) of this Code with VAT. The procedure for applying this paragraph shall be defined by an order of the Minister of Finance of Georgia.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

**Article 170 – Privileges in the fields of medicine, education, culture, sport and social services**

1. The following shall be VAT exempt without the right of deduction:
  - a) inpatient/outpatient medical service/care and provision/supply of the directly related and/or ancillary services/goods by a person who has the right to perform medical activities under the legislation of Georgia;
  - b) provision of medical services by a person who has the right to perform medical and/or paramedical activities;
  - c) provision of services by a dental technician within his/her professional activity, and provision of dental prosthetics services by a dentist and/or dental technician;
  - d) provision of a transportation service to a sick or injured person in a vehicle specially designed for this purpose;
  - e) provision of educational services by an educational institution, and provision/supply of a directly related and/or ancillary service/goods;
  - f) provision by a tutor of schooling and university education services performed by an educational institution;
  - g) provision of art education and sports training services to a natural person under 18 years of age, and provision by an organisation of services directly related to sports and/or physical training/education to a person who performs the aforementioned activity;
  - h) supply of goods/provision of services that are directly related to social security of the population, including provision of childcare services at fostering institutions and/or early and pre-school educational institutions, and/or provision of care services to sick persons, persons with disabilities and persons over 60 years of age, and supply of goods/provision of services to old people's homes;
  - i) provision of services/supply of goods directly related to the protection of child and adolescent rights, by the guardianship and custodianship authority defined by the legislation of Georgia;
  - j) provision of services by an organisation, proceeding from the purpose of its activity, in return for membership fees set for its own members, and supply of directly related goods;
  - k) performance of restoration, rehabilitation, designing and research works on the monuments of cultural heritage included in the World Heritage List and which are of the category of national importance and/or which have a ceremonial and religious purpose, in agreement with the Ministry of Culture, Sport and Youth of Georgia;
  - l) delivery of personnel provision services by a religious organisation for the performance of any activity provided for by subparagraphs a), e), h) and i) of this paragraph;
  - m) provision of services/supply of goods by an organisation whose activity is exempt on the basis of any subparagraph out of subparagraphs a), e) and g-k) of this paragraph, within measures arranged for raising funding only for the purpose of its activity;
  - n) universal postal services performed within the power delegated by the state, except for the passenger carriage/transportation service and the supply of goods in relation thereto. The list of universal postal services shall be defined by an ordinance of the Government of Georgia;
  - o) supply by the postal operator appointed by the state of the national postage (postage stamp) under the legislation of Georgia by its nominal value;
  - p) provision of ceremonial services (including a vehicle service) related to a funeral;
  - q) supply of diabetic bread, which is labelled as such at the time of supply;
  - r) supply by the Patriarchate of Georgia of crosses, candles, icons, books, calendars and other liturgical items used only for a religious purpose;
  - s) restoration and/or painting of cathedrals or church buildings.
2. The Minister of Finance of Georgia may define the procedure and criteria for applying the tax privileges provided for





by paragraph 1 of this article.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

*Law of Georgia No 342 of 16 March 2021 – website, 18.3.2021*

## **Article 171 – VAT exemption of certain category transactions without the right of deduction**

1. The following shall be VAT exempt without the right of deduction:

- a) financial transactions/financial services;
- b) provision of services with lotteries, gambling and games of chance, except for the service provided for by Article 172(4)(r) of this article;
- c) supply of a plot of land;
- d) supply of a plot of land and an apartment/dwelling house to a natural person if the supplier supplies this property to a natural person or a first line heir of a natural person:
  - d.a) from whom he/she has received this property within the measure for securing performance of his/her and/or another natural person's contractual obligation;
  - d.b) whose property he/she has purchased by auction or another way for enforcing payment of his/her and/or another natural person's financial liability;
- e) provision of lecture courses through electronic media (disks), which are of educational nature and may also be published in the form of a book;
- f) provision of selling services and printing services of goods (magazines, newspapers and printed music) specified under the NCNFEA Codes 4901, 4902 and 4904 00 000 00, and/or provision of advertising services by newspapers and magazines;
- g) supply of the property transferred into state ownership, and transfer (supply) of property on lease under the Law of Georgia on State Property;
- h) supply of the state property on the basis of privatisation programme;
- i) supply of a partnership interest (the right of preliminary registration of title to property) if no property is attached/personified to that interest (right), except where property is transferred into ownership in return for the interest (right);
- j) lease of the goods supply of which is VAT exempt without the right of deduction, under this Code;
- k) provision of services by passenger vehicles (except for taxis) with regulated prices and rates on urban and intraregional routes;
- l) provision of sweeping and cleaning, and waste management services for a municipality on a populated territory;
- m) provision of mandatory stamping/marketing services of excisable and/or non-excisable goods by a person selected by the Revenue Service under the procedure established by the legislation of Georgia;
- n) supply by a natural person of hotel assets provided for by Article 26<sup>1</sup>(1) of this Code/part thereof owned by him/her if a new owner (natural person) takes over the previous owner in a contractual relationship between the previous owner and the tourist enterprise;
- o) supply (distribution) by a partnership of property to its member (co-owner) if the members of the partnership are only natural persons, the composition of members of the partnership has not changed from the foundation of the partnership till the moment of transfer (distribution) of property and the partnership is not a VAT taxpayer at the moment of distribution. For the purpose of this subparagraph, when a member of partnership dies, transfer of the partnership interest to his/her heir or sale of the interest of the member of partnership under the Law of Georgia on Enforcement Proceedings shall not be considered a change in the composition of the members of partnership;
- p) supply of goods specified under the NCNFEA code 4820 20 000 00;
- q) supply of goods by a FIZ enterprise to another FIZ enterprise;
- r) provision of services by a FIZ enterprise to another enterprise of the same FIZ;
- s) supply of goods originated or manufactured in an occupied territory of Georgia from the occupied territory of Georgia to a person having the status of special enterprise;
- t) provision of construction and installation, repair, restoration, research and development and/or geological survey services financed with soft loans for the rehabilitation of the electricity sector issued by the foreign states and/or international organisations under international agreements of Georgia ratified by the Parliament of Georgia;
- u) provision of services on the basis of an agreement funded by a foreign organisation for the liquidation of a natural disaster, accident and catastrophe, with the aim of humanitarian aid, and to which an appropriate executive authority of Georgia is a party;
- v) supply of goods and/or provision of services related to the equipment and machinery, vehicles, spare parts and materials intended for performing oil and gas operations under the Law of Georgia on Oil and Gas, and for performing operations related to oil and gas for investors and operating companies under agreements provided by the aforementioned Law and/or under licenses granted for performing oil and gas operations;
- w) supply of goods provided for by Article 173(a-n) of this Code;
- x) provision of easement services free of charge.

2. Supply by a taxable person of the goods that are used by him/her for any activity exempt from VAT under Article



170(1) of this Code or paragraph 1(a) and (b) of this article if the right of VAT deduction has not arisen and/or has not been applied at the time of purchasing the goods shall be VAT exempt without the right of deduction.  
*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Article 172 – VAT exemption with the right of deduction**

1. Supply/provision of the following goods/services shall be VAT exempt with the right of deduction:
  - a) supply of goods in high sea, or for chargeable passenger carriage, or for commercial, industrial or fishing activities, or for rescue or aid-at-sea operations, or for the provision of a vessel intended for off-shore fishing with fuel or food;
  - b) supply of goods for the provision of a battleship specified under the NCNFEA Code 8906 10 00 with fuel or food, which leaves the territory of Georgia;
  - c) supply, remaking, repair, maintenance, freight or lease of a vessel provided for by subparagraph 1 of this article and supply, lease, repair or maintenance of an equipment installed or used on such vessel;
  - d) apart from services provided for by paragraph 1(c) of this article, provision of other services for immediate need of a vessel under paragraph 1(a) of this article or its cargo;
  - e) supply of an aircraft with fuel or food;
  - f) supply, remaking, repair, maintenance or lease of an aircraft, and supply, lease, repair or maintenance of an equipment installed or used on such aircraft;
  - g) apart from services provided for by paragraph 1(e) of this article, provision of other services for immediate need of a craft under paragraph 1(f) of this article or its cargo;
  - h) carriage of goods placed under export, re-export, outward processing or transit, or intended for transit (which is confirmed by the documents accompanying goods), and provision of services directly related to the carriage. The services directly related to such carriage shall be as follows:
    - h.a) during carriage, services related to sending/receiving of cargo and/or vehicles and means of carriage, and services provided by airports, harbours, railway or vehicle stations/terminals;
    - h.b) air or sea navigation, dispatching and/or information services;
    - h.c) forwarding services;
    - h.d) preparation of cargo documents, inspection, examination, transportation processing (including loading and unloading) services, and packing for transportation and storing services;
    - h.e) agenting services in harbours;
  - i) provision of passenger and baggage carriage services and of services directly related to the carriage, provided that a point of departure or destination is located outside of Georgia and that a unified transport document has been drawn up for such carriage. Services directly related to such carriage shall be as follows:
    - i.a) services related to sending/receiving of passengers and/or vehicles, and services provided by airports, harbours, and railway and vehicle terminals;
    - i.b) air or sea navigation, dispatching and/or information services, and supervision of aeronavigation services;
    - i.c) inspection, examination, transportation processing (including loading and unloading) services, and packing for transportation and storing services;
    - i.d) passenger ticket sale services for international passenger transportation;
    - i.e.) passenger services within customs control zones at airports and harbours, the cost of which is included in the price of a passenger ticket of the international transportation;
    - i.f) agenting services at harbours.
2. Provision of services by an intermediary acting on behalf of another person shall be VAT exempt with the right of deduction, in the case of participation in the transactions provided for by paragraph 1 of this article or in the transactions carried out outside of Georgia.
3. Supply of goods and/or provision of services shall be VAT exempt with the right of deduction if they are intended for the official use by a foreign diplomatic mission or an equivalent representation or for private use by a member of the representation or diplomatic mission (including the family members living with him/her). The procedure for applying the tax privilege under this paragraph shall be defined by the Minister of Finance of Georgia.
4. The following shall also be VAT exempt with the right of deduction:
  - a) supply of natural gas to thermal power stations;
  - b) supply of assets by an enterprise over 50% of interest/shares of which is owned by the state and/or a municipality to the state and/or the municipality by withdrawing them from the capital;
  - c) transfer of goods and/or provision of services to the state and/or a municipality free of charge;
  - d) transfer of goods by legal entities under public law that implement projects (including of preparatory stage) defined by the international agreements ratified by the Parliament of Georgia, with whom the Ministry of Finance of Georgia has concluded a project implementation authorisation agreement, to other persons under these projects;
  - e) supply of goods outside of Georgia (export/re-export of goods). In addition, if the goods are to be carried outside of Georgia by a passenger in his/her personal baggage, the tax privilege under this subparagraph shall only be applied when the passenger does not live in Georgia (the place indicated in the passport or another personal identification document provided for by the legislation of Georgia is not Georgia), transportation of goods from Georgia is carried out within 90



days from their supply and the price of goods, including VAT, exceeds GEL 600.

**Note:** where goods are carried outside of Georgia by the passenger in his/her personal baggage, the procedure for applying the tax privilege under this subparagraph shall be defined by the Minister of Finance of Georgia;

- f) before placement of goods under the import, customs warehousing, temporary admission, inward processing or free zone procedure, carriage of goods between the points located within the territory of Georgia and provision of services provided for by paragraph 1(h) of this article and directly related to the above carriage, except for cargo storage services;
- g) before admission to the territory of Georgia, carriage of goods placed under the import, customs warehousing, temporary admission, inward processing or free zone procedure from the Georgian customs border to the point of destination specified in the customs declaration and provision of services provided for by paragraph 1(h) of this article and directly related to the above carriage, except for cargo storage services;
- h) within the state border of Georgia, supply of fuel, lubricants and other ancillaries intended for the delivery on the board for performing civil air flights and aviation works;
- i) provision of transportation, loading, unloading and storage services in relation to empty vehicles (including containers and carriages) used during transportation;
- j) when carrying out railway transportation in the territory of Georgia with a carriage/container owned by a non-resident, provision of carriage/container usage service by the non-resident, except for the transfer of carriage/container on lease agreement;
- k) when carrying out railway transportation outside of the territory of Georgia with a carriage/container owned by a Georgian resident, provision by the Georgian resident of carriage/container usage services;
- l) supply of goods by a person having the status of a special enterprise to the occupied territory of Georgia;
- m) supply of Georgian goods to a duty free shop for sale and sale of goods and/or provision of food services at this location;
- n) supply of gold to the National Bank of Georgia;
- o) organised bringing of foreign tourists in the territory of Georgia by tour operators and supply of tourist products to them in the territory of Georgia;
- p) provision of services to a ship when bringing goods into the customs territory of Georgia (namely, provision of services by the port, the pilotage service and by the Legal Entity under Public Law – the State Hydrographic Service of Georgia);
- q) supply of foreign goods to a customs warehouse, except as provided for in Article 164<sup>1</sup>(4) of this Code;
- r) provision of services involving lotteries, gambling and other games of chance by a lottery organiser under the Law of Georgia on Organising Lotteries, Gambling and Games of Chance in which over 50% of interest is held by the State;
- s) transfer of the property of a person (except for money) to the State, an autonomous republic or a local self-governing unit within the scope of enforcement measures, including tax enforcement measures in favour of the State Budget, republican budget of an autonomous republic or local self-governing unit's budget, also the sale/transfer of a person's property for the purpose of collecting penalties imposed under criminal or administrative procedures;
- t) supply of agricultural produce produced in Georgia (except for the goods (eggs) provided for under the NCNFEA Codes 0407 11 000 00 and 0407 21 000 00 and the goods specified under the subheading 0207 11 (gallus domesticus – uncut, fresh or refrigerated)) before their industrial processing (change of the commodity code);
- u) supply of products obtained from goods fully produced in Georgia that are provided for under the NCNFEA Codes 0201, 0203 11–0203 19, 0204 10 000 00–0204 23 000 00, 0204 50 110 00–0204 50 390 00 (including in a minced/chopped form (forcemeat)), and supply of cheese made as a result of industrial processing of products obtained from animals habitants of Georgia, and supply of goods (shelled nuts) provided for under the NCNFEA Code 0802 22 000 00;
- v) supply by a Tourist Enterprise of hotel assets or part of the assets to another person for the purpose of receiving them back. If within two years after supplying the hotel assets or part of the assets to another person the Tourist Enterprise receives the same assets back under a commutative contract, the transaction shall also be VAT exempt with the right of deduction and this shall be a basis for adjusting the amount of the taxable transaction. In that case, the Tourist Enterprise may adjust the amount of the taxable transaction under the procedure established by Article 179 of this Code;
- w) gratuitous provision of hotel services (hotel accommodation) for a maximum of 60 days during a calendar year to the owner of the hotel assets or part of the assets by a Tourist Enterprise and/or by the person/persons invited under an appropriate contract to ensure the functioning/operation of the facility or part of the facility as a hotel;
- x) international call termination services in a mobile or fixed network in Georgia;
- y) for the purpose of processing goods placed under the inward processing procedure, provision of services provided for in Article 6(1)(z1.a), (z1.b), (z1.d) and (z1.e) of the Customs Code of Georgia by a person carrying out the aforementioned procedure (except if the processed goods were subsequently imported);
- z) supply of electricity and guaranteed capacity, except for the supply of electricity to a consumer provided for by the Law of Georgia on Energy and Water Supply who purchases electricity for own consumption, and provision of transmission and/or dispatching services;
- z1) provision of air carriage and transportation services and performance of aviation works within the state border of Georgia;
- z2) supply of ferrous and/or non-ferrous scrap metals and ferrous and/or non-ferrous metal waste if the party accepting the goods can be identified. In addition, it shall be considered that the person accepting goods has been awarded a VAT



deduction according to the accounting period of supplying goods.

**Note:** the goods specified in this sub-paragraph are exclusive of ferrous castings, ingots, rolls, other raw materials and semi-products of primary conversion that are classified under the NCNFEA commodity items 7201, 7202, 7203, 7205, 7206, 7207 and commodity sub-item 7204 50 000 00;

z3) supply of goods (a book) provided for under the NCNFEA Codes 4901 and 4903 00 000 00, or of an electronic book, and provision of sales and printing services for the goods;

z4) supply of an electric bus specified under the NCNFEA Code 8702 90 90 (including an electric minibus);

z5) services provided in relation to the imported goods if the cost of the services is included in the taxable amount defined in accordance with Article 164<sup>1</sup>(2)(b) of this Code;

z6) supply of goods produced in Georgia and intended for a therapeutic/medical purpose, or supply by a pharmaceutical enterprise of its own pharmaceutical products. For the purpose of this subparagraph, the list of goods intended for a therapeutic/medical purpose and of pharmaceutical products shall be defined by a joint order of the Minister of Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia and the Minister of Finance of Georgia.

5. Supply of goods and/or provision of services and/or importation of goods shall be VAT exempt with the right of deduction if the aforementioned is carried out within the scope of the international agreements ratified by the Parliament of Georgia and that have come into force, and supply of such goods and/or provision of such services and/or importation of such goods under the agreements are VAT exempt.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 173 – VAT exemption of the import of goods**

The following shall be VAT exempt:

a) according to the list determined by a joint order of the Minister of Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia and the Minister of Finance of Georgia:

a.a) the import of raw materials and/or substances provided for under the NCNFEA Groups 28 and 29 intended for therapeutic/pharmaceutical purpose;

a.b) the import of goods intended for therapeutic/pharmaceutical purpose;

a.c) the import of goods necessary for the movement of a person with disability since childhood, and of a person with distinct and significant disability;

a.d) the import of baby food products and/or child hygiene products;

a.e) the import of goods provided for under the NCNFEA Code 9619 00 000 00;

b) the import of goods provided for under the NCNFEA Group 30;

c) the import of radiopharmaceutical agents registered by the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia and provided for under the NCNFEA Code 2844; of goods provided for under the NCNFEA Codes 8419 20 000 00, 9001 30 000 00, 9001 40 and 9001 50; under the Codes 9018–9022 (except for the Code 9022 29 000 00); under the Codes 9025 11 200 00 and 9402 90 000 00; of wheelchairs and their parts and accessories, medical X-ray films, medical diagnostic testing systems, glucometers (testing systems of which are registered by the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia) provided for under the NCNFEA Codes 8713 and 8714 20 000 00;

d) the import of goods provided for under the NCNFEA Codes 4801, 4802 55, 4802 61 100 00 and 4810 22;

e) the import of liquorice roots provided for under the NCNFEA commodity subheading 1211 90 980 00; of natural untreated shellac provided for under the commodity subheadings 1211 20 000 00, 1301 20 000 00 and 1301 90 000 00; of goods provided for under the NCNFEA Codes 1504 20, 1515 30, 1520 00 000 00, 1702 11 000 00, 3912 12 000 00, 3912 31 000 00, 7010 10 000 00, 7010 90 790 00 and 9602 00 000 00 (gelatine capsules);

f) the import of goods provided for under the NCNFEA Codes 0102 21, 0103 10 000 00, 0104 10 100 00, 0104 20 100 00, 0105 11, 0511 10 000 00, 0602 10, 2503 00, 2803 00, 3101 00 000, 3103–3105 (except for a mechanical mixture), 3808 91, 3808 92 and 3808 93;

g) the import of a motor car under the NCNFEA Code 8703 and/or a motor cycle (including a moped) under the Code 8711;

h) the import of goods under the NCNFEA commodity subheading 8903;

i) the import of excise stamps by the Revenue Service and/or by a person selected by the Revenue Service under the procedure established by the legislation of Georgia;

j) the import of treasures and/or of a movable thing transferred into state ownership;

k) the import of diabetic bread marked as such;

l) the import of goods provided for under the NCNFEA Codes 4901, 4902 and 4904 00 000 00 (magazines, newspapers and printed music);

m) the import of a vehicle provided for under the NCNFEA Codes 8703 10 110 00;

n) the import of money (except for a collectible item and/or a coin with numismatic value), and of securities;

o) the import of chassis, bodies, parts and equipment specified under the NCNFEA Codes 8706 00 190 00, 9706 00 990 00, 8706 00 990 00, 8707 90 100 00, 8707 90 900 00, 8708 10 900 00, 8708 29 100 00–8708 40 900 00, 8708 50 900 00–8708 70



- 100 00, 8708 80, 8708 91, 8708 92, 8708 93, 8708 94 and 8708 99 intended for tractors specified under the NCNFEA Codes 8701 90 110 00-8701 90 500 00, and of goods provided for under the NCNFEA Codes 8432 90 000 00 and 8433 90 000 00;
- p) the import of natural gas for generation of electricity (for thermal power stations);
- q) the import of agricultural pesticides and agrochemicals, seeding and planting materials of agricultural crops, according to the list approved by an ordinance of the Government of Georgia;
- r) the import of fuel contained in a standard tank structurally and technologically connected to the engine feed system of the motor vehicle of a person entering Georgia in a motor vehicle;
- s) the import of goods provided for under the NCNFEA Codes 8802 11 100 00, 8802 12 100 00, 8802 20 100 00, 8802 30 100 00 and 8802 40 100 00 and/or of goods intended for them (for civil aviation) under the NCNFEA;
- t) the import of gold to be transferred to the National Bank of Georgia;
- u) the import of the returned goods provided for by Article 107 of the Customs Code of Georgia if the goods were exempted from import tax;
- v) the import of goods to be transferred to the state and/or public organisations of Georgia for the elimination of a natural disaster, accident and catastrophe, for the purpose of humanitarian aid;
- w) the import of property of a diplomatic mission or consular office of Georgia abroad;
- x) the import of goods in accordance with an international diplomatic and consular agreement if the goods were exempted from import tax;
- y) the import of goods exempted from import tax under Book X, except for the import of goods from a FIZ;
- z) the import by a person selected by the Revenue Service under the procedure established by the legislation of Georgia of goods intended for mandatory stamping/marketing of excisable and/or non-excisable goods;
- z1) the import of goods provided for under a grant agreement by a grantor or a grantee;
- z2) the import of personal effects and household items intended for personal use by foreign citizens (including the family members living with them) engaged in the oil and gas survey and extraction works;
- z3) the import of goods intended for official use by a foreign diplomatic or equivalent mission, and for personal use by the diplomatic and administrative and technical personnel (including the family members living with them) of the mission, in the manner as it is provided for under appropriate international agreements to which Georgia is a party;
- z4) the import of the equipment and machinery, vehicles, spare parts and materials intended for performing oil and gas operations provided for by the Law of Georgia on Oil and Gas, and for performing oil and gas operations for the investors and operating companies under the agreements defined by the aforementioned Law and/or under the licences granted for performing oil and gas operations;
- z5) the import of goods by an international representation recognised by an appropriate authorised body under the conditions and within the limit provided for by the international convention;
- z6) the import, to a port, of the goods caught by a person carrying out fishing, which are not processed or were processed before selling;
- z7) the import and/or supply of goods intended for the delivery on the board for performing international civil flights and international voyages, and the import of fuel, lubricants and other ancillaries intended for the delivery on the board for performing civil air flights and aviation works within the state border of Georgia;
- z8) the import of goods provided for under the NCNFEA Codes 4901 and 4903 00 000 00 (books);
- z9) the import of an electric bus provided for under the NCNFEA Code 8702 90 90 (including an electric minibus);
- z10) the import of goods funded with a soft loan issued by a foreign state and/or an international organisation under an international agreement of Georgia ratified by the Parliament of Georgia, for the rehabilitation of the power sector.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

*Law of Georgia No 1165 of 17 December 2021 – website, 28.12.2021*

## **Chapter XXVI – VAT Deduction, Adjustment and Refund**

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 174 – General provisions**

1. The VAT deduction shall be the right of a taxable person to reduce the amount of VAT due by the amount of VAT directly assigned to the value of various components of charges related to the supply of goods/provision of services.
2. The right of VAT deduction shall arise from the moment when the obligation to assess the deductible amount of VAT arises (from the moment of VAT assessment of a transaction concerned).
3. Only a taxable person registered as a VAT taxpayer shall have the right to deduct VAT.
4. The procedure for obtaining the VAT deduction shall be defined by an order of the Minister of Finance of Georgia.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 175 – The right of VAT deduction**

1. If goods/services are intended or used for carrying out a VAT taxable transaction, a taxable person shall have the right to deduct:
  - a) the VAT paid/payable for purchasing the goods/services from another taxable person in the territory of Georgia;



b) the VAT payable in relation to the transactions considered the supply of goods or provision of services under this Section;

c) the VAT paid/payable at import of goods;

d) the VAT assessed in the case of VAT reverse charge.

2. A taxable person shall, except as provided for by paragraph 1 of this article, have the right to deduct the amount of VAT related to the charges borne with regard to the purchase of goods/services if the goods or services are used:

a) for provision of services/supply of goods outside of the territory of Georgia;

b) under Article 172 of this Code, in the transactions exempted from VAT with the right of deduction;

c) for financial services/transactions if the customer is established outside of Georgia, or if these transactions are directly related to the goods that must be exported from Georgia.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 176 – The procedure for enjoying the VAT deduction**

1. Grounds for obtaining VAT deduction shall be as follows:

a) where so provided for by Article 175(1)(a) and (b) and (2) of this Code, a tax invoice drawn up under the procedure established by this Code in relation to the purchase of goods/services;

b) where so provided for by Article 175(1)(c) of this Code, an import declaration, in relation to the import of goods;

c) the amount of reverse charged VAT assessed by a person registered as a VAT taxpayer in the case of reverse charge and included in the VAT declaration, which at the same is a ground for obtaining deduction;

d) where so provided for by Article 161<sup>1</sup> of this Code, an appropriate document confirming purchase of goods by a buyer, in which the amount of money paid for purchasing the goods (including the VAT amount) must be indicated;

e) when assessing VAT in relation to the import of goods on the basis of a decision of a tax authority, a document confirming payment of the assessed VAT to the budget.

2. The Minister of Finance of Georgia may define certain cases when the VAT can be deducted on the ground different from the one under paragraph 1 of this article.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 177 – Proportional deduction of VAT**

1. If a taxable person uses goods or services for transactions in relation to which he/she has the right to obtain VAT deduction, and for transactions in relation to which he/she has no such right, only a part of the VAT amount which belongs to the transactions in relation to which he/she has the right to obtain VAT deduction shall be deducted.

2. A deductible part of the VAT shall be calculated according to a fraction and shall be recorded as a percentage where:

a) a numerator is the amount of annual turnover of transactions, excluding VAT, in relation to which the VAT is subject to deduction in accordance to Article 175 of this Code;

b) a denominator is the amount of annual turnover of transactions, excluding VAT, which are present in the numerator and of transactions in relation to which the VAT is not subject to deduction.

3. When calculating a proportion subject to VAT deduction, no account shall be taken of the amount of turnover related to:

a) the supply of a fixed asset used by a taxable person for his/her own activities;

b) the transactions related to an immovable thing or financial transactions, unless the transactions are the main activities of a taxable person.

4. The amount of VAT deductible according to the accounting period shall be defined:

a) according to the annual percentage recorded in the previous tax year under paragraph 2 of this article, which is revised according to the annual percentage of the current tax year, in the last accounting period of the same year;

b) in each accounting period, according to the monthly percentage recorded under paragraph 2 of this article, which is revised in the last accounting period of the current tax year, according to the annual percentage, if no appropriate annual percentage of the previous tax year is recorded .

5. If a fixed asset is used or is intended to be used by a taxable person for the transactions in relation to which he/she has the right to obtain VAT deduction, and for the transactions in relation to which he/she has no such right but these transactions cannot be separated, the VAT deduction shall be carried out as follows:

a) if the sum of transactions carried out by a taxable person according to the previous tax year, in relation to which he/she has no right to obtain VAT deduction, is less than 20% of the total turnover (the total sum for supplying goods/providing services, excluding VAT), the person shall have the right to fully obtain the VAT deduction for the fixed asset in the very first accounting period, and in addition, to define the amount of VAT to be cancelled at the end of each calendar year in proportion to the relative share of the sum of those taxable transactions in the sum of the total turnover of the calendar year in relation to which he/she has no right to obtain VAT deduction;

b) a taxable person shall, except as provided for by subparagraph a) of this paragraph, have the right to obtain VAT deduction for a fixed asset only in proportion to the relative share of the sum of those taxable transactions in the total turnover during the year included in the declaration for the last accounting period of each calendar year, in relation to which he/she has the right to obtain the VAT deduction.



6. For the purposes of paragraph 5 of this article, the amount of VAT to be cancelled (in the case of paragraph 5(a) of this article) or deducted (in the case of paragraph 5(b) of this article) annually shall be calculated as follows:
- a) in relation to an immovable thing – during 10 calendar years from the commissioning year, in the amount of one tenth of VAT amount;
  - b) in relation to other fixed assets – during 5 calendar years from the commissioning year, in the amount of one fifth of VAT amount.
7. Paragraphs 1-6 of this article shall not apply if the sum of the transactions in the unseparated transactions (in the transactions in relation to which a person has the right to obtain VAT deduction and in the transactions in relation to which he/she has no such right and these transactions cannot be separated) during a calendar year, in relation to which he/she has no right to obtain VAT deduction, is less than 5% of the sum of the total turnover. In this case, the taxable person shall have the right to fully obtain the VAT deduction.
8. Where so provided for by Article 160(3)(b) and Article 160<sup>1</sup>(2)(b) of this Code, the provisions under paragraphs 5 and 6 of this article shall apply to the extent as they would apply in the case of purchasing a building/structure or repair services from another person, respectively.
9. The amount assessed with VAT under Article 163(2) of this Code shall be included in the amount of VAT turnover provided for by this article.
10. When registering/cancelling the registration as a VAT taxpayer, or supplying fixed assets, the amount of VAT to be deducted/cancelled in relation to the fixed assets shall be defined in proportion to the use of the fixed assets in the VAT taxable transactions according to the tax years. The procedure for applying this paragraph shall be defined by the Minister of Finance of Georgia.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 178 – Restrictions on the right of VAT deduction**

The VAT shall not be deducted:

- a) in relation to the amount of VAT assigned to the value of expenses borne for social purposes or on entertainment events, or of representation expenses, except when the supply of goods/provision of services carried out within such events is subject to VAT assessment;
- b) considering Articles 174-177 of this Code, in relation to the amounts of VAT assigned to the value of expenses borne on goods/services used or intended to be used in a taxable transaction in relation to which the person has no right of VAT deduction;
- c) on the basis of a tax invoice which fails to allow the identification of the seller of goods/services or is not issued under the procedure established by the legislation of Georgia;
- d) on the basis of a tax invoice since the end of the calendar year of carrying out of a taxable transaction included therein three years have passed. If the VAT was deducted on the third year since carrying out of a taxable transaction, the period of limitation defined by Article 4(1), (3) and (5) of this Code in relation to the parties participating in the taxable transaction (within this transaction) shall be extended by one year. In addition, the VAT shall be deducted on the basis of a declaration corresponding to the last accounting period of not later than the year when this right arose (including on the basis of an adjusted declaration);
- e) on the basis of a tax invoice representing a fictitious transaction or a non-commodity transaction.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 179 – Adjustment of VAT amount**

- 1. A VAT taxable amount and, consequently, a deductible amount of VAT shall be adjusted if the circumstances/factors, on the basis of which the VAT taxable amount was defined when a taxable transaction was carried out, change.
- 2. The amount of a taxable transaction shall be adjusted in the accounting period when a circumstance causing the adjustment occurs.
- 3. A deductible amount of VAT shall not be cancelled nor shall it be adjusted when inventory items are written off under the procedure established by this Code, or if there is a loss of goods.
- 4. The cases of adjustments of VAT taxable amounts, and the procedure for drawing up and filing a document shall be defined by the Minister of Finance of Georgia.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 180 – A tax invoice**

- 1. Unless otherwise established by this Code, a tax invoice shall be issued when a taxable person registered as VAT taxpayer supplies goods or provides services to another taxable person. Where so defined by the Minister of Finance of Georgia, a simplified invoice can be issued.
- 2. A tax invoice shall be issued in a writing or electronic form.
- 3. When a taxable person registered as VAT taxpayer supplies goods or provides services to an end consumer, a tax invoice shall be issued if so requested by the consumer.
- 4. If a person keeps record of the provision of services or the supply of goods (the guaranteed capacity, electricity, gas,



water, thermal energy, cooling energy or other similar goods) by cyclic assessments, when a consumer pays according to the amount of goods supplied/services provided not during a calendar month but during a certain period (cycle), which may include the accounting period as well as pre-accounting period, a tax invoice may be issued according to such period (cycle).

5. Forms and requisites of a tax invoice (including a simplified tax invoice), the procedures for issuing, recording and using (including restricting the use of) it, and certain cases when a tax invoice is not issued after goods are supplied/services are provided, shall be defined by the Minister of Finance of Georgia.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 181 – Refund of the amount of VAT**

1. The right of refund of the amount of VAT shall arise for a taxable person if the amount of VAT to be deducted exceeds the amount of VAT to be assessed in the accounting period.

2. A grant recipient, who has purchased goods and/or services within a grant agreement, shall be entitled to a deduction or a refund of the VAT paid for the goods/services, on the basis of a tax invoice or, in the case of reverse charge, of a document evidencing payment of the VAT to the budget filed with a tax authority.

3. Where so provided for in paragraph 2 of this article, the VAT shall be deducted or refunded if a grant recipient has filed an appropriate document with a tax authority within 3 months since the end of a month he/she carried out a taxable transaction.

4. Where so provided for in paragraphs 1-3 of this article, the amount of VAT shall be refunded under the procedure established by Article 63 of this Code.

5. When taking goods purchased in Georgia out of the territory of Georgia, a foreign national shall be entitled to a refund of the amount of VAT paid on the goods.

6. Where so provided for in paragraph 5 of this article, the amount of VAT shall be refunded:

a) on the basis of a special receipt made out by an authorised seller of goods;

b) if goods are taken out of the territory of Georgia within 3 months after they were purchased and the value of the goods according to one receipt exceeds GEL 200 (excluding VAT).

7. The procedure for refunding the amount of VAT, the requirements to be complied with by an authorised seller of goods, and the list of goods to which paragraphs 5 and 6 do not apply shall be defined by the Minister of Finance of Georgia.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 181<sup>1</sup> – Refund of the amount of VAT to a taxable person of an EU Member State**

1. A taxable person of an EU Member State shall be entitled to a refund of the amount of VAT paid when purchasing goods (except for an immovable thing)/services in Georgia or importing goods if the aforementioned person meets all of the following conditions:

a) the person has no fixed establishment in Georgia or the place of his/her activity and/or permanent residence is not in Georgia;

b) the goods/services purchased in, or goods imported to Georgia by the person are used for VAT taxable transactions;

c) if a similar transaction is carried out, a person registered as VAT taxpayer in Georgia, under this Code, would have the right to deduct the VAT paid.

2. A taxable person of an EU Member State shall, in order to have the amount of VAT refunded, designate an authorised representative on whom the obligations provided for a taxpayer under this Code shall be imposed, within the scope of the refund of VAT amount.

3. The procedure and conditions for refunding the amount of VAT provided for by paragraphs 1 and 2 of this article, and the requirements to be complied with by an authorised representative, shall be defined by the Minister of Finance of Georgia.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **SECTION VII EXCISE TAX**

### **Chapter XXVII - Excise Tax**

### **Article 182 – Excise taxpayer**

1. An excise tax payer shall be a person who:

a) produces excisable goods in Georgia;

b) imports excisable goods into Georgia;

c) exports excisable goods out of Georgia;

d) supplies natural gas (in a gaseous state) to motor vehicles;





- d ) (Deleted – 12.6.2020, No 6343);
  - e) (Deleted – 22.6.2016, No 5445);
  - f) provides termination services for international calls received from a resident or a non-resident person in a mobile or fixed network;
  - g) supplies the goods he/she/it has imported and that are specified under the National Commodity Nomenclature of Foreign Economic Activity Codes 2401, 2403 11 000 00, 2403 19 000 00 and 2403 91 000 00 .
2. A manufacturer of goods produced in Georgia with raw materials of a customer shall be considered an excise taxpayer.
3. In cases provided for in paragraph 1(a–d) and (g) of this article, a person shall be considered an excise taxpayer only for the aforementioned transactions.
4. During a sale of excisable goods by auction, direct sale or in any other way, as part of a tax liability collection security measure or for any other pecuniary liability (except penalties imposed under criminal and administrative proceedings), as well as during transfer of a collateral (excisable goods) to the possession of a creditor under a contractual obligation performance security measure (guarantee), the excise tax payer on the transaction shall be considered the person buying and/or receiving excisable goods, if such a transaction is excisable under Article 190<sup>1</sup> of this Code.
5. During sale of excisable goods transferred to state property, the excise taxpayer on such a transaction shall be considered the person buying the excisable goods.
- Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*  
*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*  
*Law of Georgia No 2874 of 11 December 2014 - website, 23.12.2014*  
*Law of Georgia No 5445 of 22 June 2016 - website, 29.6.2016*  
*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*  
*Law of Georgia No 5129 of 16 October 2019 – website, 23.10.2019*  
*Law of Georgia No 6343 of 12 June 2020 – website, 19.6.2020*

### **Article 183 – Excisable object**

An excise taxable object shall be:

- a) an excise taxable transaction;
- b) import of excisable goods;
- c) export of excisable goods.

### **Article 184 – Excisable transaction, the time of an excisable transaction**

1. Excisable transactions and the moment of performing excisable transactions shall be:
- a) the moment of supply by the producer of excisable goods produced in Georgia and/or removal of such goods from a company warehouse for sale;
  - b) the moment of transfer by the producer of excisable goods produced in Georgia with a customer's raw materials to the customer;
  - c) the moment of starting to use in-house manufactured excisable goods for producing non-excisable goods;
  - d) the moment of supplying natural gas (in a gaseous state) to motor vehicles;
  - d<sup>1</sup>) (Deleted – 12.6.2020, No 6343);
  - e) the moment of delivering international call termination services in a mobile or fixed network in Georgia;
  - f) the moment of supplying the goods specified under the National Commodity Nomenclature of Foreign Economic Activity Codes 2401, 2403 11 000 00, 2403 19 000 00 and 2403 91 000 00 .
2. (Deleted – 20.12.2011, No 5556).
- Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*  
*Law of Georgia No 2874 of 11 December 2014 - website, 23.12.2014*  
*Law of Georgia No 5445 of 22 June 2016 - website, 29.6.2016*  
*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*  
*Law of Georgia No 5129 of 16 October 2019 – website, 23.10.2019*  
*Law of Georgia No 6343 of 12 June 2020 – website, 19.6.2020*

### **Article 185 – Determining the amount of an excisable transaction, import of excisable goods and export of excisable goods**

1. The amount of an excisable transaction, import of excisable goods and export of excisable goods shall be determined:
- a) (Deleted – 19.4.2011, No 4547).
  - b) for an alcoholic beverage – by the volume of an alcoholic beverage or the volume of pure alcohol in an alcoholic beverage, or by percentage of alcohol content;
  - c) for tobacco products (except for the tobacco products provided for in subparagraph c<sup>1</sup>) of this paragraph) – by the quantity or weight of a tobacco product and/or according to the retail price;
  - c<sup>1</sup>) for raw tobacco or tobacco waste – by the weight of raw tobacco or tobacco waste;
  - d) for a petroleum product – by the weight (volume) of a petroleum product;



- e) for a motor car (except for a sports car) and a motor cycle (including a motor bicycle) – by their age and engine displacement;
- f) for natural gas (in a gaseous state) – by the volume of gas;
- f<sup>1</sup>) for a natural gas condensate and/or liquefied natural gas – by the weight;
- g) in the case of delivering international call termination services in a mobile or fixed network in Georgia – according to the duration of a call;
- h) for the liquid of an electronic cigarette – by the volume of the liquid.

1<sup>1</sup>. Where so provided for by Article 54(2), (3) or (4) of the Customs Code of Georgia, the amount of the import of excisable goods shall be defined in accordance with the procedure established by the same paragraph for calculating the amount of import tax.

2. When delivering international mobile communication services (except for international call termination services in a mobile or fixed network in Georgia), the amount of a taxable transaction shall not include the amount received from delivering such services to a non-resident company.

*Law of Georgia No 4547 of 19 April 2011 - website, 5.5.2011*

*Law of Georgia No 2874 of 11 December 2014 - website, 23.12.2014*

*Law of Georgia No 2949 of 12 December 2014 - website, 23.12.2014*

*Law of Georgia No 5445 of 22 June 2016 - website, 29.6.2016*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 1378 of 15 November 2017 – website, 17.11.2017*

*Law of Georgia No 5075 of 2 October 2019 – website, 7.10.2019*

*Law of Georgia No 5129 of 16 October 2019 – website, 23.10.2019*

*Law of Georgia No 6343 of 12 June 2020 – website, 19.6.2020*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

#### **Article 186 - Import of excisable goods and the time of import**

1. The import of excisable goods shall be the placement of the goods under the Release for free circulation procedure under the Customs Code of Georgia.

2. The import of excisable goods shall be considered to have been performed if, under the Customs Code of Georgia, the goods are placed under the Release for free circulation procedure.

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

#### **Article 187 - Export of excisable goods and the time of export**

1. The export of excisable goods shall be the placement of the goods under the export procedure under the Customs Code of Georgia.

2. The export of excisable goods shall be considered to have been performed if, under the Customs Code of Georgia, the goods are placed under the export procedure.

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

#### **Article 188 – Excise tax rates for excise goods (except for alcoholic beverages)**

1. The excisable goods indicated in this paragraph shall be subject to the following excise tax rates:

| No   | CN code        | Description                             | Unit of measurement | Excise tax rate (GEL) |
|--|----------------|---|---------------------|-----------------------|
| 1  |                | (Deleted – 23.12.2017, No 1935)         |                     |                       |
| 2  |                | (Deleted – 23.12.2017, No 1935)         |                     |                       |
| <b>Tobacco products (including raw tobacco, tobacco waste)</b> |                |   |                     |                       |
| 3  | 2401*          | raw tobacco, tobacco waste              | 1 kg                | 60                    |
|  | 2402 10 000 01 | --Cigars, cheroots, containing tobacco; | 1 cigarette         | 1.9                   |
|  | 2402 10 000 02 | --Cigarillos, containing tobacco;       | 20 cigarettes       | 2.2                   |



|  |                 |  |               |     |
|--|-----------------|--|---------------|-----|
|  |                 |  |               |     |
|  | 2402 20         | Cigarettes, containing tobacco   | 20 cigarettes | 1.7 |
|  | 2403 11 000 00* | -- Water-pipe tobacco specified in subheading<br>note 1 to this chapter              | 1 kg          | 60  |
|  | 2403 19 000 00* | --Other  | 1 kg          | 60  |
|  | 2403 91 000 00* | --Homogenised or recovered tobacco   | 1 kg          | 60  |
|  | 2403 99 100 00  | --- Chewing tobacco and snuff  | 1 kg          | 60  |
|  | 2403 99 900 01  | ----- capsules and similar products, with tobacco<br>content                         | 20 pcs        | 1.7 |
|  | 2403 99 900 02  | ----- tobacco products, without burning process, to<br>be used for obtaining aerosol | 20 pcs        | 1.7 |

**A Motor car (except for a sports car) (according to the difference between the year of the taxable transaction and the motor car year of manufacture and in the event of import – the difference between the year of tax declaration registration and the motor car year of manufacture), 1 cm<sup>3</sup> of engine displacement**

|   |      |                     |                   |     |
|---|------|---------------------|-------------------|-----|
| 4 | 8703 | a) under 1 year old | 1 cm <sup>3</sup> | 1.5 |
|   |      | b) 1 year old       | 1 cm <sup>3</sup> | 1.5 |
|   |      | c) 2 years old      | 1 cm <sup>3</sup> | 1.5 |
|   |      | d) 3 years old      | 1 cm <sup>3</sup> | 1.4 |
|   |      | e) 4 years old      | 1 cm <sup>3</sup> | 1.2 |
|   |      | f) 5 years old      | 1 cm <sup>3</sup> | 1.0 |
|   |      | g) 6 years old      | 1 cm <sup>3</sup> | 0.8 |
|   |      | h) 7 years old      | 1 cm <sup>3</sup> | 0.8 |
|   |      | i) 8 years old      | 1 cm <sup>3</sup> | 0.8 |
|   |      | j) 9 years old      | 1 cm <sup>3</sup> | 0.9 |
|   |      | k) 10 years old     | 1 cm <sup>3</sup> | 1.1 |
|   |      | l) 11 years old     | 1 cm <sup>3</sup> | 1.3 |
|   |      | m) 12 years old     | 1 cm <sup>3</sup> | 1.5 |
|   |      | n) 13 years old     | 1 cm <sup>3</sup> | 1.8 |
|   |      | o) 14 years old     | 1 cm <sup>3</sup> | 2.1 |



|   |   |   |                     |     |
|---|---|---|---------------------|-----|
|   |   | p) over 14 years old                          | 1 cm <sup>3</sup>   | 2.4 |
| A motor cycle (including a motor bicycle) (according to the difference between the year of a taxable transaction and the year of manufacture of a motor cycle (including a motor bicycle), and in the case of importation – the difference between the year of registration of a customs declaration and the year of manufacture of a motor cycle (including a motor bicycle), 1 cm <sup>3</sup> of the engine displacement |   |   |                     |     |
| 4 <sup>1</sup>  | 8711<br><br>(except for a wheelchair under the commodity item 8711) | a) under 1 year                               | 1 cm <sup>3</sup>   | 1.5 |
|   |   | b) 1 year old                                 | 1 cm <sup>3</sup>   | 1.3 |
|   |   | c) 2 years old                                | 1 cm <sup>3</sup>   | 0.7 |
|   |   | d) 3 years old                                | 1 cm <sup>3</sup>   | 0.7 |
|   |   | e) 4 years old                                | 1 cm <sup>3</sup>   | 0.7 |
|   |   | f) 5 years old                                | 1 cm <sup>3</sup>   | 0.7 |
|   |   | g) 6 years old                                | 1 cm <sup>3</sup>   | 0.8 |
|   |   | h) 7 years old                                | 1 cm <sup>3</sup>   | 0.8 |
|   |   | i) 8 years old                                | 1 cm <sup>3</sup>   | 0.8 |
|   |   | j) 9 years old                                | 1 cm <sup>3</sup>   | 0.8 |
|   |   | k) 10 years old                               | 1 cm <sup>3</sup>   | 1.0 |
|   |   | l) 11 years old                               | 1 cm <sup>3</sup>   | 1.3 |
|   |   | m) 12 years old                               | 1 cm <sup>3</sup>   | 1.5 |
|   |   | n) 13 years old                               | 1 cm <sup>3</sup>   | 1.8 |
|   |   | o) 14 years old                               | 1 cm <sup>3</sup>   | 2.1 |
|   |   | p) over 14 years old                          | 1 cm <sup>3</sup>   | 2.4 |
| Petroleum gas product and natural gas (except for those carried through the pipeline)   |   |   |                     |     |
| 5   | 2709 10 100 00  | –Gas condensate, natural                      | 1 tonne             | 300 |
|   | 2711 11 000 00  | --Natural gas (liquefied)                     | 1 tonne             | 300 |
|   | 2711 12   | --Propane                                     | 1 tonne             | 300 |
|   | 2711 13   | --Butanes                                     | 1 tonne             | 300 |
|   | 2711 14 000 00  | --Ethylene, propylene, butylene and butadiene | 1 tonne             | 300 |
|   | 2711 19 000 00  | --the rest                                    | 1 tonne             | 300 |
|   | 2711 21 000 00  | --Natural gas (in a gaseous state)            | 1000 m <sup>3</sup> | 200 |
|   | 2901 10 000   | –saturated                                    | 1 tonne             | 300 |



|  |                |   |         |     |
|--|----------------|---|---------|-----|
|  | 00             |   |         |     |
|  | 2901 23        | --butene (butylene) and its isomers   | 1 tonne | 300 |
| <b>Petroleum products, petroleum distillates and used oil products</b> |                |   |         |     |
| 6  | 2710 12        | -- light oils and preparations  | 1 tonne | 500 |
|  | 2710 19 110 00 | ---- For undergoing a specific process  | 1 tonne | 440 |
|  | 2710 19 150 00 | ---- For undergoing chemical transformation by a process other than those specified in respect of subheading 2710 19 110 00 | 1 tonne | 440 |
|  | 2710 19 210 00 | -----Jet fuel   | 1 tonne | 440 |
|  | 2710 19 250 00 | -----Other  | 1 tonne | 440 |
|  | 2710 19 290 00 | -----Other  | 1 tonne | 440 |
|  | 2710 19 310 00 | -----For specific refining processes  | 1 tonne | 400 |
|  | 2710 19 350 00 | -----For chemical transformations in processes other than those indicated in subheading 2710 19 310 00                      | 1 tonne | 400 |
|  | 2710 19 410 00 | -----With sulphur concentration of up to 0.05%  | 1 tonne | 400 |
|  | 2710 19 450 00 | -----With sulphur concentration of over 0.05% but not in excess of 0.2%   | 1 tonne | 400 |
|  | 2710 19 490 00 | -----With sulphur concentration of over 0.2%  | 1 tonne | 400 |
|  | 2710 19 710 00 | -----For specific refining processes  | 1 tonne | 800 |
|  | 2710 19 750 00 | -----For chemical transformations in processes other than those indicated in subheading 2710 19 710 00                      | 1 tonne | 800 |
|  | 2710 19 810 00 | -----Motor oils, compressor lube oils, turbine lube oils  | 1 tonne | 800 |
|  | 2710 19 830 00 | -----Liquids for hydraulic purposes   | 1 tonne | 800 |
|  | 2710 19 850 00 | ----- White oils, liquid paraffin   | 1 tonne | 800 |
|  |                |   |         |     |



|   |                |   |         |     |
|---|----------------|---|---------|-----|
|   | 2710 19 870 00 | ----- Sprocket oils and reduction gear box oils   | 1 tonne | 800 |
|   | 2710 19 910 00 | ----- Metal-working compounds, mould-release oils, anti-corrosion oils  | 1 tonne | 800 |
|   | 2710 19 930 00 | -----Electrical insulating oils   | 1 tonne | 800 |
|   | 2710 19 990 00 | -----Other lubricating oils and other oils  | 1 tonne | 800 |
|   | 2710 20 110 00 | -----With sulphur concentration of up to 0.05%  | 1 tonne | 400 |
|   | 2710 20 150 00 | -----With sulphur concentration of over 0.05% but not in excess of 0.2%   | 1 tonne | 400 |
|   | 2710 20 190 00 | -----With sulphur concentration of over 0.2%  | 1 tonne | 400 |
|   | 2710 20 390 00 | --Other   | 1 tonne | 800 |
|   | 2710 91 000 00 | -- Containing polychlorinated biphenyls (PCBs), polychlorinated terphenyls (PCTs) or polybrominated biphenyls (PBBs)                              | 1 tonne | 800 |
|   |                | Used oil products – bilge water (water contaminated with oil), tank (oil products storage tank) wash-down   | 1 tonne | 100 |
|   | 2710 99 000 00 | Other used oil products   | 1 tonne | 800 |
| <b>Biodiesel</b>  |                |   |         |     |
| <b>7</b>  | 3826 00 000 00 | Biodiesel and mixtures thereof, not containing or containing less than 70 % by weight of petroleum oils or oils obtained from bituminous minerals | 1 tonne | 150 |
| <b>Liquid product of pyrolysis</b>  |                |   |         |     |
| <b>8</b>  | 3911 90        | Liquid product of pyrolysis   | 1 tonne | 400 |
| <b>Oils and other products distilled at high temperature from coal tars</b> |                |   |         |     |
| <b>9</b>  | 2707 99 110 00 | ---- Crude light oils of which 90 % or more by volume distills at temperatures of up to 200° C  | 1 tonne | 350 |
|   | 2707 99 190 00 | ----Other   | 1 tonne | 350 |
|   | 2707 99 300 00 | ---Sulphurated light oils   | 1 tonne | 350 |
|   | 2707 99 500 00 | ---Basic products   | 1 tonne | 350 |



|   |                |   |         |     |
|---|----------------|---|---------|-----|
|   | 2707 99 700 00 | ---Anthracene   | 1 tonne | 350 |
|   | 2707 99 990 00 | ----Other   | 1 tonne | 350 |
| <b>Admixture, solvent, anti-detonator</b> |                |   |         |     |
| 10  | 2707 10 100 00 | --To be used as fuel  | 1 tonne | 400 |
|   | 2707 10 900 00 | --For other purposes  | 1 tonne | 400 |
|   | 2707 20 100 00 | --To be used as fuel  | 1 tonne | 400 |
|   | 2707 20 900 00 | --For other purposes  | 1 tonne | 400 |
|   | 2707 30 100 00 | --To be used as fuel  | 1 tonne | 400 |
|   | 2707 30 900 00 | --For other purposes  | 1 tonne | 400 |
|   | 2707 50 100 00 | --To be used as fuel  | 1 tonne | 400 |
|   | 2707 50 900 00 | --For other purposes  | 1 tonne | 400 |
|   | 2707 99 800 00 | ---Phenols  | 1 tonne | 400 |
|   | 2712 20 100 00 | --Synthetic paraffin with molecular mass of 460 or over 460 but not in excess of 1560 | 1 tonne | 400 |
|   | 2712 20 900 00 | --Other   | 1 tonne | 400 |
|   | 2902 11 100 00 | ---To be used as fuel   | 1 tonne | 400 |
|   | 2902 11 900 00 | ---For other purposes   | 1 tonne | 400 |
|   | 2902 19 100 00 | ---Cyclic terpenes  | 1 tonne | 400 |
|   | 2902 19 800 00 | ---Other  | 1 tonne | 400 |
|   | 2902 20 000 00 | -Benzol   | 1 tonne | 400 |
|   | 2902 30 100 00 | --To be used as fuel  | 1 tonne | 400 |
|   | 2902 30 900 00 | ---For other purposes   | 1 tonne | 400 |
|   | 2905 11 000    | --Methanol (methyl alcohol)   | 1 tonne | 400 |



|                   |                   |  |         |     |
|-------------------|-------------------|--|---------|-----|
|                   | 00                |  |         |     |
|                   | 2905 12 000<br>00 | --Propan-1-ol (propyl alcohol) and propan-2-ol (isopropyl alcohol)                                   | 1 tonne | 400 |
|                   | 2905 13 000<br>00 | --Butan-1-ol (n butyl alcohol)   | 1 tonne | 400 |
|                   | 2905 14 100<br>00 | --2-methylpropan-2-ol (tert-butyl alcohol)   | 1 tonne | 400 |
|                   | 2905 14 900<br>00 | ---Other   | 1 tonne | 400 |
|                   | 2905 16 100<br>00 | ---2-ethylhexan-1-ol   | 1 tonne | 400 |
|                   | 2905 16 200<br>00 | ---Octan-2-ol  | 1 tonne | 400 |
|                   | 2905 16 800<br>00 | ---Other   | 1 tonne | 400 |
|                   | 3811 11 100<br>00 | --- Based on tetraethyl-lead   | 1 tonne | 400 |
|                   | 3811 11 900<br>00 | ---Other   | 1 tonne | 400 |
|                   | 3811 19 000<br>00 | --Other  | 1 tonne | 400 |
|                   | 3811 21 000<br>00 | -- Containing petroleum oils or oils obtained from bituminous minerals                               | 1 tonne | 400 |
|                   | 3811 29 000<br>00 | ---Other   | 1 tonne | 400 |
|                   | 3811 90 000<br>00 | --Other  | 1 tonne | 400 |
|                   | 3814 00 100<br>00 | -Based on butyl acetate  | 1 tonne | 400 |
|                   | 3814 00 900<br>00 | -Other   | 1 tonne | 400 |
| <b>Lubricants</b> |                   |  |         |     |
|                   | 3403 11 000<br>00 | -- Preparations for the treatment of textile materials, leather, furs or other materials             | 1 tonne | 800 |
|                   | 3403 19 100<br>00 | --- Containing 70 % or more by weight of petroleum oils or of oils obtained from bituminous minerals | 1 tonne | 800 |
|                   | 3403 19 910<br>00 | ----Lubricants for machines, mechanisms and transport vehicles                                       | 1 tonne | 800 |





|    |  |  |         |     |
|----|--|--|---------|-----|
| 11 | 3403 19 990 00                                     | ----Other  | 1 tonne | 800 |
|    | 3403 91 000 00                                     | -- Preparations for the treatment of textile materials, leather, furs or other materials | 1 tonne | 800 |
|    | 3403 99 100 00                                     | ---Lubricants for machines, mechanisms and vehicles                                      | 1 tonn  | 800 |
|    | 3403 99 900 00                                     | ---Other   | 1 tonne | 800 |
| 12 | <b>Liquids to be used in electronic cigarettes</b> |  |         |     |
|    | 3824 90 980 01                                     | -----liquids with or without nicotine content, intended for use in electronic cigarettes | 1 ml    | 0.2 |

**Note:**

1. Goods specified in cell 3 of this Table and indicated under codes 2403 11 000 000, 2403 19 000 000 or 2403 91 000 00 of the Foreign Economic Activity National Commodity Nomenclature may only be supplied if they are packed in primary packaging of 50 g or 100 g of net weight, except for the case when tobacco products are supplied for production purpose as defined by an order of the Minister of Finance of Georgia. For the purposes of this Code, packing of the goods under this paragraph in primary packaging shall not be the production of excisable goods.

2. (Deleted – 23.12.2017, No 1935).

3. The excise rates for in sub-paragraphs a-g of column 3 (Description) of cell 4 of this table for 0 through 6 years old motor cars that are provided for in the same sub-paragraphs under the commodity item 8703 of the Foreign Economic Activity National Commodity Nomenclature specified in cell 4 of the table in the case of left hand drive hybrid motor cars shall be reduced by 60 %.

4. The excise rate for motor cars under the commodity item 8703 of the Foreign Economic Activity National Commodity Nomenclature specified in cell 4 of the table, which are right hand drive or with converted steering, shall be three times as much as the excise rate for a motor car of a respective category under cell 4 of the table.

5. The excise rate for electric engine motor cars, which are right hand drive or have converted steering as specified in sub-paragraphs a-p) of column 3 (Description) provided for under the commodity item 8703 of the Foreign Economic Activity National Commodity Nomenclature of cell 4 of this table, shall be the product of the excise rate defined under the same sub-paragraphs by 2 000.

1<sup>1</sup>. For calculating the excise amount:

a) the excise rate for 20 pieces of filter cigarettes/non-filter cigarettes, containing tobacco, specified under the code 2402 20 of the Foreign Economic Activity National Commodity Nomenclature, shall be the sum of the excise rate defined in paragraph 1 of this article and 30% of the retail selling price of this goods;

b) the excise rate for 20 pieces of the goods specified under Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 01, and for 20 pieces of the goods specified under Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 02 shall be the sum of the excise rate defined in paragraph 1 of this article and the 30% of this product's retail sale price.

**Note:** For calculating the excise amount, the retail sale price of the goods shall be determined based on the retail sale prices presented by the producer/importer of this product to a tax authority and other information available at the tax authority not later than 1 December of each year and shall be effective during one year from 1 January of the following year.

1<sup>2</sup>. For calculating excise amount for cigarettes specified under the Foreign Economic Activity National Commodity Nomenclature code 2402 20, and for the goods specified under the Foreign Economic Activity National Commodity Nomenclature codes 2403 99 900 01 and 2403 99 900 02, the retail sale price and the procedure for its calculation shall be determined by the Minister of finance of Georgia.

2. (Deleted – 19.4.2011, No 4547).

3. The following shall be electronic communication service rates:

a) (Deleted – 22.6.2016, No 5445);

b) for international call termination services in a mobile network in Georgia – 15 tetris per minute;

c) for international call termination services in a fixed network in Georgia – 8 tetris per minute.

4. (Deleted – 22.6.2016, No 5445).



5. (Deleted – 23.12.2017, No 1935).
  6. (Deleted – 23.12.2017, No 1935).
  7. (Deleted – 23.12.2017, No 1935).
  8. (Deleted – 12.6.2020, No 6343).
  9. The excise rate for a sports car provided for under the commodity code 8703 of the Foreign Economic Activity National Commodity Nomenclature shall be GEL 100.
- Law of Georgia No 4547 of 19 April 2011 - website, 5.5.2011*
- Law of Georgia No 4935 of 24 June 2011 - website, 30.6.2011*
- Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*
- Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*
- Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*
- Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*
- Law of Georgia No 906 of 30 July 2013 - website, 20.8.2013*
- Law of Georgia No 2874 of 11 December 2014 - website, 23.12.2014*
- Law of Georgia No 2949 of 12 December 2014 - website, 23.12.2014*
- Law of Georgia No 4615 of 11 December 2015 - website, 22.12.2015*
- Law of Georgia No 4680 of 18 December 2015 - website, 29.12.2015*
- Law of Georgia No 4941 of 13 April 2016 - website, 19.4.2016*
- Law of Georgia No 5445 of 22 June 2016 - website, 29.6.2016*
- Law of Georgia No 97 of 16 December 2016 - website, 23.12.2016*
- Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*
- Law of Georgia No 1378 of 15 November 2017 – website, 17.11.2017*
- Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*
- Law of Georgia No 4225 of 27 December 2018 – website, 31.12.2018*
- Law of Georgia No 4616 of 29 May 2019 – website, 30.5.2019*
- Law of Georgia No 5075 of 2 October 2019 – website, 7.10.2019*
- Law of Georgia No 5129 of 16 October 2019 – website, 23.10.2019*
- Law of Georgia No 6343 of 12 June 2020 – website, 19.6.2020*

#### **Article 188<sup>1</sup> – Excise tax rates for alcoholic beverages**

1. The alcoholic beverages provided for in this paragraph shall be taxable at the following excise rates:

|   | Description/Name of goods  | Unit of measurement     | Rate |
|---|--|-------------------------|------|
| 1 | Beer   | 1 litre/1% Vol          | 0.12 |
| 2 | Any other fermented beverage in which alcohol content exceeds 5%   | 1 litre                 | 5    |
| 3 | Any other fermented beverage in which alcohol content is 5% or less than 5%  | 1 litre                 | 0.6  |
| 4 | Intermediary alcoholic beverage  | 1 litre                 | 5    |
| 5 | Beverage with high concentration of ethanol (except for goods under the Foreign Economic Activity National Commodity Nomenclature codes 2208 20, 2208 60, 2208 90 330 00, 2208 90 380 00, 2208 90 480 00 and 2208 90 710 00) | 1 litre of pure alcohol | 22.5 |
| 6 | Goods under the Foreign Economic Activity National Commodity Nomenclature code 2207  | 1 litre of pure alcohol | 7.5  |
| 7 | Goods under the Foreign Economic Activity National Commodity Nomenclature codes 2208 20, 2208 60, 2208 90 330 00, 2208 90 380 00, 2208 90 480 00 and 2208 90 710 00  | 1 litre of pure alcohol | 15   |

**Note:** the following items in the table:

a) 'Beer' includes the goods specified under the Foreign Economic Activity National Commodity Nomenclature code 2203, and goods under codes 2206 00 590 01 and 2206 00 890 01 (a mixture of one or more than one non-alcoholic beverage specified under the Foreign Economic Activity National Commodity Nomenclature code 2206 and beer), in



which alcohol content exceeds 0.5%;

b) 'Any other fermented beverage' includes the goods specified under the Foreign Economic Activity National Commodity Nomenclature codes 2205 and 2206 (except for beer and wine):

b.a) in which alcohol content exceeds 1.2% and does not exceed 10%;

b.b) in which alcohol content exceeds 10% and does not exceed 15% provided that the alcohol contained in the product is completely obtained through fermentation;

c) 'Intermediary alcoholic beverage' includes the goods specified under the Foreign Economic Activity National Commodity Nomenclature codes 2205 and 2206 (except for beer, wine and other fermented beverages), in which alcohol content exceeds 1.2% and does not exceed 22%;

d) 'Beverage with high concentration of ethanol' includes:

d.a) the goods specified under the Foreign Economic Activity National Commodity Nomenclature code 2208, in which alcohol content exceeds 1.2%;

d.b) the goods specified under the Foreign Economic Activity National Commodity Nomenclature codes 2205 and 2206, in which alcohol content exceeds 22%.

2. Wine includes the goods specified under the Foreign Economic Activity National Commodity Nomenclature codes 2204 and 2205 produced with the use of grapes, in which alcohol content exceeds 1.2% and does not exceed 18% provided that the alcohol contained in the final product is completely obtained through fermentation and without any additives.

3. The amount of excise tax to be paid on the goods specified in column 1 of the table in paragraph 1 of this article shall be the product of a respective excise rate and the figure of the volume of goods by the percentage of alcohol content in the goods.

4. The amount of excise tax to be paid on the goods specified in columns 2–4 of the table in paragraph 1 of this article shall be the product of a respective excise rate by the figure of the volume of the goods.

5. The amount of excise tax to be paid on the goods specified in columns 5–7 of the table in paragraph 1 of this article shall be the product of a respective excise rate by the figure of the volume of pure alcohol in the goods.

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

## **Article 189 – Excise tax deductions**

1. Unless otherwise provided for by this article, a person carrying out a taxable transaction or export of excisable goods shall be entitled to an excise tax deduction in the amount of excise tax paid or payable on excisable goods (raw materials) used for the production of supplied excisable goods (including delivered, removed from a warehouse for sale, or exported excisable goods) or to a refund of excise tax in accordance with the procedure established for refunding the excess amount paid, but not more than the excise tax calculated on goods produced using such goods.

2. The procedure for deducting or refunding excise tax provided for by the first paragraph of this article shall apply with respect to excisable goods (raw materials) imported by a manufacturer for the production of excisable goods.

3. Under the first and second paragraphs of this article, excise tax shall be deducted or refunded if the manufacturer presents an invoice and/or a customs entry evidencing that he/she has paid excise tax as a manufacturer of excisable goods (raw materials) and/or on import of excisable goods (raw materials).

3<sup>1</sup>. Where so provided for by Article 190<sup>1</sup> of this Code, the basis for obtaining an excise tax deduction shall be the excise tax amount assessed on transactions provided for by the same article and indicated in the excise tax declaration.

4. If other excisable and non-excisable goods are concurrently manufactured from excisable goods (raw materials), a deduction shall be made in proportion to the amount of the excisable goods produced, but not more than the excise tax calculated on such excisable goods.

5. In the event of importing or purchasing immature excisable goods, a person shall be entitled to obtain a tax deduction in the amount of the excise tax paid or payable on such excisable goods (raw materials) or to receive a refund of the respective excise tax in accordance with the procedure for refunding an excess payment.

6. (Deleted – 22.6.2016, No 5445).

7. (Deleted – 22.6.2016, No 5445).

8. If, after a motor car specified under Code 8703 or a motor cycle (including a motor bicycle) specified under Code 8711 of the Georgian National Classification of Economic Activities is placed under the Release for free circulation procedure, this transport vehicle gets registered under the export procedure and leaves the territory of Georgia within 90 calendar days, an importer shall be entitled, under the established procedure, to refund for an excise tax paid on the transport vehicle in the amount of 100%.

*Law of Georgia No 4935 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 5445 of 22 June 2016 - website, 29.6.2016*

*Law of Georgia No 1378 of 15 November 2017 – website, 17.11.2017*

*Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*



## **Article 190 - Excise tax payment procedure**

1. The accounting period for excise tax shall be a calendar month.
2. Excise tax shall be subject to payment by the 15<sup>th</sup> day of the month following the accounting period of performing an excisable transaction except as provided for by the third paragraph of this article.
3. Excise tax on the import of goods shall be paid in accordance with the procedure applicable to payment of import duty.
4. (Deleted – 20.12.2011, No 5557).

*Law of Georgia No 4547 of 19 April 2011 - website, 05.5.2011*

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 4935 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 5557 of 20 December 2011 - website, 28.12.2011*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

## **Article 190<sup>1</sup> - Charging excise tax in certain cases**

1. The sale of excisable goods by auction, direct sale or in any other way, as part of a tax liability collection security measure or for any other pecuniary liability (except penalties imposed under criminal and administrative proceedings), as well as during transfer of collateral (excisable goods) to the possession of a creditor under a contractual obligation performance security measure (guarantee), shall be subject to excise tax under this article.

1<sup>1</sup>. Selling excisable goods transferred to state property shall be taxed in accordance with this article.

2. In this article:

a) the first paragraph shall not apply to:

a.a) sold/transferred excisable goods, if the owner of such goods has not produced them;

a.b) goods with affixed excise stamps, if excise tax has been paid at the time of buying excise stamps;

a.c) excisable goods received in the possession of a natural person, if such person does not further supply these goods and/or use such goods for the production of other goods;

b) paragraph (1<sup>1</sup>) shall not apply to:

b.a) excised or excisable goods;

b.b) excised goods received in the possession of a natural person, if such person does not further supply these goods and/or use such goods for the production of other goods.

3. Where so provided for by this article, an excise taxpayer shall file an excise return, according to paragraphs (1) and (1<sup>1</sup>) of this article, if he/she:

a) supplies excisable goods – by no later than the 15<sup>th</sup> day of the month following the month of supply;

b) uses excisable goods for the production of non-excisable goods – by no later than the 15<sup>th</sup> day of the month following the month of using excisable goods for the production of non-excisable goods;

c) uses excisable goods for the production of other excisable goods – by no later than the 15<sup>th</sup> day of the month following the month of supply of such other excisable goods.

4. Where so provided in this article, the excise taxpayer shall pay the excise tax payable to the budget within the time determined by the third paragraph of this article for filing an excise return.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 4680 of 18 December 2015 - website, 29.12.2015*

## **Article 190<sup>2</sup> – Charging excise tax to a person having the status of special enterprise**

For a person having the status of special enterprise, an object of excise taxation, and the procedures for calculation, reporting and payment of the excise tax shall be determined by an ordinance of the Government of Georgia.

*Law of Georgia No 2476 of 6 June 2018 – website, 21.6.2018*

## **Article 191 – Filing a Return**

1. For each accounting period, no later than the 15<sup>th</sup> day of the month following the accounting period of the tax authority, an excise return indicating performed taxable transactions shall be filed by:

a) a manufacturer of excisable goods;

b) an excise taxpayer provided for by Article 182(1)(d, f and g) of this Code;

c) an excise tax payer defined by Article 192(6) and (7) of this Code, if the obligation to pay excise tax provided by the same paragraphs arises.

1<sup>1</sup>. To enjoy the tax benefit under Article 194(5)(g) of this Code, an excise tax payer shall file an excise return for each accounting period with the tax authority, by no later than the 15<sup>th</sup> day of the month following the accounting period.

2. The Minister of Finance of Georgia shall determine the procedure for filing an excise return and the excise return form.

*Law of Georgia No 6547 of 22 June 2012 - website, 4.7.2012*

*Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*



## **Article 192 – Excise stamps**

1. Except as provided for by paragraphs 1<sup>1</sup> and 1<sup>2</sup> of this article, before performing an excisable transaction and/or import of goods, and in cases provided for by Article 190<sup>1</sup> of this Code, before goods are transferred to persons purchasing and/or receiving them, the following shall be subject to mandatory affixing of excise stamps:

- a) excisable alcoholic beverages;
- b) tobacco products (including raw tobacco, or tobacco waste);
- c) liquids containing nicotine or not containing nicotine, intended to be used in electronic cigarettes.

1<sup>1</sup>. In cases of selling alcoholic beverages that are transferred into state ownership, the mandatory affixing of excise stamps to excise goods shall be performed by persons purchasing and/or receiving them immediately after finishing transportation of the goods from a relevant agency to the place of storage.

1<sup>2</sup>. If the goods specified under the code 3824 90 980 01 of the Foreign Economic Activity National Commodity Nomenclature are imported, the procedure for mandatory affixing of excise stamps to excisable goods by the importer shall be defined by an order of the Minister of Finance of Georgia.

2. Except as determined by the Minister of Finance of Georgia, the following goods shall be exempt from mandatory affixing of excise stamps:

- a) domestically manufactured goods intended for export;
- b) goods to be supplied to a duty-free shop;
- c) goods under import procedure, intended for the official use of foreign diplomatic missions and representations equated with them, and for personal use of the diplomatic and administrative-technical personnel (including their family members residing with them) of such representations;
- d) goods under import procedure, intended for the personal use of foreign citizens (including their family members residing with them) employed for the fulfilment of obligations under the international treaties of Georgia (construction of Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum Pipelines);
- e) goods subject to mandatory affixing of excise stamps, which are returned in accordance with the Customs Code of Georgia;
- f) alcoholic beverages bottled in containers of 50 grams or less or in containers of more than 10 litres (except for beer);
- g) imported alcoholic beverage of up to 4 litres – if delivered by parcel post;
- g<sup>1</sup>) alcoholic beverage imported by a passenger – within the limited amount provided for in Article 194(5)(b<sup>2</sup>);
- h) import of the goods specified under the codes 2401, 2403 11 000 00, 2403 19 000 00, 2403 91 000 00 of the Foreign Economic Activity National Commodity Nomenclature;
- i) imported (including those delivered by parcel post) 200 cigarettes or 50 cigars or 50 cigarillos, or 200 pieces of tobacco product provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 02 or 10 units of capsules provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 01 and similar products, or 250 grams of any other tobacco product, or a collection of sorts of tobacco product specified in this sub-paragraph if the sum of percentage values (a percentage value in relation to the respective limited amount) of portions of each sort of tobacco product contained therein does not exceed 100.

3. It shall be prohibited to:

- a) perform a taxable transaction with and/or import goods missing excise stamps if such goods are subject to the mandatory affixing of excise stamps (except those provided for by the second paragraph of this article) and transfer the goods to the persons purchasing and/or receiving goods in the cases provided for in Article 190<sup>1</sup> of this Code;
- b) supply to a retail network any on tap alcoholic beverages (except beer) and/or those bottled in containers of 10 litres or more in volume.

3<sup>1</sup>. An excise stamp may be in material or immaterial form. In the cases determined by the Minister of Finance of Georgia, the mandatory affixing of excise stamps shall be performed by a person selected by the Revenue Service under the procedure defined by an ordinance of the Government of Georgia.

4. Manufacturers and importers of excisable goods in the territory of Georgia (declarants), as well as payers of excise tax under Article 182(4) and (5) of this Code shall pay the nominal value of an excise stamp. The nominal value, the procedure for its payment and for labelling of goods shall be determined by order of the Minister of Finance of Georgia.

5. Tax/customs authorities shall, in accordance with the established procedure, confiscate excisable goods imported or received for sale without excise stamps, in violation of the rules, when such goods are subject to mandatory affixing of excise stamps. Upon confiscation, such goods shall be considered state property and shall be sold or destroyed in the manner determined by the Minister of Finance of Georgia.

6. For the purposes of this Section, a lack of excise stamps in any form (loss, destruction and other cases except force-



majeure) shall be regarded as import and supply of goods corresponding to the respective type of excise stamp by importers and as supply of goods corresponding to the respective type of excise stamp by local manufacturers and shall be subject to excise tax at the highest excise tax rate fixed for 1 piece/litre of goods corresponding to the respective type of excise stamp, manufactured/imported by a person.

7. If goods are not imported within 6 months after obtaining excise stamps by importers, such excise stamps shall be subject to be returned. Failure to return excise stamps on the day following the expiration of the six-month period shall be regarded, for the purposes of this Section, as the domestic supply of excisable goods subject to mandatory affixing of excise stamps and respectively, shall be subject to excise tax, whereas if goods with affixed unreturned excise stamps are imported, the excise tax amount payable shall be recalculated, in the following period, pro rata to the amount of import actually carried out.

**Note:** the procedure for applying this paragraph in the case provided for paragraph 1<sup>2</sup> of this article shall be defined by an order of the Minister of Finance of Georgia.

8. Excise marks may not be transferred to any other person except in the case when an importer of excisable goods subject to mandatory affixing of excise stamps transfers excise stamps to a foreign manufacturer of excisable goods to have the manufacturer affix the excise stamps to such goods.

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 4935 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 5557 of 20 December 2011 - website, 28.12.2011*

*Law of Georgia No 2946 of 12 December 2014 - website, 24.12.2014*

*Law of Georgia No 4680 of 18 December 2015- website, 29.12.2015*

*Law of Georgia No 97 of 16 December 2016 - website, 23.12.2016*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 5129 of 16 October 2019 – website, 23.10.2019*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

*Law of Georgia No 1165 of 17 December 2021 – website, 28.12.2021*

## **Article 192<sup>1</sup> – Mandatory marking of non-excisable goods**

1. The Minister of Finance of Georgia shall be authorised to compile a list of non-excisable goods subject to mandatory marking and the terms of marking.

2. The service of mandatory marking in material and immaterial forms shall be provided by a person selected by the Revenue Service under the procedure defined by an ordinance of the Government of Georgia.

3. The nominal value of marking shall be levied for mandatory marking. The nominal value and payment terms shall be determined by an order of the Minister of Finance of Georgia.

*Law of Georgia No 5557 of 20 December 2011 - website, 28.12.2011*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Article 193 – Tax invoice**

When selling excisable goods, an excise taxpayer shall issue and hand over to the recipient of goods, if so requested, a tax invoice provided for by Article 180 of this Code.

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Article 194 – Rules governing excise tax exemption**

1. Excise exemption may be with or without the right to deduct.

2. Exempting a transaction with the right to deduct means that the transaction is not subject to excise tax assessment (is not excised) and the right of deduction applies.

3. Exempting a transaction without the right to deduct means that the transaction is not subject to excise tax assessment (is not excised) and the right of deduction does not apply.

4. The procedure of applying excise exemption shall be determined by an order of the Minister of Finance of Georgia.

5. The following shall be excise tax exempt without the right to deduct:

a) alcoholic beverages produced by a natural person for personal use;

b) import by a passenger of 200 cigarettes or 50 cigars or 50 cigarillos, or 200 pieces of tobacco product provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 02, or 10 units of capsules provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 01 and similar products, or 250 grams of another tobacco product, or a collection of sorts of tobacco product specified in this sub-paragraph if the sum of percentage values (a percentage value in relation to the respective limited amount) of portions of each sort of tobacco product contained therein does not exceed 100, or 50 ml of goods provided for under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01, which are carried in a baggage and/or hand luggage



during passenger transportation and which are not intended for economic activities;

b<sup>1</sup>) 200 cigarettes or 50 cigars or 50 cigarillos, or 200 pieces of tobacco product provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 02 or 10 units of capsules provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 01 and similar products, or 250 grams of another tobacco product, or a collection of sorts of tobacco product specified in this sub-paragraph if the sum of percentage values (a percentage value in relation to the respective limited amount) of portions of each sort of tobacco product contained therein does not exceed 100, or 50 ml of goods provided for under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01, and 4 litres of an alcoholic beverage imported by parcel post;

b<sup>2</sup>) import by a passenger in total of 1 litre of alcoholic beverage with 22% and more than 22% alcohol content or of non-denatured ethanol with 80% and more than 80% alcohol content, or 2 litres of alcoholic beverage with less than 22% alcohol content, or import of collection of sorts of alcoholic beverages specified in this subparagraph (except for beer and wine) if the sum of percentage values (percentage value in relation to the respective limited amount) of portions of each sort of alcoholic beverage (except for beer and wine) contained in the collection does not exceed 100; also, import of 16 litres of beer, which is carried in a baggage and/or hand luggage during a passenger transportation and which is not intended for economic activities;

c) fuel in the standard tank of the transport vehicle of a person entering Georgia by a transport vehicle, which is structurally and technologically related to the engine feed system;

d) import of goods in accordance with the requirements established by Article 173(z2) and (z3) of this Code;

e) import and/or supply of goods intended for supply on board during international flights and international sea passages, and importation and/or supply of fuel, lubricants and other auxiliary means intended to be supplied on board for performance of civil flights and aviation works within the state border of Georgia;

f) import and/or supply of petroleum products for performing oil and gas transactions provided for by the Law of Georgia on Oil and Gas;

g) import of goods provided for by section 10 of the table in Article 188 of this Code provided that they are not used for the production of excised goods.

**Note:** Excise tax shall be levied on the above-mentioned goods at the moment of import, and if an excise return has been filed, the taxpayer shall be entitled to a refund and/or a deduction on future tax liabilities in the amount of excise tax paid;

h) the import of a motor car under Article 199(d.d) and (d.e) of this Code;

i) the import of excisable goods returned in accordance with the Customs Code of Georgia;

j) the import of the property of diplomatic missions and consular establishments of Georgia abroad;

k) left hand drive transportation vehicles specified under commodity item 8703 of the National Commodity Classification of Foreign Economic Activities and electric engine transportation vehicles specified under commodity item 8711 of the National Commodity Classification of Foreign Economic Activities;

k<sup>1</sup>) a transportation vehicle specified under the commodity item 8703 of the National Commodity Classification of Foreign Economic Activities, which is designed for use by a disabled person if the import of the transportation vehicle is performed by a disabled person who needs a wheelchair to move. The procedure for enjoying the privilege under this subparagraph shall be defined by the order of the Minister of Finance of Georgia;

**Note:** an appropriate person may enjoy the privilege under this subparagraph once in three years.

l) alcoholic beverage (liquid) used for preparation of a pharmaceutical product;

m) alcoholic beverage, used for production of a drink, in which alcohol content does not exceed 1.2%.

**Note:**

1. If the amount of an alcoholic beverage and/or tobacco product, or of the goods specified under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01 exceeds the limited quantity provided for in subparagraph b), b<sup>1</sup>) or b<sup>2</sup>) of this paragraph, the excise tax exemption under this article shall be applied within the above quantity limits of the goods.

2. A natural person shall gain the right to enjoy the tax privileges under subparagraphs b–b<sup>2</sup>) of this paragraph from the age of 18.

3. During the importation/manufacturing of the goods under subparagraphs l) and m) of this paragraph an excise tax shall be levied, and if an excise tax return is submitted, a person purchasing the goods from the importer/manufacture may obtain a refund of the excise amount paid and/or set it off for future tax liabilities.

4. For the purposes of subparagraphs b) and b<sup>2</sup>) of this paragraph, it shall be deemed that the goods are not intended for economic activities if their import is one-off and they are intended to be used by the passenger personally or by his/her family members, and/or as a gift. In addition, the import of goods shall be one-off if the import of the goods is carried out not more than once during one calendar day when they are brought in by an air transport, and in other cases – during 30 calendar days.

6. The following shall be excise tax exempt with the right to deduct:

a) import of excisable goods only for the accounting period, for which the taxpayer presents the following documents to the tax authority:

a.a) a tax invoice and a document evidencing payment of the amount indicated in the tax invoice to the supplier (if other



excisable goods (raw materials) manufactured by another person have been used for manufacturing of exported excisable goods;

a.b) a customs entry on the export of goods;

b) supply of Georgian goods to a duty-free shop for sale;

c) transfer of a person's property (excisable goods) to the state, the autonomous republic or the municipality, as part of a measure to secure collection (including tax liability collection) to the state budget, to the budget of an autonomous republic or the budget of a municipality, as well as sale/transfer of a person's property (excisable goods) for collection of penalties imposed under criminal and administrative proceedings;

d) supply, by a producer of alcohol produced by distilling grape wine listed under sub-item 2208 20 of the National Commodity Classification of Foreign Economic Activities, to a producer of goods under the same sub-item, for production of goods;

e) production of alcohol obtained by distilling grape wine provided for under the Foreign Economic Activity National Commodity Nomenclature commodity sub-item 2208 20 by a producer with the raw materials of a customer and its passing to the customer if the customer uses these goods for production of the goods provided for under the same commodity sub-item.

**Note:** where a tax privilege under sub-paragraph d) or e) of this article applies, if a purchaser/customer of the alcohol obtained by distilling grape wine provided for under the Foreign Economic Activity National Commodity Nomenclature commodity sub-item 2208 20 does not use these goods for production of the goods provided for under the same commodity sub-item, the purchaser/customer of the goods shall be considered as an excise payer in relation to the goods purchased/passed. In such a case, the moment when the purchaser/customer starts using the goods in another activity shall be considered the time of conducting a taxable transaction.

7. Import of goods and/or supply of goods and/or delivery of services shall be excise tax exempt with the right to deduct, if it is performed under international agreements ratified by the Parliament of Georgia, that entered into force, where import of goods and/or supply of goods and/or delivery of services is excise tax exempt in accordance with such international agreements.

*Law of Georgia No 4470 of 22 March 2011 - website, 01.4.2011*

*Law of Georgia No 4547 of 19 April 2011 - website, 5.5.2011*

*Law of Georgia No 4720 of 31 May 2011 - website, 10.6.2011*

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 6439 of 12 June 2012 - website, 22.6.2012*

*Law of Georgia No 6547 of 22 June 2012 - website, 4.7.2012*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 1378 of 15 November 2017 – website, 17.11.2017*

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

*Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018*

*Law of Georgia No 4616 of 29 May 2019 – website, 30.5.2019*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 6942 of 15 July 2020 – website, 28.7.2020*

*Law of Georgia No 1165 of 17 December 2021 – website, 28.12.2021*

## SECTION VIII IMPORT DUTY

### Chapter XXVIII - Import Duty

#### Article 195 - Payer of import duty

The payer of import duty shall be a person moving goods across the customs border of Georgia, except for export.

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

#### Article 196 - Dutiable object

An object of import duty shall be the customs value of goods crossing the customs border of Georgia from outside Georgia, unless otherwise provided for by this Code.

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

#### Article 197 - Import duty rates

1. A 12% rate of import duty shall apply to the customs value of the following goods:

| No | CN code | Description |
|----|---------|-------------|
|----|---------|-------------|





|    |                |   |
|----|----------------|---|
| 1  | 0105           | Live poultry, that is to say, fowls of the species Gallus Domesticus, ducks, geese, turkeys<br><br>and guinea fowls |
| 2  | 0201           | Meat of bovine animals , fresh or chilled   |
| 3  | 0202           | Meat of bovine animals , frozen   |
| 4  | 0204           | Meat of sheep or goats, fresh, chilled or frozen  |
| 5  | 0205 00        | Meat of horses, asses, mules or hinnies, fresh, chilled or frozen   |
| 6  | 0206           | Edible offal of bovine animals, swine, sheep, goats, horses, asses, mules or hinnies , fresh, chilled or frozen     |
| 7  | 0207           | Meat and edible offal, of the poultry of<br><br>Heading 0105, fresh, chilled or frozen                              |
| 8  | 0208           | Other meat and edible meat offal , fresh, chilled or frozen   |
| 9  | 0210           | Meat and edible meat offal, salted, in brine, dried or smoked; edible flours and meals of meat or meat offal        |
| 10 | 0401 10 100 00 | --- In immediate packings of a net content not exceeding 2 l  |
| 11 | 0401 20 110 00 | --- In immediate packings of a net content not exceeding 2 l  |
| 12 | 0401 20 910 00 | --- In immediate packings of a net content not exceeding 2 l  |
| 13 | 0401 40 100 00 | --- In immediate packings of a net content not exceeding 2 l  |
| 14 | 0401 50 110 00 | --- In immediate packings of a net content not exceeding 2 l  |
| 15 | 0401 50 310 00 | --- In immediate packings of a net content not exceeding 2 l  |
| 16 | 0401 50 910 00 | --- In immediate packings of a net content not exceeding 2 l  |
| 17 | 0402 10 110 00 | --- In immediate packings of a net content not exceeding 2.5 kg   |
| 18 | 0402 10 910 00 | --- In immediate packings of a net content not exceeding 2.5 kg   |
| 19 | 0402 21 110 00 | ---- In immediate packings of a net content not exceeding 2.5 kg  |
| 20 | 0402 21 910 00 | ---- In immediate packings of a net content not exceeding 2.5 kg  |
| 21 | 0402 29 150 00 | ----- In immediate packings of a net content not exceeding 2.5 kg   |
| 22 | 0402 29 910 00 | ---- In immediate packings of a net content not exceeding 2.5 kg  |
| 23 | 0402 91 110 00 | ---- In immediate packings of a net content not exceeding 2.5 kg  |
| 24 | 0402 91 310 00 | ---- In immediate packings of a net content not exceeding 2.5 kg  |
| 25 | 0402 91 510 00 | ---- In immediate packings of a net content not exceeding 2.5 kg  |
| 26 | 0402 91 910 00 | ---- In immediate packings of a net content not exceeding 2.5 kg  |
| 27 | 0402 99 110 00 | ---- In immediate packings of a net content not exceeding 2.5 kg  |
| 28 | 0402 99 310 00 | ---- In immediate packings of a net content not exceeding 2.5 kg  |
| 29 | 0402 99 910 00 | ---- In immediate packings of a net content not exceeding 2.5 kg  |



|    |                |  |
|----|----------------|--|
| 30 | 0403           | Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa |
| 31 | 0407           | Birds' eggs, in shell, fresh, preserved or cooked  |
| 32 | 0408           | Birds' eggs, not in shell, and egg yolks, fresh, dried, cooked by steaming or by boiling in water, moulded, frozen or otherwise preserved, whether or not containing added sugar or other sweetening matter                                |
| 33 | 0409 00 000 00 | Natural honey  |
| 34 | 0410 00 000 00 | Edible products of animal origin, not elsewhere specified or included  |
| 35 | 0701           | Potatoes, fresh or chilled   |
| 36 | 0702 00 000 00 | Tomatoes, fresh or chilled   |
| 37 | 0703           | Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled  |
| 38 | 0704           | Cabbages, cauliflowers, kohlrabi, kale, and similar edible brassicas, fresh or chilled   |
| 39 | 0706           | Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh or chilled   |
| 40 | 0707 00        | Cucumbers and gherkins, fresh or chilled   |
| 41 | 0708           | Leguminous vegetables, shelled or unshelled, fresh or chilled  |
| 42 | 0709           | Other vegetables, fresh or chilled   |
| 43 | 0710           | Vegetables ( uncooked or cooked by steaming or boiling in water ), frozen  |
| 44 | 0711           | Vegetables provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption  |
| 45 | 0712 20 000 00 | -- Onions  |
| 46 | 0712 31 000 00 | -- Mushrooms of the genus Agaricus   |
| 47 | 0712 32 000 00 | -- Wood ears ( Auricularia spp).   |
| 48 | 0712 33 000 00 | -- Jelly fungi (Tremella spp.)   |
| 49 | 0712 11 000 00 | -- Other   |
| 50 | 0713           | Dried leguminous vegetables, shelled, whether or not skinned or split  |
| 51 | 0714           | Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar roots and tubers with high starch or inulin content, fresh, chilled, frozen or dried, whether or not sliced or in the form of pellets; sago pith                |
| 52 | 0802           | Other nuts, fresh or dried, whether or not shelled or peeled   |
| 53 | 0803           | Bananas, including plantains, fresh or dried   |
| 54 | 0805           | Citrus fruit, fresh or dried   |



|    |                |  |
|----|----------------|--|
| 55 | 0806           | Grapes, fresh or dried   |
| 56 | 0807           | Melons (including watermelons) and papaws (papayas), fresh   |
| 57 | 0808           | Apples, pears and quinces, fresh   |
| 58 | 0809           | Apricots, cherries, peach (including nectarines), plum and sloe, fresh   |
| 59 | 0810           | Other fruit, fresh   |
| 60 | 0811           | Fruit and nuts, uncooked or cooked by steaming or boiling in water, frozen, whether or not containing added sugar or other sweetening matter   |
| 61 | 0812           | Fruit and nuts, provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption |
| 62 | 0813           | Fruit, dried, other than that of headings 0801 to 0806; mixtures of nuts or dried fruits of this chapter   |
| 63 | 0902           | Tea, whether or not flavoured  |
| 64 | 1101 00        | Wheat or meslin flour  |
| 65 | 1102           | Cereal flours other than of wheat or meslin  |
| 66 | 1103           | Cereal groats, meal and pellets  |
| 67 | 1105           | Flour, meal, powder, flakes, granules and pellets of potatoes  |
| 68 | 1106           | Flour, meal and powder of the dried leguminous vegetables of heading 0713, of sago or of roots or tubers of heading 0714 or of the products of Chapter 8   |
| 69 | 1108           | Starches; inulin   |
| 70 | 1109 00 000 00 | Wheat gluten, whether or not dried   |
| 71 | 1512 19 900 00 | --- Other  |
| 72 | 1601 00        | Sausages and similar products, of meat, meat offal or blood; food preparations based on these products   |
| 73 | 1602 10 00     | -- Homogenised preparations  |
| 74 | 1602 20        | -- Of liver of any animal  |
| 75 | 1602 31        | -- Of turkeys  |
| 76 | 1602 32        | -- Of fowls of the species Gallus domesticus   |
| 77 | 1602 39        | -- Other   |
| 78 | 1602 41        | -- Hams and cuts thereof   |
| 79 | 1602 42        | -- Shoulders and cuts thereof  |
| 80 | 1602 49        | -- Other, including mixtures   |
| 81 | 1602 50        | - of bovine animals  |
| 82 | 1701 12        | -- Beet sugar  |
| 83 | 1701 91 000 00 | -- Containing added flavouring or colouring matter   |



|     |                |  |
|-----|----------------|--|
| 84  | 1701 99        | -- Other   |
| 85  | 1702           | -- Other sugars, including chemically pure lactose, maltose, glucose and fructose, in solid form; sugar syrups not containing added flavouring or colouring matter; artificial honey, whether or not mixed with natural honey; caramel |
| 86  | 1703           | Molasses resulting from the extraction or refining of sugar  |
| 87  | 1704           | Sugar confectionary (including white chocolate) not containing not include cocoa   |
| 88  | 19             | Food preparations made of grain crops, grain, flour, starch or milk; pastry  |
| 89  | 2001           | Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid  |
| 90  | 2002           | Tomatoes prepared or preserved otherwise than by vinegar or acetic acid  |
| 91  | 2003           | Mushrooms and truffles, prepared or preserved otherwise than by vinegar or acetic acid   |
| 92  | 2004           | Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading 2006   |
| 93  | 2005           | Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading 2006   |
| 94  | 2006 00        | Vegetables, fruit, nuts, fruit-peel and other parts of plants, preserved by sugar (drained, glacé or crystallised)   |
| 95  | 2007           | Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter   |
| 96  | 2008 19        | -- Other, including mixtures   |
| 97  | 2008 20        | -- Pineapples  |
| 98  | 2008 30        | -- Citrus fruit  |
| 99  | 2008 40        | -- Pears   |
| 100 | 2008 50        | -- Apricots  |
| 101 | 2008 60        | -- Cherries  |
| 102 | 2008 70        | -- Peaches, including nectarines   |
| 103 | 2008 80        | -- Strawberries  |
| 104 | 2008 91 000 00 | -- Palm hearts   |
| 105 | 2008 93 000 00 | -- Cranberries ( <i>Vaccinium macrocarpon</i> , <i>Vaccinium oxycoccos</i> , <i>Vaccinium vitis-idaea</i> )  |
| 106 | 2008 97        | -- Mixtures  |
| 107 | 2008 99        | -- Other   |
| 108 | 2009           | Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter  |



|     |                |   |
|-----|----------------|---|
| 109 | 2101           | Extracts, essences and concentrates, of coffee, tea or maté and preparations with a basis of these products or with a basis of coffee, tea or maté; roasted chicory and other roasted coffee substitutes, and extracts, essences and concentrates thereof |
| 110 | 2103           | Sauces and preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard  |
| 111 | 2106 90        | - Other   |
| 112 | 2201 10 190 09 | Other   |
| 113 | 2201 10 900 00 | -- Other  |
| 114 | 2201 90 000 09 | --- Other   |
| 115 | 2201 90 000 99 | -- Other  |
| 116 | 2202           | Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of heading 2009   |
| 117 | 2203 00        | Beer made from malt   |
| 118 | 2302 10        | - Beer made from maize (corn)   |
| 119 | 2302 30        | - Beer made from wheat  |
| 120 | 2302 40        | - Beer made from other cereals  |
| 121 | 24             | Tobacco and industrial tobacco substitutes.   |
| 122 | 25             | Salt; sulphur; soils and stone; plastering materials, limestone and cement  |
| 123 | 3402           | Organic surface-active agents (other than soap); surface-active preparations, washing preparations (including auxiliary washing preparations) and cleaning preparations, whether or not containing soap (other than those of heading 3401)                |
| 124 | 3918           | Floor coverings of plastics, whether or not self-adhesive, in rolls or in the form of tiles; wall or ceiling coverings of plastics, as defined in note 9 to this chapter  |
| 125 | 3922           | Baths, shower-baths, sinks, washbasins, bidets, lavatory pans, seats and covers, flushing cisterns and similar sanitary ware, of plastics   |
| 126 | 3923           | Articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics  |
| 127 | 3924           | Tableware, kitchenware, other household articles and hygienic or toilet articles, of plastics   |
| 128 | 3925 20 000 00 | - Doors, windows and their frames and thresholds for doors.   |
| 129 | 3925 30 000 00 |   |
| 130 | 3925 90        | - Other   |
| 131 | 3926 90        | - Other   |
| 132 | 4407           | Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm  |



|     |                |   |
|-----|----------------|---|
| 133 | 4408           | Sheets for veneering (including those obtained by slicing laminated wood), for plywood or for similar laminated wood and other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded, spliced or end-jointed, of a thickness not exceeding 6 mm  |
| 134 | 4409           | Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, moulded, rounded or the like) along any of its edges, ends or faces, whether or not planed, sanded or end-jointed   |
| 135 | 4413 00 000 00 | Densified wood, in blocks, plates, strips or profile shapes   |
| 136 | 4418           | Builders' joinery and carpentry of wood, including cellular wood panels, assembled flooring panels, shingles and shakes   |
| 137 | 4420           | Wood marquetry and inlaid wood; caskets and cases for jewellery or cutlery, and similar articles, of wood; statuettes and other ornaments, of wood; wooden articles of furniture not specified in group 94  |
| 138 | 4421           | Other articles of wood  |
| 139 | 6801 00 000 00 | Setts, curb-stones and flagstones, of natural stone (except slate)  |
| 140 | 6802           | Worked monumental or building stone (except slate) and articles thereof, other than goods of heading 6801; mosaic cubes and the like, of natural stone (including slate), whether or not on a backing; artificially coloured granules, chippings and powder, of natural stone (including slate)                         |
| 141 | 6804           | Millstones, grindstones, grinding wheels and the like, without frameworks, for grinding, sharpening, polishing, trueing or cutting, hand sharpening or polishing stones, and parts thereof, of natural stone, of agglomerated natural or artificial abrasives, or of ceramics, with or without parts of other materials |
| 142 | 6805           | Natural or artificial abrasive powder or grain, on a base of textile material, of paper, of paperboard or of other materials, whether or not cut to shape or sewn or otherwise made up  |
| 143 | 6806           | Slag-wool, rock-wool and similar mineral wools; exfoliated vermiculite, expanded clays, foamed slag and similar expanded mineral materials; mixtures and articles of heat-insulating, sound-insulating or sound-absorbing mineral materials, other than those of heading 6811 or 6812 or of Chapter 69                  |
| 144 | 6807           | Articles of asphalt or of similar material (for example, petroleum bitumen or coal tar pitch)   |
| 145 | 6808 00 000 00 | Panels, boards, tiles, blocks and similar articles of vegetable fibre, of straw or of shavings, chips, particles, sawdust or other waste of wood, agglomerated with cement, plaster or other mineral binders  |
| 146 | 6809           | Articles of plaster or of compositions based on   |
| 147 | 6810           | Articles of cement, of concrete or of artificial stone, whether or not reinforced   |
| 148 | 6811           | Articles of asbestos-cement, of cellulose fibre-cement or the like  |
| 149 | 6812 91 000 00 | - Clothing, clothing accessories, footwear and headgear   |
| 150 | 6812 92 000 00 | - Paper, millboard and felt   |
| 151 | 6812 93 000 00 | -- Compressed asbestos fibre jointing , in sheets or rolls  |
| 152 | 6815           | Articles of stone or of other mineral substances (including carbon fibres,  |



|     |                |  |
|-----|----------------|--|
|     |                | articles of carbon fibres and articles of peat), not elsewhere specified or included   |
| 153 | 6902 10 000 00 | - Containing, by weight, singly or together, more than 50 % of the elements Mg, Ca or Cr, expressed as MgO, CaO or Cr <sub>2</sub> O <sub>3</sub>  |
| 154 | 6902 20 100 00 | -- Containing, by weight, 93 % or more of silica (SiO <sub>2</sub> )   |
| 155 | 6902 20 910 00 | --- Containing, by weight, more than 7 % but less than 45 % of alumina (Al <sub>2</sub> O <sub>3</sub> )   |
| 156 | 6902 20 990 00 | --- Other  |
| 157 | 6902 90 000 00 | - Other  |
| 158 | 7113           | Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metals   |
| 159 | 7115 90 100 00 | -- of precious metal   |
| 160 | 7116           | Articles of natural or cultured pearls, precious or semi-precious stones (natural, synthetic or reconstructed)   |
| 161 | 7117           | Imitation jewellery  |
| 162 | 7308 10 000 00 | - Bridges and bridge-sections  |
| 163 | 7308 40        | - Equipment for scaffolding, shuttering, propping or pit-propping  |
| 164 | 7308 90        | - Other  |
| 165 | 7309 00 100 00 | - For gases (other than compressed or liquefied gas)   |
| 166 | 7309 00 300 00 | -- Lined or heat-insulated   |
| 167 | 7309 00 590 00 | --- Not exceeding 100 000 l  |
| 168 | 7309 00 900 00 | - For solids   |
| 169 | 7310           | Tanks, casks, drums, cans, boxes and similar containers, for any material (other than compressed or liquefied gas), of iron or steel, of a capacity not exceeding 300 l, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment |
| 170 | 7311 00        | Containers for compressed or liquefied gas, of iron or steel   |
| 171 | 7314           | Cloth (including endless bands), grill, netting and fencing, of iron or steel wire; expanded metal of iron or steel  |
| 172 | 7315           | Chain and parts thereof, of iron or steel  |
| 173 | 7318           | Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter pins, washers (including spring washers) and similar articles, of iron or steel  |
| 174 | 7320           | Springs and leaves for springs, of iron or steel   |
| 175 | 7321           | Stoves, ranges, grates, cookers (including those with subsidiary boilers for central heating), barbecues, braziers, gas rings, plate warmers and similar non-electric domestic appliances, and parts thereof, of iron or steel                                       |
| 176 | 7323           | Table, kitchen or other household articles and parts thereof, of iron or steel; iron or steel wool; pot scourers and scouring or polishing pads, gloves and the like, of iron or steel   |



2. A 5% rate of import duty shall apply to the customs value of the following goods:

| No | Code           | Name of goods   |
|----|----------------|---|
| 1  | 0203           | Meat of swine , fresh, chilled or frozen  |
| 2  | 0406           | Cheese and curd   |
| 3  | 1806 31 000 00 | -- Filled   |
| 4  | 1806 32        | -- Not filled   |
| 5  | 1806 90        | - Other   |
| 6  | 3305           | Preparations for use on the hair  |
| 7  | 3307           | Pre-shave, shaving or aftershave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included; prepared room deodorisers, whether or not perfumed or having disinfectant properties   |
| 8  | 3401           | Soap; organic surface-active products and preparations for use as soap, in the form of bars, cakes, moulded pieces or shapes, whether or not containing soap; organic surface-active products and preparations for washing the skin, in the form of liquid or cream and put up for retail sale, whether or not containing soap; paper, wadding, felt and nonwovens, impregnated, coated or covered with soap or detergent |
| 9  | 3405           | Polishes and creams, for footwear, furniture, floors, coachwork, glass or metal, scouring pastes and powders and similar preparations (whether or not in the form of paper, wadding, felt, nonwovens, cellular plastics or cellular rubber, impregnated, coated or covered with such preparations), excluding waxes of heading 3404   |
| 10 | 3916           | Monofilament of which any cross-sectional dimension exceeds 1 mm, rods, sticks and profile shapes, whether or not surface-worked but not otherwise worked, of plastics  |
| 11 | 3917 10        | - Artificial guts (sausage casings) of hardened protein or of cellulosic materials  |
| 12 | 3917 21 100 00 | --- Seamless and of a length exceeding the maximum cross-sectional dimension, whether or not surface-worked, but not otherwise worked   |
| 13 | 3917 21 900 09 | ---- Other  |
| 14 | 3917 22 100 00 | --- Seamless and of a length exceeding the maximum cross-sectional dimension, whether or not surface-worked, but not otherwise worked   |
| 15 | 3917 22 900 09 | ---- Other  |
| 16 | 3917 23 100 00 | --- Seamless and of a length exceeding the maximum cross-sectional dimension, whether or not surface-worked, but not otherwise worked   |
| 17 | 3917 23 900 09 | ---- Other  |
| 18 | 3917 29 120 00 | ---- By regrouping chemically modified or unmodified condensation products or polymerization products   |
| 19 | 3917 29 150 00 | ---- of addition polymerization products  |
| 20 | 3917 29 190 00 | ---- Other  |
| 21 | 3917 29 900 09 | ---- Other  |





|    |                |   |
|----|----------------|---|
| 22 | 3917 31 900 00 | --- Other   |
| 23 | 3917 32        | ---- Other, not reinforced or otherwise combined with other materials, without fittings   |
| 24 | 3917 33 900 00 | --- Other   |
| 25 | 3917 39 120 00 | ---- By regrouping chemically modified or unmodified condensation products or polymerization products   |
| 26 | 3917 39 150 00 | ---- of addition polymerization products  |
| 27 | 3917 39 190 00 | ---- Other  |
| 28 | 3917 39 900 09 | ---- Other  |
| 29 | 3917 40 900 00 | -- Other  |
| 30 | 3919           | Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls                               |
| 31 | 3920           | Other plates, sheets, film, foil and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other |
| 32 | 3921           | Other plates, sheets, film, foil and strip, of plastics   |
| 33 | 3925 10 000 00 | - Reservoirs, tanks, vats and similar containers, of a capacity exceeding 300 litres  |
| 34 | 3926 10 000 00 | - Office or school supplies   |
| 35 | 3926 20 000 00 | - Articles of apparel and clothing accessories (including gloves, mittens and mitts)  |
| 36 | 3926 30 000 00 | - Fittings for furniture, coachwork or the like   |
| 37 | 3926 40 000 00 | - Statuettes and other ornamental articles  |
| 38 | 7308 20 000 00 | - Towers and lattice masts  |
| 39 | 7308 30 000 00 | - Doors, windows and their frames and thresholds for doors  |
| 40 | 8544 11        | -- of copper  |
| 41 | 8544 19        | -- Other  |
| 42 | 8544 20 000 00 | -- Coaxial cable and other coaxial electric conductors  |
| 43 | 8544 30 900 00 | -- Other  |

3. The goods listed in this Paragraph shall be subject to the following import duty rates (euro/%/vol/HL means that the import duty amount payable per hectolitre (100 litres) is the import duty rate multiplied by the percentage of alcohol content of the given good):

| No | Code    | Name of goods                             | Import duty rates |
|----|---------|---|-------------------|
| 1  | 2204 10 | – Sparkling wine                          | 1.5 euro/l        |
| 2  | 2204 21 | -- In containers holding 2 litres or less | 0.5 euro/l        |
| 3  | 2204 29 | -- Other                                  | 0.2 euro/l        |
| 4  | 2204 30 | – Other grape must                        | 0.2 euro/l        |



|    |         |   |               |
|----|---------|---|---------------|
| 5  | 2205 10 | – – In containers holding 2 litres or less  | 0.5 euro/l    |
| 6  | 2205 90 | - Other   | 0.2 euro/l    |
| 7  | 2206 00 | Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included | 0.5 euro/l    |
| 8  | 2207    | Non-denatured ethyl alcohol of an alcoholic strength by volume of 80 % vol. or higher; ethyl alcohol and other spirits, denatured, of any strength  | 3 euro/l      |
| 9  | 2208 20 | – Spirits obtained by distilling grape wine or grape marc   | 1.5 euro/l/HL |
| 10 | 2208 30 | – Whiskies  | 1.5 euro/l/HL |
| 11 | 2208 40 | – Rum and other spirits obtained by distilling fermented sugar-cane products  | 1.5 euro/l/HL |
| 12 | 2208 50 | – Gin and Geneva  | 1.5 euro/l/HL |
| 13 | 2208 60 | – Vodka   | 1.5 euro/l/HL |
| 14 | 2208 70 | – Liqueurs and cordials   | 1.5 euro/l/HL |
| 15 | 2208 90 | – Other   | 1.5 euro/l/HL |
| 16 | 2209 00 | Vinegar and substitutes for vinegar obtained from acetic acid   | 0.4 euro/l    |

4. Goods temporarily admitted to the customs territory of Georgia, starting from the day of registration of their customs declaration, for each complete and incomplete calendar month of their stay in the customs territory of Georgia, shall be subject to 3% of the import duty amount that would have been levied on the day of registration of the temporary admission declaration, during placing such goods under an import procedure. The above amount must be paid by no later than the 15<sup>th</sup> day of the month following each given month, and the last payment shall be made on the day of expiry of the transaction of temporary admission of the goods. The above amount must be paid by no later than the 15<sup>th</sup> day of the month following each month, and the last payment shall be made on the day of completing the procedure of temporary admission of goods. The declarant shall have the right to pay the total due amount as a lump sum.

5. The total sum of the amounts payable under the fourth paragraph of this article (not including penalty) shall not exceed the import duty amount that would have been levied on the day of registration of the temporary admission declaration, during placing such goods under an import procedure.

6. The import duty rate of a motor car under heading 8703 of the National Commodity Nomenclature of Foreign Economic Activities, during its placing under an import procedure, shall be the sum of GEL 0.05 for each cm<sup>3</sup> of its engine displacement and 5% of the import duty amount for each year the motor car's operation.

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 6547 of 22 June 2012 - website, 4.7.2012*

*Law of Georgia No 1898 of 27 December 2013 - website, 30.12.2013*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 5129 of 16 October 2019 – website, 23.10.2019*

## **Article 198 - Procedure for accrual and paying import duty**

1. Import duty shall be accrued according to the customs value of goods, except for the cases provided for in Article 197(3) and (6) of this Law.

2. Import duty shall be paid according to the procedure established for paying import duty.

3. If, after a motor car specified under Code 8703 of the Georgian National Classification of Economic Activities is placed under the Release for free circulation procedure, this transport vehicle gets registered under the export procedure and leaves the territory of Georgia within 90 calendar days, an importer shall be entitled, under the established procedure, to refund for an import tax paid on the transport vehicle in the amount of 100%.



## **Article 199 – Import duty exemption**

The following shall be exempt from import duty:

- a) import of goods meant for natural disaster response measures, as well as for humanitarian purposes;
- b) import of goods provided for by grant agreements, in the manner determined by an ordinance of the Government of Georgia;
- c) import of goods financed with grants or with a concessional loan granted by the state authority of a foreign country and/or an international organisation, of which at least 25% accounts for a grant element. The Ministry of Finance of Georgia shall calculate the grant element in accordance with a resolution of the Parliament of Georgia;
- d) a natural person's:
  - d.a) import (including import by parcel post), once in a calendar day, of food products, not meant for economic activity, of the total value of up to GEL 500 and of the total weight of up to 30 kg under Groups 02, 04, 06-12, 15-21 and headings 0302-0307, 2201-2202 of the National Commodity Nomenclature of Foreign Economic Activities;
  - d.b) import, once in 30 calendar days, of goods provided for under the Foreign Economic Activity National Commodity Nomenclature groups 28 – 97 (except for the goods provided for under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01) that are not intended for the economic activity and that are valued at up to GEL 500 with the total weight of up to 30 kg;
  - d.c) import of 200 cigarettes or 50 cigars or 50 cigarillos, or 200 pieces of tobacco product provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 02, or 10 units of capsules provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 01 and similar products, or 250 grams of another tobacco product (except for tobacco raw materials), or a collection of sorts of tobacco product specified in this sub-paragraph if the sum of percentage values (a percentage value in relation to the respective limited amount) of portions of each sort of tobacco product contained therein does not exceed 100, or 50 ml of goods provided for under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01, which are carried in a baggage and/or hand luggage during a passenger transportation and which are not intended for economic activities;
  - d.c<sup>1</sup>) import by a passenger in total of 1 litre of alcoholic beverage with 22% and more than 22% alcohol content or of non-denatured ethanol with 80% and more than 80% alcohol content, or 2 litres of alcoholic beverage with less than 22% alcohol content, or import of collection of sorts of alcoholic beverage specified in this subparagraph (except for beer and wine) if the sum of percentage values (percentage value in relation to the respective limited amount) of portions of each sort of alcoholic beverage (except for beer and wine) contained in the collection does not exceed 100; or import of 4 litres of wine and 16 litres of beer, which are carried in a baggage and/or hand luggage during a passenger transportation and which are not intended for economic activities.
  - d.d) import of goods of up to GEL 15 000 in value, not meant for economic activity under Groups 28-97 (except for Group 87) of the National Commodity Nomenclature of Foreign Economic Activities, by a person entering Georgia after having stayed abroad for more than 6 months at a time, and for a diplomatic official recalled from his/her work mission at a Georgian diplomatic mission or a consular institution abroad as part of a rotation procedure – additionally, import of goods intended for his/her personal use (one vehicle, refrigerator, computer and TV-set per family);
  - d.e) import of goods (including furniture, household goods, one vehicle per family) not meant for economic activity, when entering Georgia for permanent residence (as evidenced by a respective document issued under the established procedure by the Ministry of Justice of Georgia);
  - d.f) import, by parcel post, of goods provided for under the Foreign Economic Activity National Commodity Nomenclature groups 28 – 97 (except for the goods provided for under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01) that are not intended for the economic activity and that are valued at up to GEL 300 with the total weight of up to 30 kg, import of 200 cigarettes or 50 cigars or 50 cigarillos, or 200 pieces of tobacco product provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 02 or 10 units of capsules provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 01 and similar products, or 250 grams of another tobacco product (except for tobacco raw materials), or a collection of sorts of tobacco product specified in this sub-paragraph if the sum of percentage values (a percentage value in relation to the respective limited amount) of portions of each sort of tobacco product contained therein does not exceed 100, or 50 ml of goods provided for under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01, as well as import of 4 litres of all alcoholic beverage types;
  - d.g) import, by air transport, of goods, not meant for economic activity, of the total value of up to GEL 3 000 and of the total weight of up to 30 kg under Groups 28 - 97 of the National Commodity Nomenclature of Foreign Economic Activities;
- e) import of infant food products and diabetic food products labelled as such for wholesale or retail supply; import of X-ray films, insulin syringes (needles), glucometers, and diagnostic test systems; import of goods under Article 168(1)(j<sup>2</sup>) of this Code designated for the treatment of tobacco addiction/medical purposes;



- f) import of goods intended for supply on board performance of international flights and international voyages, and import of fuel, lubricants and other auxiliary means intended to be supplied on board for performance of civil flights and aviation works within the state border of Georgia;
- g) import of equipment and machinery, vehicles, spare parts and materials for performing oil and gas operations provided for by the Law of Georgia on Oil and Gas;
- h) goods seized, confiscated, abandoned and transferred to state ownership and/or a vehicle transferred to the state's disposal or ownership in the manner provided for by the legislation of Georgia;
- i) import of raw tobacco carried out before 1 January 2023;
- j) the import of goods in accordance with the requirements of Article 173(w) and (z3-z6) of this Code;
- k) customs procedures/re-export applied to goods (except for import and temporary admission of goods provided for by this article) under the requirements established by the Customs Code of Georgia, as well as placing goods in a duty-free shop;
- l) import of goods manufactured in a Free Industrial Zone from the Free Industrial Zone; the Minister of Finance of Georgia may establish criteria for considering goods as having been manufactured in a Free Industrial Zone;
- m) import of goods returned in accordance with Article 107 of the Customs Code of Georgia;
- n) import, by parcel post (except as provided for by subparagraph d.f) of this article), of goods provided for under the Foreign Economic Activity National Commodity Nomenclature groups 28–97 (except for the goods provided for under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01) that are not intended for the economic activity and that are valued at up to GEL 300 with the total weight of up to 30 kg, and import of 200 cigarettes or 50 cigars or 50 cigarillos, or 200 pieces of tobacco product provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 02 or 10 units of capsules provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 01 and similar products, or 250 grams of another tobacco product (except for tobacco raw materials), or a collection of sorts of tobacco product specified in this sub-paragraph if the sum of percentage values (a percentage value in relation to the respective limited amount) of portions of each sort of tobacco product contained therein does not exceed 100, or 50 ml of goods provided for under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01, as well as import of 4 litres of all alcoholic beverage types;
- o) import of goods under headings 1704 90 510 00, 2207 10 000 00, 2501 00 310 00, 2501 00 510 00, 2506, 2507, 2508, 2509, 2511, 2522, 2524, 2525, 2526 (except for 2526 20 000 00), 6805 20 000 00 and 6805 30 800 00 of the National Commodity Nomenclature of Foreign Economic Activities;
- p) electric engine vehicles under heading 8703 of the National Commodity Nomenclature of Foreign Economic Activities;
- q) import of goods originating in the territory of a state being a party to the International Agreement on Creation of a Free-Trade Area of 15 April 1994 from such a state, irrespective of the itinerary of such goods (irrespective of passing by such goods of the territory of a state not being a party to the Agreement, during their movement from the territory of the country of export);
- r) goods exempted from the customs obligation provided for by the Customs Code of Georgia in accordance with the conditions defined by the same Code.

**Note:**

1. If the amount of an alcoholic beverage and/or tobacco product or of the goods under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01 imported by a natural person or imported by parcel post exceeds the limited quantity provided for in subparagraphs d.c), d.f) or n) of this article, the excise tax exemption under this article shall be applied within the above quantity limits of the goods.
2. A natural person shall gain the right to enjoy the tax privileges under subparagraphs d.c) and d.f) of this article for excise goods from the age of 18.
3. For the purposes of subparagraphs d.c) and d.c<sup>1)</sup> of this article, it shall be deemed that the goods are not intended for economic activities if their import is one-off and they are intended to be used by the passenger personally or by his/her family members, and/or as a gift. In addition, the import of goods shall be one-off if the import of the goods is carried out not more than once during one calendar day when they are brought in by an air transport, and in other cases – during 30 calendar days.

*Law of Georgia No 4470 of 22 March 2011 - website, 1.4.2011*

*Law of Georgia No 4720 of 31 May 2011 - website, 10.6.2011*

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 6015 of 10 April 2012 - website, 30.4.2012*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 6439 of 12 June 2012 - website, 22.6.2012*

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

*Law of Georgia No 1046 of 6 September 2013 - website, 23.9.2013*

*Law of Georgia No 1447 of 4 October 2013 - website, 16.10.2013*

*Law of Georgia No 1897 of 27 December 2013 - website, 30.12.2013*

*Law of Georgia No 2952 of 12 December 2014 - website, 23.12.2014*



*Law of Georgia No 4680 of 18 December 2015 - website, 29.12.2015*  
*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*  
*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*  
*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*  
*Law of Georgia No 5444 of 10 December 2019 – website, 13.12.2019*  
*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*  
*Law of Georgia No 1165 of 17 December 2021 – website, 28.12.2021*

## SECTION IX LOCAL TAXES

### Chapter XXIX - Property Tax

#### **Article 200 – Meanings of concepts for the purposes of this Section**

1. Property – taxable property and land.
2. Land – agricultural, non-agricultural and forest land.
3. Agricultural land:
  - a) arable land (including land under perennial crops);
  - b) grassland;
  - c) pastureland;
  - d) homestead land.
4. Non-agricultural land – any land other than agricultural land.
- 4<sup>1</sup>. (Deleted – 28.12.2012, No 189).
5. Agricultural land to be cultivated:
  - a) non-agricultural land to be transformed into agricultural land. Such lands include:
    - a.a) virgin land;
    - a.b) land to be cultivated by means of melioration (irrigation and drainage);
    - a.c) land under brushwood to be cultivated by felling and uprooting;
    - a.d) land to be cultivated by terracing slopes;
    - a.e) land, degraded by mining and construction, to be cultivated by restoration of its agro-biological productivity;
  - b) low-intensity agricultural land transformed into high-intensity agricultural land (arable land and land under perennial crops), swamp land and salty land.
6. Location of taxable property – the place where the real estate is actually located and movable property is registered, in the manner provided for by the legislation of Georgia. If there is no movable property place of registration, the location of taxable property shall be the place where the movable property is actually located.
7. State-owned land – land owned by the State, an autonomous republic or a municipality.
8. Melioration infrastructure – irrigating, draining and dual regulation systems, reservoirs, pumping stations, and individual hydro-technical structures.

*Law of Georgia No 3968 of 10 December 2010 - LHG III, No 74, 24.12.2010, Art. 449*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

*Law of Georgia No 2946 of 12 December 2014 - website, 24.12.2014*

*Law of Georgia No 5382 of 8 June 2016 - website, 17.6.2016*

*Law of Georgia No 4854 of 25 June 2019 – website, 2.7.2019*

*Law of Georgia No 6942 of 15 July 2020 – website, 28.7.2020*

#### **Article 201 – Property tax payer and taxable object**

1. A property tax payer shall be:
  - a) a resident enterprise/organisation:
    - a.a) on assets, uninstalled equipment, and unfinished construction registered on its balance sheet as fixed assets and/or investment property, and on its leased out property;
    - a.b) on real property, a yacht (motor boat), a helicopter, a plane and on another vehicle received (appropriated) within an enforcement measure for the performance of a contractual obligation;
    - a.c) on real property, a yacht (motor boat), a helicopter, a plane and on another vehicle purchased by auction, by way of direct sale or another way within enforcement of payment of a financial liability (except for the sanctions imposed under the criminal and administrative procedure);
  - b) a non-resident enterprise – on property based in the territory of Georgia, provided for by the first paragraph of this article (including property based in the territory of Georgian transferred under a lease, rent, usufruct or any similar



agreement);

c) a natural person:

c.a) on a real estate (including an unfinished construction, building or structure, or a part thereof), yachts (cutters), helicopters, airplanes, and motor cars specified under Code 8703 of the National Commodity Nomenclature of Foreign Economic Activities that are owned by him/her;

c.b) on property received by him/her from a non-resident under a lease agreement;

c.c) in the case of carrying out economic activities, on assets, uninstalled equipment, and unfinished construction registered on his/her balance sheet as fixed assets, as well as his/her leased property.

2. For the purposes of the first paragraph of this article, a person shall be a property tax payer on taxable property owned and/or used by him/her, registered under the name of a deceased person, except where the property is used under a lease, rent, usufruct or any similar agreement.

*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 4680 of 18 December 2015 - website, 29.12.2015*

*Law of Georgia No 97 of 16 December 2016 - website, 23.12.2016*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Article 202 – Property tax rate**

1. The annual property tax rate for an enterprise/organisation shall be determined in the maximum amount of 1% of the value of the taxable property. For the purposes of this paragraph, the value of taxable property shall be the average annual net book value (calculated according to the average value of assets at the beginning and at the end of a calendar year) that in the cases set forth below must be increased only in relation to real estate:

a) for assets acquired before 2000 – by 3 times;

b) for assets acquired from 2000 up to 2004 – by 2 times;

c) for assets acquired in 2004 – by 1.5 times;

d) for assets on which the acquisition date is unavailable – in the amount determined by paragraph (1)(a) of this article.

2. The rates referred to in paragraphs (1)(a-d) of this article shall not apply to:

a) an enterprise, if it has the real estate recorded on its balance sheet under the revaluation model and has its financial statement audited; furthermore, an audited financial statement can be applied for only four years;

b) state-owned enterprises defined by the Government of Georgia.

3. Except as provided for by paragraph (3) of this article, the annual property tax rate for an enterprise/organisation shall be determined in the maximum amount of 1% of the average annual net book value (calculated according to the average value of assets at the beginning and at the end of a calendar year) of leased taxable property. For the purposes of this paragraph, the book value of leased taxable property shall be its value at the moment of its transfer, and for each following year, the net book value of such property, as if it had not been leased, shall be the value of such property.

3<sup>1</sup>. The annual tax rate on leased taxable property for a leasing company shall be determined, during the entire period of lease agreement, in the maximum amount of 0.6% of the initial book value of the taxable property at the moment of its first transfer.

4. (Invalidated – Decision No 2/7/667 of the Constitutional Court of Georgia of 28 December 2017 – website 9.1.2018)

4<sup>1</sup>. In the cases provided for under the procedure approved by the order of the Minister of Finance of Georgia, a tax authority may, during a tax audit, determine the value of a taxable property of a taxpayer at its market price. This provision shall not apply to the cases under paragraph 2 of this article. If the market price of the taxable property exceeds its book value:

a) the property tax principal amount shall be assessed to a person on the difference of the taxable property value. Further, a tax surcharge shall be imposed on the above amount only from the 30<sup>th</sup> day after the date a notice of tax liability was submitted, and the above difference shall not be considered as a tax reduction;

b) a person shall use the above market price in relation to the respective taxable property for the following three tax years.

5. The annual tax rate on taxable property of a natural person shall be differentiated according to income earned by the taxpayer's family during the tax year and determined in the following amounts:

a) for families with income of up to GEL 100 000 – at least 0.05% but not more than 0.2% of the market value of the taxable property at the end of the tax year;

b) for families with income of GEL 100 000 and more – at least 0.8% but not more than 1% of the market value of the taxable property at the end of the tax year.

6. For the purposes of this Section, taking into consideration the seventh paragraph of this article, income earned by a natural person's family during the tax year shall include all income, including income irrespective of tax benefits, particularly:

a) taxable income earned from economic activity except as provided for by paragraph (6)(d);

b) any income, including income not related to economic activity;



- c) gross salary;
  - d) for a person having the status of a small business:
    - d.a) 25% of income taxable under special treatment;
    - d.b) taxable income not subject to small business special treatment.
  - e) for a natural person conducting trade within the market territory:
    - e.a) 15% of the income gained by selling of goods within the market territory;
    - e.b) taxable income, which does not belong to the income under subparagraph e.a) of this paragraph.
7. For the purposes of the sixth paragraph of this article:
- a) income shall not include:
    - a.a) value of property received from family members through succession, as a gift or as a result of divorce;
    - a.b) income received by a natural person (including by a first devisee, as an aggregate of his/her and his/her deviser's) from sale of a residential apartment (house) having been in his/her possession for a period of over two years;
    - a.c) income received from the original sale of property provided for by Article (82)(1)(m) of this Code;
    - a.d) income of a fixed taxpayer and a person having the status of a micro-business received from such economic activity;
    - a.e) income exempted from income tax under Article 82 (1)(b<sup>1</sup>) and (b<sup>2</sup>) of this Code;
    - a.f) benefit received by an employee as a result of using an employer's motor vehicle for his/her personal need;
  - b) income of a non-resident natural person being a citizen of Georgia shall be determined as per income received at a Georgia based source.
8. Tax liability on taxable property shall be defined at the rates applicable on 31 December of the tax year.
9. Property tax of a natural person on taxable property shall be calculated in proportion to the time he/she owned the property during the tax period.

*Law of Georgia No 3882 of 7 December 2010 - LHG III, No 72, 22.12.2010, Art. 428*

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 5118 of 13 October 2011 - website, 31.10.2011*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 6547 of 22 June 2012 - website, 4.7.2012*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 2950 of 12 December 2014 - website, 23.12.2014*

*Law of Georgia No 5387 of 8 June 2016 - website, 24.6.2016*

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

*Decision No 2/7/667 of the Constitutional Court of Georgia of 28 December 2017 – website, 9.1.2018*

*Law of Georgia No 2327 of 4 May 2018 – website, 11.5.2018*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 203 - Payer of property tax on land and taxable object**

The payer of property tax on land shall be a person as of 1 April of the tax year:

- a) on land in his/her possession;
- b) on land possessed by the state and used or owned by him/her;
- c) on a parcel of land in his/her possession and/or use that is registered as property of a deceased person, except for the cases when the parcel of land is used under a lease, rent, usufruct or similar agreement.

*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

### **Article 204 – Property tax rate on land**

1. The annual basic property tax rates on agricultural land and forest land shall be differentiated according to administrative-territorial units and land categories, and calculated for 1 ha, in GEL:

- a) on arable land (including land under perennial crops) and homestead land:

| Name of administrative unit  | Basic rate (GEL/ha)            |
|--|--------------------------------|
|  | Arable land and homestead land |
| 1. Tbilisi (other than Tbilisi settlements (villages), Marneuli  | 100                            |
| 2. Bolnisi, Gardabani, Tbilisi settlements (villages): Tsavkisi, Kojori, Tabakhmela, Shindisi, Dideba, Kveseti, Samadlo, Kiketi, Nasagurali, Akhaldaba, Didi Lilo, Varketili | 95                             |
| 3. Rustavi, Batumi, Gagra, Gali, Gudauta, Gulripshi, Ochamchire,   | 94                             |



|  |    |
|--|----|
| Sukhumi, Tkvarcheli  |    |
| 4. Kobuleti, Khelvachauri, Gurjaani, Dedoplistskaro  | 87 |
| 5. Telavi, Lagodekhi, Signagi  | 86 |
| 6. Kvareli, Gori, Mtskheta, Akhmeta, Dmanisi, Eredvi, Tigvi, Tbilisi settlements (villages): Digomi, Mshralkhevi, Zahesi Settlement, Gldani, Didgori, Zurgovana, Telovana, Dzveli Vedzisi, Agaraki, Tkhinvali, from Gldani Village to Avchala Settlement – garden plots, Giorgisminda – garden plots, garden plots adjacent to Mukhiani, Avshiani Settlement adjacent to Khevdzmari, Lotkini Settlement – plant nursery, settlement adjacent to Resi, Tbilisi Sea settlement | 82 |
| 7. Kaspi, Tetrtskaro, Samtredia  | 81 |
| 8. Sagarejo, Kareli, Khashuri  | 79 |
| 9. Kurta, Tsalka   | 77 |
| 10. Abasha, Zugdidi  | 77 |
| 11. Akhalkalaki, Akhaltsikhe   | 77 |
| 12. Martvili, Senaki, Khobi, Poti  | 76 |
| 13. Ninotsminda  | 76 |
| 14. Akhalgori, Vani, Zestaponi, Lanchkhuti, Ozurgeti   | 73 |
| 15. Bagdati, Terjola, Khoni, Kutaisi   | 71 |
| 16. Tsalenjikha, Tskaltubo, Chkhorotsku  | 67 |
| 17. Sachkhere, Tsageri, Tskhinvali   | 65 |
| 18. Ambrolauri, Dusheti, Tianeti, Adigeni, Borjomi   | 61 |
| 19. Aspindza, Tkibuli, Khulo, Keda   | 60 |
| 20. Shuakhevi, Kharagauli, Chiatura, Lentekhi, Oni, Chokhatauri, Mestia, Stepantsminda, Java   | 56 |

b) for grassland and pastureland:

| Name of administrative unit  | Basic rate (GEL/ha) |             |
|--|---------------------|-------------|
|  | Grassland           | Pastureland |
| 1. Abasha, Akhalkalaki, Gori, Batumi, Bolnisi, Gagra, Gali, Gardabani, Gudauta, Gulripshi, Gurjaani, Dmanisi, Zugdidi, Tbilisi, Tetrtskaro, Telavi, Lagodekhi, Lanchkhuti, Marneuli, Mtskheta, Ninotsminda, Ozurgeti, Ochamchire, Rustavi, Samtredia, Senaki, Signagi, Sukhumi, Kutaisi, Kobuleti, Kvareli, Tsalka, Tskaltubo, Khelvachauri, Khobi, Poti | 20                  | 16          |
| 2. Dedoplistskaro  | 20                  | 7           |
| 3. Adigeni, Aspindza, Akhalgori, Bagdati, Borjomi, Vani, Zestaponi, Terjola, Tianeti, Kaspi, Martvili, Sagarejo, Sachkhere, Tkibuli, Kareli, Keda, Shuakhevi, Chokhatauri, Chkhorotsku, Tsalenjikha, Kharagauli, Khashuri, Khoni, Khulo, Akhaltsikhe   | 19                  | 15          |





|   |    |    |
|---|----|----|
| 4. Ambrolauri, Dusheti, Lentekhi, Mestia, Oni, Kazbegi, Tsageri, Tskhinvali, Chiatura, Java | 16 | 10 |
| 5. Akhmeta  | 16 | 5  |

c) for forest land used in agriculture – in the amounts provided for in paragraphs (1)(a) and (1)(b) respectively;

d) the tax rate shall be determined by the decision of the representative body of a municipality, and such rate shall not exceed 150% of the annual basic rate fixed by this paragraph.

<sup>1</sup>. (Deleted – 28.12.2012, No 189).

2. Property tax rates on non-agricultural land for a particular parcel of land shall be calculated taking into consideration the location of such parcel of land, according to the following procedure:

a) the basic tax rate shall be fixed at GEL 0.24 per m<sup>2</sup> of land per year;

b) by the decision of the representative body of a municipality – Sakrebulo, the appropriate basic rate shall be multiplied by a territorial coefficient. However, a territorial coefficient shall not exceed 1.5.

3. The land allocated to a person using natural resources under an appropriate licence for the use of natural resources, or in other form as determined by the legislation of Georgia shall be taxable by a maximum of GEL 3 per 1 ha.

4. Property tax on land tax liability shall be determined at the rates applicable as of 1 April of the tax year.

5. For the purposes of property tax assessment, the list of the information to be submitted to the tax authority by the National Agency of Public Registry, other registration authorities, and the municipalities, and the procedure for submitting such information to the tax authority shall be determined by the Government of Georgia.

*Law of Georgia No 3882 of 7 December 2010 - LHG III, No 72, 22.12.2010, Art. 428*

*Law of Georgia No 3968 of 10 December 2010 - LHG III, No 74, 24.12.2010, Art. 449*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

*Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*

*Law of Georgia No 4854 of 25 June 2019 – website, 2.7.2019*

*Law of Georgia No 6942 of 15 July 2020 – website, 28.7.2020*

## **Article 205 – Calculation and payment of property tax**

1. The tax period for property tax shall be a calendar year.

2. An enterprise/organisation shall file a property tax return with the tax authority by no later than 1 April of a calendar year, and pay the property tax within the same time frame, except as provided for by the seventh paragraph of this article. The data on taxable property shall be recorded in the tax return according to the past tax year and on the taxable land – according to the current tax year.

3. An enterprise/organisation shall pay property tax for the current tax year in the form of current payment, in the amount of annual tax paid for past tax year, by no later than 15 June of the current tax year.

4. If the amount of expected property tax liabilities for the current tax year, taking into consideration tax benefits, is reduced by at least 50%, compared to the past tax year, and the taxpayer gives the tax authority a notice of this by no later than 1 June of the current year, the taxpayer may reduce the current tax payment or not make a current tax payment.

5. If the submitted actual annual results do not evidence a reduction of expected property tax liabilities by at least 50%, and the taxpayer has not fully made the current payment during the tax year, then the taxpayer shall pay a penalty under this Code during the period from the date when the current payment is due to the date when filing a tax return is due.

6. If the tax rate is changed, compared to the past tax period, the taxpayer may make the current payment at the tax rate applicable for the current year.

7. An enterprise/organisation shall pay property tax on land by no later than 15 November of a calendar year.

8. If a taxpayer enterprise/organisation exists only during a partial calendar year, it shall pay property tax pro rata to such period.

9. If a legal person is founded after the beginning of a calendar year, it shall have no obligation to make a current payment for the respective tax period. At the same time, the amount of the current payment for the following tax period shall be determined as the full amount of the annual tax for the past tax year.

10. A liquidation commission shall file a property tax return with the tax authority concerned within 15 calendar days after making a decision to liquidate the enterprise.

<sup>1</sup>. A taxpayer shall, within 15 days after entry into legal force of the ruling on commencing the bankruptcy regime delivered by the court under the procedure established by the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors, submit to a tax authority the tax returns not submitted according to the complete/incomplete tax period (periods) before commencement of the bankruptcy regime. In addition, a taxpayer shall not submit property tax returns according to the complete/incomplete tax period (periods) after commencement of the bankruptcy regime.

11. A property tax levied on a natural person shall be calculated by the tax authority concerned, based on the filed tax



return.

12. A natural person shall file a property tax return with the tax authority no later than 1 November of a calendar year. The data on taxable property shall be recorded in the tax return according to the past tax year, and on taxable land – according to the current tax year.

13. A natural person may not file a property tax return if:

a) he/she incurs no tax obligation during the tax period, taking into consideration the privileges under this Code. At the same time, if the natural person was a property tax declarant for the past tax year, he/she shall give a notice to the tax authority of his/her decision not to file a tax return in the form approved by the Minister of Finance of Georgia, by no later than 1 November of the tax year;

b) the property tax return for the period preceding the tax year has been filed or the tax authority has assessed property tax. According to the data of the previous tax year, the tax authority shall assess property tax on the taxpayer automatically. In such a case, a taxpayer shall be deemed to have reported tax and the tax authority shall be deemed to have levied tax liabilities on him/her, under which the tax liability period under question is equal to the one last reported (assessed). Furthermore, if a tax return for such periods is later filed, it shall be deemed to be an amended tax return.

13<sup>1</sup>. Where property tax on land is assessed by the tax authority based on the data of the National Agency of Public Registry, the person shall be released from the obligation to file a property tax return on land. In such a case, based on the data of the National Agency of Public Registry, a tax demand notice shall be served on the person in the manner approved by the Minister of Finance of Georgia.

14. A natural person shall pay property tax and property tax on land no later than 15 November of a calendar year.

15. The procedure for calculation and payment of property tax shall be defined by the Minister of Finance of Georgia.

*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 6330 of 25 May 2012 - website, 8.6.2012*

*Law of Georgia No 6395 of 5 June 2012 - website, 19.6.2012*

*Law of Georgia No 7169 of 18 September 2020 – website, 25.9.2020*

## **Article 206 – Tax exemption**

1. According to an object of taxation, the following shall be property tax exempt:

a) a natural person's taxable property (except land) if the person's family income received during the year preceding the tax year does not exceed GEL 40 000;

b) (Deleted – 24.6.2011, No 4963);

c) (Deleted – 24.6.2011, No 4963);

d) traffic roads, power transmission lines, and cable lines of communication networks;

e) property of an organisation, and property leased to the organisation, except land and the property used for economic activity;

f) property used for oil and gas operations (activities) as provided for by the Law of Georgia on Oil and Gas;

g) the part of a state-owned parcel of land that is transferred to a budgetary organisation, except land used for economic activity;

h) land areas of natural and historical monuments protection organisations, where buildings considered by the state as historical, cultural and/or architectural monuments are situated, if they are not used for economic activity, which does not include the sale of entry tickets;

i) land occupied by natural parks, botanical and dendrological gardens, municipal cultural and recreational parks, cemeteries, zoological gardens and/or parks, oceanaria, parks, alleys, protected territories, forest organisations, parks belonging to agencies open to the public, gardens and forest-gardens, except for parcels of land on such territory used for economic activity;

1<sup>1</sup>) plots of land with the status of wind break belt (windbreak field) or a part thereof;

j) city water reservoirs and their water areas; land used for transport and underground communications, if not used for agricultural produce production and economic activity;

k) land occupied by water reservoirs intended for supplying drinking water to the population, for operation of power stations and melioration systems and their functioning, and the sanitary, protection and technical areas adjacent to the above facilities;

l) parcels of land used for performing oil and gas operations (activities) provided for by the Law of Georgia on Oil and Gas, if they are not used for other purposes;

m) parcels of agricultural land, whose topsoil is damaged as a result of a natural disaster (hurricane, hail, drought, flood, landslide, etc.) by half or more, as evidenced by a certificate issued by the representative body of a municipality;

n) property on the territories defined by the Law of Georgia on Occupied Territories – temporarily, pending resolution of the conflict and improvement of the economic situation;

n<sup>1</sup>) land possessed/owned by a person, adjacent to the territories defined by the Law of Georgia on Occupied Territories,



that makes using such parcels of land impossible, as evidenced by a certificate issued by the executive body of a municipality or a person authorised thereby;

n<sup>2</sup>) property possessed/owned by a person and parcels of land attached to it, if such a person cannot use such property due to the property being used as a dwelling for IDPs, and if the property has been registered as a unit of compact (organised) accommodation of IDPs, as evidenced by a certificate issued by the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia;

o) stated-owned unused grassland, pastureland agricultural land intended for cultivation and spare agricultural land;

p) land used as aerodrome, airport, helidrome and air navigation safety zones and for underground communications, as well as parcels of land identified for prospective development as ports, if they are not used for economic activity;

q) natural and legal persons, who have received agricultural land to be cultivated – for five years after receiving such land;

r) for families of citizens settled in the territories of abandoned villages, as well as families of citizens settled under state accommodation measures – on parcels of agricultural land in such territories – for five years after settlement;

s) parcels of agricultural land of up to five hectares owned by a natural person as of 1 March 2004;

**Note:** The privilege under this subparagraph also applies where a household member or a first/second devisee receives such property as a gift/through succession, or an agricultural cooperative receives such property from its members (shareholders) as a contribution (share);

s<sup>1</sup>) a parcel of agricultural land of up to five hectares owned by an internally displaced person as of 1 January 2011;

t) for primary water users – melioration infrastructure and a part of the land parcel with the melioration infrastructure attached to it transferred to legal entities under private law under the procedure established by the legislation of Georgia;

u) parcels of land received through privatisation by the World War II invalids and persons equated with them;

v) a parcel of land owned by a person having the status of person permanently residing in a high-mountain settlement, which is located in a high-mountain settlement;

w) scientific-research, educational, trial-selection, experimental and trial of breed land, used for scientific and educational purposes, where the activities are financed from the budget;

x) parcels of land used by budget-funded nursing homes/asylums for 60 and over 60 years old persons and/or persons with disabilities, educational or day care centres for persons (including children) with disabilities and/or children/adolescents without adequate family support, legal entities under public law – general education institutions (schools) for performing their main functions; parcels of land used by child fostering institutions, special residential schools, children's villages, and early and preschool fostering and educational institutions that provide care and education to children for free, unless they are used for economic activity;

y) a parcel of agricultural land, where more than half of the crops have been destroyed as a result of natural disaster (hurricane, hail, drought, flood, landslide, etc.) or other force-majeure, as evidenced by a certificate issued by a person (persons) authorised by the executive body of a municipality;

z) property within a Free Industrial Zone;

aa) biological assets;

bb) property received by leasing from a Georgian resident;

cc) property, except land used for medical activities, which is in the possession of or leased to medical institutions;

dd) parcels of land used for medical activities, attached to medical institutions;

ee) property related to hotel services of an entrepreneur in a tourist zone until 1 January 2026;

ff) movable property in the possession of a person engaged in an activity provided for under Code 01 (agriculture) of the Georgian National Classification of Economic Activities, as well as movable property leased to such person, that such person uses in the same activity;

ff<sup>1</sup>) property (except land) owned by an agricultural cooperative, used in agricultural activity and movable property leased to it for the same activity before 1 January 2023;

gg) property (including land) used in general educational activities by a legal entity under public law – a public school, authorised under the procedure established by the Minister of Education and Science of Georgia.

gg<sup>1</sup>) a taxable object (parcel of land) determined pro rata to the space co-owned by a natural person in a residential apartment house;

gg<sup>2</sup>) parcels of land attached to residential houses and/or garages, located within the administrative boundaries of the municipalities, within the limited space determined by the representative body of a municipality – Sakrebulo;

gg<sup>3</sup>) goods under heading 8903 of the National Commodity Nomenclature of Foreign Economic Activities;

gg<sup>4</sup>) property of a person under the bankruptcy regime under the procedure established by the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors;

gg<sup>5</sup>) real estate gratuitously transferred by a state body and/or a municipality, which is owned/used by a state-founded higher education institution and used for educational activities and/or for providing services related to educational activities;

gg<sup>6</sup>) the property owned by a high-mountain settlement enterprise and located in that high-mountain settlement – for 10 calendar years after the granting of the status (including the calendar year in which the status was granted).



2. The established tax privileges shall not apply to a parcel of land (or part of it) transferred by a person to another person by lease, usufruct, rent or any other similar form, and/or to structures or buildings (or part of them) transferred by an enterprise/organisation in the same form, except when the real estate is transferred by a state-founded higher education institution and the transferred real estate is used for educational activities and/or for providing services related to educational activities.

3. If after the expiry of the term for filing a tax return a person transfers a parcel of land by lease, usufruct, rent or any other similar form, no tax privilege shall apply to such person. At the same time, a person shall be obliged to file a tax return with the tax authority by the end of the accounting year and pay the tax as per the tax notice.

*Law of Georgia No 4061 of 15 December 2010 - LHG III, No 75, 27.12.2010, Art. 469*

*Law of Georgia No 4142 of 17 December 2010 - LHG III, No 76, 29.12.2010, Art. 515*

*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 5118 of 13 October 2011 - website, 31.10.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 6395 of 5 June 2012 - website, 19.6.2012*

*Law of Georgia No 6547 of 22 June 2012 - website, 4.7.2012*

*Law of Georgia No 817 of 12 July 2013 - website, 5.8.2013*

*Law of Georgia No 1873 of 26 December 2013 - website, 28.12.2013*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 2540 of 26 July 2014 - website, 6.8.2014*

*Law of Georgia No 2953 of 12 December 2014 - website, 23.12.2014*

*Law of Georgia No 4037 of 16 July 2015 - website, 28.7.2015*

*Law of Georgia No 5382 of 8 June 2016 - website, 17.6.2016*

*Law of Georgia No 5372 of 8 June 2016 - website, 24.6.2016*

*Law of Georgia No 5491 of 22 June 2016 - website, 29.6.2016*

*Law of Georgia No 499 of 23 March 2017 - website, 27.3.2017*

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

*Law of Georgia No 3109 of 5 July 2018 – website, 11.7.2018*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

*Law of Georgia No 6942 of 15 July 2020 – website, 28.7.2020*

*Law of Georgia No 7169 of 18 September 2020 – website, 25.9.2020*

*Law of Georgia No 342 of 16 March 2021 – website, 18.3.2021*

*Law of Georgia No 809 of 22 July 2021 – website, 26.7.2021*

*Law of Georgia No 970 of 2 November 2021 – website, 5.11.2021*

## **SECTION X**

### **(Deleted)**

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

## **Chapter XXX – (Deleted)**

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

### **Article 207 – (Deleted)**

*Law of Georgia No 5120 of 13 October 2011 - website, 19.10.2011*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

### **Article 207<sup>1</sup> – (Deleted)**

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

### **Article 208 – (Deleted)**

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

### **Article 209 – (Deleted)**

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*



**Chapter XXXI – (Deleted)**

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 210 – (Deleted)**

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

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*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 212 – (Deleted)**

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 213 – (Deleted)**

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Chapter XXXII – (Deleted)**

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 214 – (Deleted)**

*Law of Georgia No 5120 of 13 October 2011 - website, 19.10.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 214<sup>1</sup> – (Deleted)**

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 215 – (Deleted)**

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 216 – (Deleted)**

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 217 – (Deleted)**

*Law of Georgia No 5120 of 13 October 2011 - website, 19.10.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 218 – (Deleted)**

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 5120 of 13 October 2011 - website, 19.10.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 219 – (Deleted)**

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 6439 of 12 June 2012 - website, 22.6.2012*

*Law of Georgia No 6550 of 22 June 2012 - website, 29.6.2012*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*



**Article 220 – (Deleted)**

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 221 – (Deleted)**

*Law of Georgia No 5120 of 13 October 2011 - website, 19.10.2011*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 2946 of 12 December 2014 - website, 24.12.2014*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 222 – (Deleted)**

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Chapter XXXIII – (Deleted)**

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 223 – (Deleted)**

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 6446 of 12 May 2012 - website, 25.6.2012*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 224 – (Deleted)**

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 97 of 16 December 2016 – website, 23.12.2016*

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 224<sup>1</sup> – (Deleted)**

*Law of Georgia No 97 of 16 December 2016 – website, 23.12.2016*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 225 – (Deleted)**

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 226 – (Deleted)**

*Law of Georgia No 4720 of 31 May 2011 - website, 10.6.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 226<sup>1</sup> – (Deleted)**

*Law of Georgia No 4547 of 19 April 2011 - website, 5.5.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Chapter XXXIV – (Deleted)**

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 227 – (Deleted)**

*Law of Georgia No 5120 of 13 October 2011 - website, 19.10.2011*

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**Article 228 – (Deleted)**



*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*  
*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 229 – (Deleted)**

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*  
*Law of Georgia No 6446 of 12 May 2012 - website, 25.6.2012*  
*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 230 – (Deleted)**

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*  
*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 231 – (Deleted)**

*Law of Georgia No 5120 of 13 October 2011 - website, 19.10.2011*  
*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*  
*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*  
*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 232 – (Deleted)**

*Law of Georgia No 5120 of 13 October 2011 - website, 19.10.2011*  
*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*  
*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 233 – (Deleted)**

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*  
*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 234 – (Deleted)**

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 235 – (Deleted)**

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*  
*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*  
*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 236 – (Deleted)**

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*  
*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*  
*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 237 – (Deleted)**

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*  
*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

## **SECTION XI**

### **TAX COLLECTION COMPLIANCE SECURITY MEASURES**

#### **Chapter XXXV - Tax Collection Compliance Security Measures**

**Article 238 – Securing tax collection compliance by the tax authority**

1. To secure tax collection compliance, the tax authority may apply the following measures:

- a) imposing a tax lien/mortgage;
- b) levying a tax on a third person;
- c) seizing property;
- d) selling seized property;
- e) presenting a collection order to a bank account;
- f) collecting cash from the cash register of the taxpayer;
- g) (deleted).

2. The tax authority shall select the order of priority of apply tax collection compliance security measures, unless otherwise provided for by this Code.



3. The procedure for apply the measures provided for by this Chapter shall be determined by an order of the Minister of Finance of Georgia.
4. If the Revenue Service and the registration authority and/or a banking institution have signed an agreement on electronic exchange of information (including information on tax collection compliance security measures), the measures provided for under this Chapter may be applied using electronic technologies, subject to the terms and conditions stipulated by such an agreement.
5. When conducting proceedings under the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors, the measures provided for under this article shall be applied against an enterprise only for enforcing payment of an outstanding tax liability having arisen after the entry into legal force of the court decision on recognising as admissible the application for insolvency.
6. Any measure provided for under this Chapter, that has commenced to secure tax collection compliance, shall be cancelled upon cancellation of the tax liability, unless otherwise provided for by this Code.
7. The measures provided for under this Chapter may be cancelled:
- a) by the decision of the Minister of Finance of Georgia or the head of the Revenue Service;
  - b) where so provided for by the eighth paragraph of this article – by the decision of the head of the tax authority. At the same time, the head of the tax authority cannot cancel a measure provided for under Article 239 of this Code, if the person's assets are liened/mortgaged in order to postpone the payment of any outstanding tax liability.
8. By the decision of the head of a tax authority, payment of an acknowledged outstanding tax liability may be postponed for a maximum of three years, if, to secure the collection compliance of a taxpayer, a surety agreement has been signed or a bank guarantee or insurance policy has been provided, and/or the taxpayer's property, the value of which ensures payment of the acknowledged tax liability, has been liened/mortgaged. Postponing payment of the acknowledged outstanding tax liability shall not suspend the accrual of penalties.
- 8<sup>1</sup>. By decision of a tax authority, collection of an acknowledged outstanding tax liability may be postponed for a maximum of one year without presentation of a guarantee specified in paragraph 8 of this article, provided the acknowledged outstanding tax liability does not exceed GEL 50 000.
9. An agreement on postponing the payment of an acknowledged tax liability shall be signed with a taxpayer, which shall reflect the terms and conditions for payment of the acknowledged tax liability.
10. If the taxpayer fails to fulfil the terms and conditions of the agreement on postponing the payment of an acknowledged tax liability, the decision of a tax authority on postponing the payment of the acknowledged outstanding tax liability shall be cancelled.
11. An acknowledged outstanding tax liability shall be restructured by decision of the Government of Georgia, according to the procedure established by the Law of Georgia on Restructuring Outstanding Tax Liabilities and Government Loans.
- 11<sup>1</sup>. If a person wishes to discharge the acknowledged tax liabilities (to the extent the tax lien/mortgage is imposed on his/her property) for securing the payment of which the tax lien/mortgage is imposed on his/her property on the basis of Article 239(5) of this Code, it shall be possible, under the procedure and on conditions determined by paragraphs 8-10 of this article, to conclude an agreement (a schedule) with him/her regarding the aforementioned tax liabilities. In this case, the measures in relation to the above property provided for by Articles 241 and 242 of this Code may be withdrawn by decision of the head of the tax authority.
12. When administering the measures under this article to a licensed central security depository, a stockbroker, a bank as a stockbroker, a brokerage firm, notary or a payment service provider, as a taxpayer, such measures cannot be enforced against assets that are placed on the nominal holder's account and/or which are not his/her property and are his/her client's assets (particularly, securities and money in the possession of a nominal holder, as well as money and securities on a notary's deposit account, a client's monetary funds placed on the payment service provider's account). Such assets of the client shall be registered in a separate account in accordance with the legislation of Georgia.
- 12<sup>1</sup>. The tax collection compliance security measures under this Chapter shall not apply to financial collateral (object of financial collateral) provided for by the Law of Georgia on Financial Collateral, Mutual Deduction and Derivatives.
- 12<sup>2</sup>. The tax collection compliance security measures provided for by this Chapter, except for those indicated in Article 243 of this Code shall not apply to the system participant's settlement account referred to in the Law of Georgia on Payment System and Payment Services.
- 12<sup>3</sup>. On the request of the National Bank of Georgia, the tax collection compliance security measures provided for by this Chapter shall immediately be suspended for or shall not apply to a commercial bank under the resolution regime in accordance with the Organic Law of Georgia on the National Bank of Georgia and the Law of Georgia on Commercial Bank Activities for a period set in the request of the National Bank of Georgia, which must not exceed 90 days. The National Bank of Georgia shall notify a tax authority if the resolution regime ends earlier than the period set in the request of the National Bank of Georgia, and the tax authority shall have the right to resume the tax collection compliance security measures.
13. (Deleted).

*Law of Georgia No 4114 of 17 December 2010 - LHG III, No 76, 29.12.2010, Art. 506*

*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*





*Law of Georgia No 6312 of 25 May 2012 - website, 12.6.2012*  
*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*  
*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*  
*Law of Georgia No 2946 of 12 December 2014 - website, 24.12.2014*  
*Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*  
*Law of Georgia No 649 of 21 April 2017 – website, 10.5.2017*  
*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*  
*Law of Georgia No 1898 of 23 December 2017 – website, 11.1.2018*  
*Law of Georgia No 5658 of 20 December 2019 – website, 31.12.2019*  
*Law of Georgia No 5677 of 20 December 2019 – website, 31.12.2019*  
*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*  
*Law of Georgia No 7169 of 18 September 2020 – website, 25.9.2020*

## **Article 239 – Tax lien/mortgage**

1. Imposing a tax lien/mortgage shall be the right of the State to secure payment of outstanding tax liabilities from the property of a taxpayer or any other liable person.
2. The right to register a tax lien/mortgage shall arise when the tax liability arises and upon registration with the registration authority, and shall extend, within the scope of the tax liability, to any property owned by and/or recorded on the balance sheet (other than property held under a lease) of the person, including the property acquired after the tax liability arose. Imposition of a tax lien/mortgage may be exercised where provided for by Article 265 of this Code.
3. A notice on exercising the right to impose a tax lien/mortgage shall be sent to the taxpayer/liable person and to the relevant registration authority that shall be obliged to register the tax lien/mortgage no later than the day following the day of receipt of such notice.
4. As a result of selling property under a tax lien/mortgage, as provided for by the legislation of Georgia, all the real rights arising after the registration of the tax lien/mortgage shall be cancelled, while any other tax lien/mortgage registered before the registration of the tax lien/mortgage shall remain in force.
5. If the property under a tax lien/mortgage is sold or in any other way transferred to any other holder without cancelling the tax lien/mortgage, the tax lien/mortgage shall continue to apply to such property with respect to its new holder. Such property shall be seized and sold in accordance with Articles 241 and 242 of this Code.
6. If any tax lien/mortgage on a person's property was registered in favour of commercial banks, microfinance organisations, insurance companies, international financial institutions and financial institutions of developed countries, identified in paragraph (1)(e) of the Law of Georgia on Commercial Bank Activities, prior to the registration of the tax lien/mortgage, and such property is sold, the proceeds of such sale shall first clear the claims of such financial institutions to the extent of liabilities arising prior to the registration of the tax lien/mortgage, and after that the claim for the outstanding tax liability shall be satisfied. A tax lien/mortgage shall not apply to the new owner of such property. If the remaining amount is not enough to fully pay the tax liability, any outstanding tax liability shall remain in force for the person whose property was lien/mortgaged.
7. The order of priority of a tax lien/mortgage claim after completion of the proceedings or the restructuring regime under the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors shall be defined in accordance with the same procedure that existed before commencement of the proceedings or the restructuring regime under the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors.
8. (Deleted – 28.12.2012, No 189).
9. Tax lien/mortgage shall be cancelled:
  - a) if the lien/mortgaged property has been sold by the competent authority identified under Article 242 of this Code for the purpose of clearing the tax liability;
  - b) if by written consent of the tax authority the taxpayer has sold the property or a part of it and directed the proceeds in full towards clearing the outstanding tax liability;
  - c) if the property has been abandoned to the state according to procedures provided for by the legislation of Georgia;
  - d) if the lien/mortgaged property is sold under the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors;
  - d<sup>1</sup>) in the cases provided for by Article 40<sup>1</sup>(5) of the Law of Georgia on Enforcement Proceedings;
  - e) if no tax liability arises as a result of applying the procedures provided for by Article 265 of this Code;
  - f) (Deleted – 28.12.2012, No 189);
  - g) in others cases provided for by this Code.

*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*  
*Law of Georgia No 5169 of 28 October 2011 - website, 11.11.2011*  
*Law of Georgia No 5978 of 30 March 2012 - website, 19.4.2012*  
*Law of Georgia No 6145 of 8 May 2012 - website, 17.5.2012*  
*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*  
*Law of Georgia No 7169 of 18 September 2020 – website, 25.9.2020*



## **Article 240 – Levying tax on a third person**

1. For the purpose of enforcing payment of a taxpayer's acknowledged overdue tax liability, the tax authority may give a Tax Notice to a third person and enforce payment of tax from his/her property, if the taxpayer's property is so small that applying other tax liability security measures by the tax authority has not ensured payment of an acknowledged overdue tax liability, and a court decision or any other evidence has established that the third person has an outstanding tax liability that is due.

2. Upon fulfilment of the Tax Notice in full or in part, the taxpayer's tax liability shall be cancelled or reduced respectively.

3. If the third person fails to satisfy the Tax Notice in 30 days after its receipt, the tax authority may apply the measures provided for by paragraphs (1)(a) and (c)-(f) of Article 238 of this Code in relation to such person.

3<sup>1</sup>. A tax authority may, except as provided for by paragraphs 2-3 of this article, carry out measures under Article 238(1)(a) and (c-f) of this Code against an authorised person selling the goods provided for by Article 161<sup>1</sup>(1) and (2) of this Code if this person fails to fulfil the obligation to pay the amount of VAT under the same article to the budget.

4. The tax authority shall select the order of priority of carrying out tax collection compliance security measures.

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Article 241 – Seizure of property**

1. The tax authority, without any court decision, may seize any assets owned by and/or recorded on the balance sheet (other than property held under lease) of a person to the extent of the amount necessary to secure the acknowledged outstanding tax liability. Regarding the seizure of assets, an authorised person of the tax authority shall issue an individual administrative-legal act.

1<sup>1</sup>. Under the contract between the tax authority and the National Bureau for Enforcement, the tax authority may delegate to the National Bureau for Enforcement carrying out procedures for seizure of the taxpayer's property.

2. For the purposes of this Code, the seizure of property means taking inventory of the property of a person, and prohibiting the disposal of such property (any form of alienation of the property by the person, pledge, mortgage, usufruct, easement, encumbering with building leasehold, lending, signing tenancy or lease agreements, transfer to any other person in temporary or permanent possession by the person). A representative of the tax authority shall record seized items in a Property Seizure Record.

2<sup>1</sup>. In the cases provided for by paragraph (11) of this article, the tax authority shall send an individual administrative-legal act on seizure of the taxpayer's property, to ensure the seizure of the property of the person indicated in the act, to the National Bureau for Enforcement that performs, in the manner provided for by the legislation of Georgia, procedures for seizure of the property.

3. By written consent of the tax authority, a person may dispose of seized property, if the proceeds are fully put towards satisfying the outstanding tax liability. If property or any part of it has been sold with the consent of the tax authority and the proceeds have been fully put towards satisfying the outstanding tax liability, the seizure of the property shall be cancelled.

4. A Property Seizure Record shall be signed by a representative of the tax authority/National Bureau for Enforcement, the depositary of property, the taxpayer/liable person and other persons present at the seizure of the property. If such persons refuse to sign, a relevant note shall be made in the Record.

5. The tax authority/the National Bureau for Enforcement shall promptly send a Property Seizure Record to the registration authority concerned.

6. An expert or an auditor may be contracted to evaluate the seized property.

7. If there is a risk that a person may transfer property in a way that will complicate or prevent enforcement of payment of the outstanding tax liability, the tax authority may promptly seize the property (including bank accounts) irrespective of whether such tax liability has or has not been acknowledged. In such a case, seizure may be performed by affixing a seal. Under a contract with the National Bureau for Enforcement, the tax authority may assign the National Bureau for Enforcement to perform the seizure of and the respective procedures for affixing a seal to the property (other than bank accounts).

8. In the case provided for in paragraph 7 of this article, within 48 hours after performing procedures for seizure of property, the tax authority or the National Bureau of Enforcement shall file a motion to a court for confirmation of the seizure of a person's property (including bank accounts). The court shall, within five days, consider the motion by oral hearing and deliver a ruling on granting the motion in full or in part or on refusing to grant the motion. Failure of a party to appear or the impossibility to invite a party to a court hearing shall not result in deferring consideration of the motion of the tax authority or the National Bureau of Enforcement. If, within that period, the tax authority or the National Bureau of Enforcement fails to file a motion to the court or the court fails to deliver a ruling on the confirmation of seizure of property (including bank accounts), the seizure shall be deemed cancelled, and any seal affixed to the property shall be removed.



9. Seizure of property shall be cancelled in the cases provided for by Article 239(9) of this Code.

10. Seizure of a bank account shall mean the limitation by the tax authority of a person's right to dispose of the funds available in or transferred to his/her bank account to the extent of the amount of the seizure, except for the case when such person pays the tax, fines and penalty amounts payable under this Code to the budget, or pays state duties payable on the cases under consideration at the Constitutional Court of Georgia or a general court. The decision of the tax authority on seizure of a taxpayer's bank account shall indicate the person's identification number and the payable amount.

10<sup>1</sup>. The liquidator or the special manager of the commercial bank may, under the Law of Georgia on Commercial Bank Activities, transfer the seized accounts to another commercial bank and/or the National Bank of Georgia.

11. In the case provided for by paragraph 10) of this article, the person shall not have the right to open a bank account with the same or any other banking institution.

*Law of Georgia No 4114 of 17 December 2010 - LHG III, No 76, 29.12.2010, Art. 506*

*Law of Georgia No 4206 of 22 February 2011 - website, 10.3.2011*

*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

*Decision No 2/8/734 of the Constitutional Court of Georgia of 28 December 2017 – website, 9.1.2018*

*Law of Georgia No 1898 of 23 December 2017 – website, 11.1.2018*

*Law of Georgia No 2640 of 27 June 2018 – website, 6.7.2018*

*Law of Georgia No 5658 of 20 December 2019 – website, 31.12.2019*

## **Article 242 - Sale of seized property**

1. The court shall consider an application of the tax authority or the National Bureau for Enforcement (if the procedures for seizure of property are performed by the National Bureau for Enforcement) to sell a person's seized property or abandoning it directly to the state in the manner provided for by the Administrative Procedure Code of Georgia. The tax authority/the National Bureau for Enforcement may require abandoning of a person's seized property directly to the state only if the acknowledged outstanding tax liability equals or exceeds the market value of the property.

2. If any outstanding tax liability is acknowledged as a result of a public notice, the tax authority shall apply to court to sell the person's seized property 10 days after expiry of the term for appealing the Tax Notice.

3. The sale of a debtor's lien/mortgaged and seized property by auction shall be performed by the relevant authority – the National Bureau for Enforcement – a legal entity under public law within the jurisdiction of the Ministry of Justice of Georgia, based on the order of a judge in the manner provided for by the Law of Georgia on Enforcement Proceedings, except for property referred to in the fourth paragraph of this article, the sale of which shall be performed by the tax authority.

4. The sale of any seized perishable goods can be performed immediately. Perishable goods shall be seized and sold without a court decision.

5. The proceeds of the sale of property shall primarily cover:

- a) the enforcement fee and enforcement expenses – if the property is sold by the National Bureau for Enforcement;
- b) costs related to seizing and keeping/storing property, and in the case of sale of property referred to in the third paragraph of this article – costs related to the sale of such property as well;
- c) payable tax;
- d) payable fine and penalty.

6. Funds remaining after the amounts that were to be covered primarily with the proceeds from sale of property have been paid shall be returned to the taxpayer within five working days.

7. The appropriate tax authority shall be immediately notified of the sale of a debtor's seized property in the manner provided for by the third paragraph of this article and be furnished with the documents evidencing the sale of such property, after which the tax authority shall perform the appropriate measures provided for under this Code in relation to the taxpayer (debtor) and the new owner of the sold property.

*Law of Georgia No 3969 of 10 December 2010 - LHG III, No 72, 22.12.2010, Art. 433*

*Law of Georgia No 4206 of 22 February 2011 - website, 10.3.2011*

## **Article 243 – Presenting a collection order to a bank account**

1. In the cases provided for by this Code, the tax authority may, to the extent of the acknowledged outstanding tax liability, charge the amounts of taxes, penalties and fines against his/her bank account (other than deposit (time deposit) accounts) by a collection order and transfer the amounts to the respective state budget accounts.

2. The decision of a tax authority on writing off the amount of a tax and a sanction (including a customs sanction) from a person's bank account shall be forwarded to this person electronically.

3. A collection order of the tax authority shall state the person's identification number and the amount to be charged.

4. If the acknowledged outstanding tax liability is increased or decreased, the tax authority may make an appropriate amendment in the collection order presented to the banking institution.

5. The liquidator or the special manager of the commercial bank may, under the Law of Georgia on Commercial Bank



Activities, transfer to another commercial bank and/or the National Bank of Georgia the accounts for which a collection order has been presented by a tax authority.

*Law of Georgia No 4114 of 17 December 2010 - LHG III, No 76, 29.12.2010, Art. 506*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 1898 of 23 December 2017 – website, 11.1.2018*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 5658 of 20 December 2019 – website, 31.12.2019*

#### **Article 244 - Collection of cash from the person's cash desk**

1. If the measure provided for by Article 243 of this Code is insufficient to clear any acknowledged outstanding tax liability, the tax authority may, without a judge's order, collect cash from the cash desk (place where cash is kept) of the taxpayer/other liable person to the extent necessary to discharge the acknowledged outstanding tax liability.

2. The cash collected from the cash desk or other premises of the person shall be deposited in the relevant state budget account with the banking institution on the same day, and if impossible - on the nearest business day.

3. The measure provided for by this article cannot be performed in the person's dwelling without a judge's order.

#### **Article 245 - (Deleted)**

*Law of Georgia No 4114 of 17 December 2010 - LHG III, No 76, 29.12.2010, Art. 506*

#### **Article 246 – Straw man for a taxpayer**

1. A person shall be considered to be a straw man for a taxpayer if this person is used for the evasion of measures of securing the enforcement of payment of the expected or existing tax arrears.

2. A person shall be recognised as a straw man for a taxpayer on the basis of a court judgment.

3. The court shall review a motion of a tax authority on recognising a person as a straw man for a taxpayer under the procedure established by the Administrative Procedure Code of Georgia.

4. A tax authority shall have the right, along with filing a motion on recognising a person as a straw man for a taxpayer with a court, to impose a tax lien/mortgage on the property of this person within the amount of the taxpayer's tax arrears. If the court denies the motion of the tax authority on recognising the person as a straw man for the taxpayer, the tax lien/mortgage shall be cancelled.

5. A tax authority shall have the right, for the enforcement of payment of the taxpayer's acknowledged tax arrears, to apply measures of enforcing the payment of the tax arrears provided for by this Chapter against the straw man for the taxpayer.

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

#### **Article 247 - (Deleted)**

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

#### **Article 248 - Securing discharge of tax liability by a taxpayer**

1. A taxpayer may use the following means of securing discharge of tax liabilities:

- a) surety;
- b) bank guarantee;
- c) insurance policy.

2. To secure payment of import and export duties, the Minister of Finance of Georgia may define other types of guarantee.

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

#### **Article 249 - Surety**

1. Under a surety contract, a surety jointly undertakes to fully cover the taxpayer's tax arrears if the taxpayer fails to pay the tax arrears within the set time limit. A surety shall be executed on the basis of an agreement between the surety and the tax authority.

2. A surety can be either a legal person, or a natural person. Several persons may be sureties for the same obligation. In such a case, they shall be responsible as joint debtors, even if they have not undertaken the surety jointly.

3. If the surety fails to fulfil his/her obligations, the tax authority may request that any party to the surety agreement pay the tax arrears of the taxpayer and, for the enforcement of their payment, apply measures of securing the enforcement of payment of tax arrears provided for by this Code.

4. The legal relations defined by this article shall be governed by provisions of the civil legislation of Georgia, unless otherwise provided for by the tax legislation of Georgia.

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

#### **Article 250 - Bank guarantee**



1. At the request of a taxpayer, under a bank guarantee, a banking institution (guarantor) undertakes a written obligation to cover the taxpayer's outstanding tax liability to the extent of the obligation undertaken, based on the written application of the tax authority.
  2. A bank guarantee cannot be revoked by the guarantor.
  3. If the guarantor fails to fulfil his/her obligations, the tax authority may request that any party to the bank guarantee agreement pay the tax arrears of the taxpayer and, for the enforcement of their payment, apply measures of securing the enforcement of payment of tax arrears provided for by this Code.
  4. The legal relations defined under this Code shall be governed by provisions of the civil legislation of Georgia, unless otherwise provided for by the tax legislation of Georgia.
- Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

#### **Article 251 – (Deleted)**

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*  
*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*  
*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

#### **Article 252 – Writing off tax liabilities**

1. An outstanding tax liability shall be written off according to procedures established by the Minister of Finance of Georgia:
    - a) if established that a person has no property and/or assets;
    - b) in cases provided for by Articles 57 and 58 of this Code;
    - c) if a person has not performed tax reporting for the last 6 calendar years and the legislation of Georgia no longer provides for its legal form;
    - d) in the case of liquidation of a budgetary organisation;
    - e) if a legal entity is removed from the Register of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Entities and the Register of Citizens' Political Alliances (Parties) under the procedure established by the legislation of Georgia;
    - f) where so provided for in Article 106(4) of the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors, when the purchaser (purchasers) of insolvency mass of an entrepreneurial legal entity under private law as an integrated property complex is (are) registered as the sole partner (partners) of this enterprise.
  - 1<sup>1</sup>. Except as provided for by the first paragraph of this article, outstanding tax liability may be written off a budgetary organisation, in the manner provided for by the Government of Georgia, by the decision of the Government of Georgia.
  2. If a person, whose outstanding tax liability has been written off, continues economic activity, accrual of tax liabilities and/or penalties previously written off against such a person shall be renewed, except as provided for by paragraph (1)(f) of this article.
- Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*  
*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*  
*Law of Georgia No 5144 of 27 May 2016 - website, 4.6.2016*  
*Law of Georgia No 7169 of 18 September 2020 – website, 25.9.2020*

#### **Article 253 - Procedure for discharging acknowledged tax liabilities**

Acknowledged tax liabilities shall be discharged in the following order:

- a) payable amount of tax;
  - b) fine;
  - c) penalty interest.
2. The procedure for discharging acknowledged tax liabilities shall be established by an order of the Minister of Finance of Georgia based on the order specified in paragraph 1 of this article.
- Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*

#### **Article 254 - Securing the tax arrears during the pendency of a tax dispute**

1. For the purposes of this article, the disputed tax arrears shall be the amount of a tax and/or a sanction (including a customs sanction) assessed to a person, which has not been recognised and has been appealed under the procedure established by this Code.
2. The obligation to discharge the disputed tax arrears shall be deemed suspended from the day of commencement of a tax dispute till its completion.
3. For securing the tax arrears, a tax authority may seize:
  - a) the property of a person;
  - b) the bank accounts of a person within the amount of the tax arrears, in cases provided for in Article 241(7) and (8) of this Code and under the procedure established by the same paragraphs.
4. During the pendency of a tax dispute, the measure under paragraph 3 of this article against a person shall not be applied



and the one already applied shall be cancelled if:

a) a surety agreement has been signed, a bank guarantee or an insurance policy has been provided in accordance with this Code to secure a person's tax arrears during the pendency of a tax dispute;

b) a person's assets, the value of which secures payment of the tax arrears, have been tax lienied/mortgaged.

5. All measures initiated and means submitted to secure the disputed tax arrears shall be deemed cancelled if the tax dispute is resolved in favour of the taxpayer.

*Law of Georgia No 4114 of 17 December 2010 - LHG III, No 76, 29.12.2010, Art. 506*

*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

## SECTION XII TAX CONTROL

### Chapter XXXVI - General Provisions

#### Article 255 - General provisions related to tax control

1. The general provisions related to tax control, set out in this Section, shall apply to all persons unless otherwise provided for by the tax legislation of Georgia.

2. Only a tax authority shall perform tax control of a person's activity. Other controlling and law-enforcement bodies shall be prohibited from performing tax control of a person's activity.

3. Tax control procedures shall not reasonably disturb the ordinary course of activity of a person and shall not suspend his/her activity.

4. The types of tax control shall be current control and tax audit.

5. Tax control shall be performed without a judge's order, except as expressly provided for by this Code.

6. Without a judge's order, it shall be prohibited to re-audit an already audited matter of a person's activity, except matters for which a person files an adjusted tax return for an already audited period.

7. If necessary, a specialist/expert may be contracted to perform a particular act of tax control.

8. The court shall consider an application of the tax authority regarding a matter defined by this article in the manner provided for by the Administrative Procedure Code of Georgia.

9. (Deleted – 13.5.2016, No 5092).

10. Tax control shall be performed without a judge's order, when conducted on a taxpayer's initiative.

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

### Chapter XXXVII - Current Control Procedures

#### Article 256 - General provisions related to current control of a person's activity

1. The procedures of current control of a person's activity shall be implemented without any prior notice based on an order of an authorised person of the tax authority.

2. The tax authority may use technical means for recording current control procedures.

3. Current control over a person's activity shall be performed during working hours and/or during the actual work of such a person.

4. The person may attend current control procedures applied in relation to such person.

5. In the cases provided for by this Code, the findings of current control procedures shall be reflected in a report to be signed by an authorised person of the tax authority implementing current control procedures and the taxpayer/taxpayer's representative, as well as by any other person participating in such procedures. If a person refuses to sign the report, an appropriate note shall be made in the report.

6. The procedure for implementing current control procedures under this Chapter shall be defined by the Minister of Finance of Georgia.

*Law of Georgia No 4114 of 17 December 2010 - LHG III, No 76, 29.12.2010, Art. 506*

#### Article 257 - Time study

1. To determine the level of a taxpayer's revenue, the volume of supplied goods/delivered services and the number of hired natural persons, the tax authority may survey the taxpayer's economic activity and conduct a time study of the taxpayer's activity.

2. The time study shall be conducted by keeping uninterrupted records of the volume of goods manufactured and or supplied/services delivered by the taxpayer. If necessary, an authorised person of the tax authority may install metering and other technical devices and register their records at the end of each day when the time study is conducted.



3. A time study shall be conducted for at least seven days. The time of commencement and completion of a time study shall be determined by a particular calendar date and/or by the date of completion of a procedure subject to control.
4. If so provided for by an agreement made by the tax authority and any other administrative authority, a representative of such administrative authority may participate in and, if necessary, an expert/specialist be contracted for conducting the time study.

*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

### **Article 257<sup>1</sup> - Tax monitoring**

1. By assigning the authorised person/persons for a term of up to 6 months to the place of economic activity of a taxpayer engaged in economic activity, the tax authority may conduct tax monitoring and use the information obtained to determine the taxpayer's tax obligation at the moment of a tax audit. The period of tax monitoring may be prolonged in agreement with the Head of the Revenue Service.
2. The goal of tax monitoring is to carry out an independent quantitative accounting of the acquisition, spending, and losses of the main type of inventory holdings used by the taxpayer in his/her economic activity, as well as of the supply of finished products (by types) by such taxpayer, and to obtain information on such accounting and/or identify possible risks of concealing/hiding a taxable object or information related to it.
3. The procedure for conducting tax monitoring shall be determined by the Minister of Finance of Georgia.

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

### **Article 258 - Controlling purchase**

1. The purpose of controlling purchase of goods/services shall be to determine the actual volume of revenue earned from the supply of goods/delivery of services and/or reveal a violation of the legislation of Georgia.
2. The tax authority may make a controlling purchase of goods/services from a taxpayer, and/or determine the price of goods/services by offering to make a controlling purchase from a taxpayer, and/or offer goods/services to be purchased to a taxpayer, to reveal a violation of the tax legislation of Georgia.
3. In making a controlling purchase and/or offering a controlling purchase, the authorised person of the tax authority may act as a mystery consumer. For this purpose, the head of the tax authority may issue false documents to the person implementing current control.
4. In making a controlling purchase of goods/services from and/or offering a controlling purchase of goods/services to the taxpayer, the tax authority may use technical devices for recording the procedure without a judge's order.
5. If the goods acquired through a controlling purchase do not leave the premises of the trade outlet and their appearance and packaging have not been damaged, then the transaction shall be subject to cancellation based on the controlling purchase record (the goods purchased shall be returned to the seller and the money – to the buyer).

*Law of Georgia No 4114 of 17 December 2010 - LHG III, No 76, 29.12.2010, Art. 506*

### **Article 259 – Control over observance of rules for using cash registers**

1. An authorised person of the tax inspection may, without a court decision, in accordance with procedures established by the Minister of Finance of Georgia, exercise control over the observance of rules for using cash registers.
2. When a person engaged in economic activity accepts payment in cash from a customer during the supply of goods/delivery of services, the relevant data shall be recorded by using a cash register. A customer shall be a person who makes a cash payment for any goods supplied (to be supplied)/services delivered (to be delivered) to him/her.
3. The rules for maintaining the State Register of Cash Registers, for operating cash registers, registering cash registers with the tax authority, sealing petrol filling station flow meter pumps, and issuing a document equated with a receipt, as well as details to be recorded on a cash register receipt, shall be determined by the Minister of Finance of Georgia.
4. The following persons shall be released from the obligation to use cash registers:
  - a) a person, when accepting payment from a customer, for which:
    - a.a) a strictly controlled accounting document approved under the legislation of Georgia evidencing the fact of payment in cash is used;
    - a.b) a tax invoice is made out for supply of goods/delivery of services;
  - b) a natural person, who does not employ hired labour and sells agricultural produce or goods produced (processed) from agricultural produce on his/her personal or family farm, regarding this part of his/her activity;
  - c) a natural person holding the status of a micro business, except for natural persons holding the status of a micro business engaged in a certain activity or engaged in an activity within the administrative boundaries of a certain municipality; defined by the Government of Georgia;
  - c<sup>1</sup>) a person holding the status of a fixed tax payer – regarding the part of such a person's activity that is subject to a fixed tax (except for the activity taxable at the rate provided for under Article 95<sup>3</sup>(1)(b) of this Code);
  - d) a natural person engaged in economic activity who has no obligation to be registered as an entrepreneur natural person;



e) a person supplying goods/delivering services and accepting cash in the customer's territory (houses, organisations, enterprises) – regarding this part of such a person's activity, on the condition of issuing a document equated with a receipt;

e<sup>1</sup>) a person – in the cases provided for by the Minister of Finance of Georgia. In such cases, the person shall be authorised to issue a document equated with a receipt, regarding this part of such a person's activity;

f) a person supplying goods/delivering services and accepting cash by means of automated or mechanical devices – regarding this part of such a person's activity;

g) an entrepreneur natural person performing a retail sale as a street vendor, as well as a person selling newspapers and magazines – regarding this part of such person's activity;

h) a person – regarding the part of such a person's activity defined by Article 99(d) of this Code;

i) a bank and a microfinance organisation;

i<sup>1</sup>) a payment service provider and its agent referred to in the Law of Georgia on Payment System and Payment Service – regarding activity provided for by the Law of Georgia on Payment System and Payment Service;

j) persons setting up a gambling club, a slot machine club, as well as a bookmaker – regarding this part of their activity, except for the activity carried out by setting up gambling in electronic system form.

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 6053 of 24 April 2012 - website, 27.4.2012*

*Law of Georgia No 6312 of 25 May 2012 - website, 12.6.2012*

*Law of Georgia No 6547 of 22 June 2012 - website, 4.7.2012*

*Law of Georgia No 6942 of 15 July 2020 – website, 28.7.2020*

## **Article 260 - Visual inspection**

1. To exercise tax control, an authorised person of the tax authority may visually inspect the premises, buildings, fixed assets and inventory holdings of a person.

2. The dwelling of a natural person can be inspected only based on a court decision.

3. Checking a taxpayer's documents during a visual inspection shall be prohibited.

4. Visual inspection procedure does not involve the visual inspection or checking of the contents of safes, cabinets, drawers and other similar pieces of furniture and receptacles.

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

## **Article 261 - Taking inventory**

1. The head of the tax authority may, without a court decision, issue an order for taking stock of inventory holdings and/or fixed assets of a person holding excisable goods (the head of the tax authority may issue an order for taking stock of inventory holdings and/or fixed assets of a person holding non-excisable goods for a maximum of two times in a calendar year, and an inventory may be checked for a third time by an order of the Head/Deputy Head of the Revenue Service). To have an inventory checked within a reasonable time, the taxpayer's manager (director) shall set up an Inventory Commission within two working days after being served with such an order. The Inventory Commission shall comprise the persons who are well familiar with goods subject to inventory, their price and their original records and, if so requested by the tax authority, also employees of and/or specialists contracted by the tax authority. The Inventory Commission shall be obliged, in full and on time, to take stock of inventory holdings and/or fixed assets at the place of their production and storage, compare the obtained inventory with the respective accounting data, and record the results in the Inventory Report of Inventory Holdings and/or Fixed Assets.

2. The head of the tax authority may himself/herself set up an Inventory Commission by an order on taking an inventory, and determine its composition and, if necessary, inter alia, if the taxpayer's manager (director) does not issue an order setting up an Inventory Commission within the time fixed in the first paragraph of this article, issue an order setting up such an Inventory Commission. When determining the composition of the Inventory Commission in accordance with this paragraph, including the taxpayer's representative(s) in the commission shall be provided for.

3. The head of the tax authority may, without a court decision, issue an order on random sampling inventory of specific types of inventory holdings and/or fixed assets. The tax authority may take stock of the actual condition inventory of the inventory holdings and/or fixed assets without setting up an Inventory Commission, in the presence of the taxpayer or his/her representative. The taxpayer shall produce, within two working days, the accounting records of the balances of inventory holdings and/or fixed assets, after which an authorised person of the tax authority shall compare the data of the actual records and the accounting records for inventory holdings and/or fixed assets, recording all of them in the Inventory Report of Inventory Holdings and/or Fixed Assets.

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*





## **Article 262 - Types of tax audit**

A tax audit may be a correspondence audit or a field audit.

## **Article 263 - Correspondence tax audit**

1. A correspondence tax audit shall be conducted by an order of an authorised person of the tax authority, for auditing specific matters defined by the order.
2. During a correspondence tax audit, the tax authority may request, according to the procedure provided for by this Code, that accounting documents and/or taxation-related information be presented.
3. A correspondence tax audit shall be conducted without visiting the person's place of activity, based on the person's taxation-related information available at the tax authority, as well as on clarifications and accounting documents provided by the taxpayer.
4. If any mistakes revealed as a result of a correspondence tax audit entail a change in the amount of tax payable, the authorised person conducting the correspondence tax audit shall draw up a tax audit report.

## **Article 264 - Field tax audit**

1. A field tax audit shall be conducted based on an order of an authorised person of the tax authority.
2. The taxpayer shall be sent a written or electronic notice of a field tax audit at least 10 working days prior to the commencement of the audit.
3. The audit shall commence no later than 30 days after serving the notice upon the taxpayer. If the audit cannot be started within that time, the notice shall be invalid.
4. A field tax audit may fully or partially audit the taxpayer's activity.
5. A field tax audit may also include the procedures of current control over the taxpayer's activity.
6. A field tax audit may not continue for more than three months. If necessary, the audit period may be prolonged for a maximum of two additional months, in agreement with the Head of the Revenue Service.
7. In the course of a field tax audit, the taxpayer shall provide auditors with the same working conditions that normally exist at the taxpayer's premises.
8. An authorised person of the tax authority may request duly certified copies of accounting documents related to any tax obligation and/or of any taxation-related information and, if the taxpayer fails to fulfil such a request, seize the original copy of such a document, that shall be returned to the taxpayer upon the completion of the field tax audit. A seizure report shall be executed if a document is seized.
9. If a tax audit cannot be continued once it is begun due to Force-Majeure or any other circumstances, an authorised person of the tax authority shall make a decision on suspending the tax audit. The tax audit shall be resumed upon elimination of Force-Majeure or any other circumstance. The flow of the term of the tax audit shall be renewed from the day of resuming such an audit.
10. If the specifics of a tax audit require that the audit be conducted in several stages, an interim report shall be executed after completion of each stage.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

## **Article 265 - Urgent field tax audit**

1. An urgent field tax audit shall be conducted without a written notice, with a court's permission, if:
  - a) the last tax audit detected significant violations of tax obligations by the taxpayer;
  - b) there is reliable information raising doubts as to the origin of the person's financial and material resources;
  - c) there is reliable information on the growth of property or any other taxable object that has not been documented;
  - d) the Tax Returns and other documents filed with the tax authority do not confirm the reality of the objects of taxation and taxes calculated;
  - e) a Tax Return or documents necessary for calculating and/or paying taxes have not been filed;
  - f) the tax authority has information that a person plans to evade tax obligations by departing from Georgia, transferring assets to another person, destroying, concealing, or adjusting documents evidencing tax offences or by taking other measures.
2. A tax authority shall, within 48 hours after commencing an urgent field tax audit, apply to a court and obtain permission to perform a field tax audit. Furthermore, if the application to a court for performing an urgent field tax audit is based on a precondition under paragraph 1(f) of this article (the tax authority has information that a person plans to evade tax obligations by transferring assets to another person), the tax authority shall have the right to impose a tax lien/mortgage on a tax payer's property, in particular on the assets under the precondition specified, within the value of the same assets, irrespective of whether the tax payer has tax liabilities or not. If the court refuses to grant permission to the tax authority to perform the urgent field tax audit, the tax lien/mortgage shall be cancelled. In addition, the tax authority shall, after the urgent field tax audit is completed, make the volume of the tax lien/mortgage applied appropriate to the assessed tax liabilities in proportion to (commensurate with) the amount of the liabilities, specifying the asset/part of the asset to which the right to tax lien/mortgage applies.
3. Before obtaining court permission, the tax authority may not commence an urgent field tax audit. The representatives



of the tax authority may seal only those tax documents and inventory holdings of the taxpayer that are necessary for performing an urgent field tax audit.

4. If the court does not grant permission to perform an urgent field tax audit to the tax authority within the fixed time, the tax authority shall be obliged to unseal the tax documents and/or inventory holdings of the taxpayer.

*Decision No 2/8/734 of the Constitutional Court of Georgia of 28 December 2017 – website, 9.1.2018*

*Law of Georgia No 2640 of 27 June 2018 – website, 6.7.2018*

#### **Article 266 – (Deleted)**

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

#### **Article 267 - Tax audit report**

The findings of a tax audit shall be reflected in a report that shall indicate:

- a) all the factual circumstances, evidence and arguments, which had substantial importance in determining the taxpayer's tax obligation. If the audit relied on an expert's opinion, the report shall reflect the content of such an opinion.
- b) the provision of the Tax Code of Georgia and/or of any act of the tax legislation of Georgia that guided the auditors in determining the taxpayer's tax obligation;
- c) the exact dates that the taxpayer's tax liabilities arose (if identifiable), tax and fine calculations, the total amount payable or receivable, the details (if necessary – copies) of documents evidencing the origin of such claims and liabilities, as well as the content of annexes to the tax audit report.

#### **Article 268 - Making decisions based on a tax audit report**

1. The tax authority shall make a decision on assessing or not assessing taxes and/or fines, based on the tax audit report; a copy of such a decision shall be presented to the taxpayer along with the relevant Tax Notice.
2. If an administrative offence is revealed, the authorised person of the tax authority who is performing the tax audit shall execute an administrative offence report.
3. If any signs of a crime are revealed as a result of a tax audit, the relevant materials shall be immediately forwarded to the investigation authority of the competent jurisdiction.
4. To develop a uniform tax administration practice, by decision of the Minister of Finance of Georgia, a Board of Auditors shall be set up, which shall comprise employees of the Ministry of Finance of Georgia and the Revenue Service, as well as contracted specialists.
5. If making a decision on the findings of a tax audit introduces a principle/methodology different from existing principles/methodologies of taxation and/or application of penalty for an offence, the tax authority may apply to the Board of Auditors, who may within 20 days make a decision on applying or not applying such a principle/methodology. The decision of the Board of Auditors shall be binding upon the tax authority.

### **SECTION XIII**

### **TAX OFFENCE AND RESPONSIBILITY**

#### **Chapter XXXIX - General Provisions**

#### **Article 269 – Tax offence and general principles of fiscal responsibility**

1. A tax offence shall be a person's unlawful act (action or omission of action), for which responsibility is provided for under this Code. Responsibility for a tax offence may be imposed upon a person only on the grounds and according to the procedure provided for by this Code.
2. When imposing a penalty for a tax offence, if the responsibility for such an act has been abolished or mitigated by the law, the norm under the new law shall apply, whereas if the responsibility has been introduced or aggravated by the law, the norm being in force at the time of committing the act shall apply.
- 2<sup>1</sup>. If the responsibility for such an act has been abolished or mitigated before a tax dispute has been resolved, the authority considering the dispute shall be obliged to apply the norm established by the new law.
3. The responsibility for committing any offence provided for by this Code shall be imposed upon an enterprise/organisation and a natural person. Imposing a tax penalty on a person for a tax offence shall not release the person from the obligation to pay any taxes payable.
4. Imposing a tax penalty on an enterprise/organisation for a tax offence, based on relevant grounds, shall not release its officials from administrative, criminal or other types of responsibility, determined by the legislation of Georgia.
5. A person shall not be held responsible under this Section, if a tax offence is caused due to Force-Majeure. Force-Majeure shall mean any emergency or extraordinary circumstances that render fulfilment of the obligations under this Code impossible and the occurrence of which does not depend on a person's will, including:
  - a) natural disaster (earthquake, flood, landslide, avalanche, fire, etc.)
  - b) restrictions on foreign trade, declaration of a state of emergency/martial law, as well as any other decision of a state



authority

c) civil commotion, strike.

5<sup>1</sup>. (Deleted – 1.5.2015, No 3581).

6. The fine provided for under this Section for misstatement in a tax return/tax calculation shall not be imposed upon a person who has submitted an adjusted tax return/calculation to a tax authority before a court decision on performing a tax audit or a relevant decision of the tax authority has been communicated, or a tax offence report has been drawn up.

6<sup>1</sup>. (Deleted – 28.6.2019, No 4906).

7. The tax authority, the authority considering a dispute or the court may release a faithful taxpayer from a tax sanction under this Code, if the tax offence was caused by the payer's mistake/lack of knowledge.

7<sup>1</sup>. (Deleted – 28.6.2019, No 4906).

8. For the purposes of this Section, an offence shall be deemed repeatedly committed, if the same act has been committed within 12 months after revealing the previous offence. At the same time, an offence provided for under Article 281 of this Code shall not be deemed repeatedly committed, if a person committed offences provided for under the same article on the same day, on isolated premises.

9. An authorised person of the tax authority may, without executing a Tax Offence Report, define to a person a term for eliminating a tax offence, in the manner and in cases determined by the Minister of Finance of Georgia. Such a person shall not be held responsible for the same tax offence during the time-frame of validity of such a term.

10. If the offence specified in Article 288<sup>4</sup> is discovered, a natural person who has used the right to deduct non-taxable minimum from gross income and the right to refund/deduct the relevant tax amount shall not be held liable under Article 275(2) of this Code.

11. Fifty per cent of the amounts of fines assessed as a result of a tax audit shall be cancelled if, within 30 days after the delivery of a tax notice issued as a result of the tax audit, a taxpayer has fully paid to the budget the amount equivalent to 50% of taxes provided for under the tax notice, and of the fines and the person has recognised, within the same period, the amount provided for under the tax notice concerned.

*Law of Georgia No 4705 of 20 May 2011 - website, 01.6.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 3015 of 26 December 2014 - website, 30.12.2014*

*Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*

*Law of Georgia No 4065 of 17 July 2015 - website, 29.7.2015*

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 4225 of 27 December 2018 – website, 31.12.2018*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

## **Article 270 – Tax sanction**

1. A tax sanction shall be a measure of responsibility for a committed tax offence.

2. Tax sanctions shall apply in the form of a warning, penalty interest, monetary fine, seizure of offence goods and/or a transport vehicle, in the cases provided for by this Code.

3. Different responsibilities or repeated responsibility may not be imposed on a person for one and the same tax offence.

4. If several tax offences have been revealed, a tax sanction shall apply for each offence severally. At the same time, a less serious sanction shall not be subsumed into a more serious sanction.

5. (Deleted – 28.6.2019, No 4906).

6. Tax penalty interest shall not be accrued on a tax sanction.

7. A warning instead of a monetary penalty may be applied for offences (except for the offences committed repeatedly) provided for in Articles 281, 286(1) and (11) and 291 of this Code.

7<sup>1</sup>. (Deleted – 28.12.2012, No 189).

8. (Deleted – 8.11.2011, No 5202).

*Law of Georgia No 3880 of 7 December 2010 - LHG III, No 69, 15.12.2010, Art. 421*

*Law of Georgia No 4470 of 22 March 2011 - website, 1.4.2011*

*Law of Georgia No 4705 of 20 May 2011 - website, 01.6.2011*

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*



*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*  
*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*  
*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*  
*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*  
*Law of Georgia No 4225 of 27 December 2018 – website, 31.12.2018*  
*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

#### **Article 271 – Tax offence proceedings**

1. A tax offence case shall be conducted by a tax authority. The procedure for conducting tax offence cases shall be established by the Minister of Finance of Georgia.

<sup>1</sup>. (Deleted – 28.6.2019, No 4906).

2. Where a tax offence has been revealed, an authorised person of the tax authority shall draw up a tax offence report, except where the tax offence has been indicated in the tax audit report.

<sup>2</sup>. In case an offence provided for in Articles 277-279 of this Code has been revealed, the National Bureau for Enforcements shall draw up a tax offence report as well.

3. (Deleted – 28.6.2019, No 4906).

4. A person authorised to draw up a tax offence report shall consider a tax offence case at the scene of the offence, and administer a tax sanction to such a person. In such a case, the relevant responsibility shall be imposed upon such a person based on the tax offence report that shall be deemed to be a Tax Notice.

5. A tax offence report shall be presented to the person having committed the offence, who shall have the right to provide clarifications and notes that shall be reflected in or appended to the report. A copy of a tax offence report shall be served upon or sent to the offender.

6. If a tax offence report does not reflect any details defined by the legislation of Georgia, or a tax offence report is executed in violation of the law, the head of the relevant authority or the authority considering the case shall release the person from tax liability.

7. If elements of a crime are detected, the materials shall be immediately forwarded to the investigation authority of the competent jurisdiction.

8. In the cases provided for by the seventh paragraph of this article, an authorised person of the tax authority shall issue an order on the tax offence case within 30 days after the investigation authority or the court has delivered a relevant decision. An order imposing a tax sanction shall be deemed a Tax Notice. Any order issued in violation of the above time limit shall be void.

9. (Deleted – 20.5.2011, No 4705).

10. (Deleted – 28.6.2019, No 4906).

11. (Deleted – 28.6.2019, No 4906).

*Law of Georgia No 4206 of 22 February 2011 - website, 10.3.2011*

*Law of Georgia No 4705 of 20 May 2011 - website, 01.6.2011*

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

### **Chapter XL - Types of Tax Violations and Responsibility**

#### **Article 272 – Penalty interest**

1. Penalty interest is a tax penalty imposed upon a person for failure to pay the payable tax amount within the time limit fixed by the tax legislation.

<sup>1</sup>. If, during customs clearance of goods provided for in Article 5(4) of the Customs Code of Georgia, a failure to pay any payable import duty or duties payable on temporary admission of goods before the fixed deadline has been revealed, a competent authority of the Ministry of Internal Affairs of Georgia may impose a penalty interest, under the procedure established by a joint order of the Minister of Finance of Georgia and the Minister of Internal Affairs of Georgia.

2. Penalty interest shall be assessed on the payable tax amount and shall be the difference between the taxpayer's outstanding tax liability and the sum of overpaid taxes. Unless otherwise provided for by this Code, the penalty interest shall be assessed for each day of overdue payment, from the day following the day of the expiry of the due date.

<sup>2</sup>. Surcharge shall not be assessed any more from the date when 3 years pass after the day of origination of an obligation to assess it.

3. From the entry into legal force of the court decision on recognising as admissible a person's application for insolvency, and of the ruling on commencing the bankruptcy regime or the ruling on commencing the rehabilitation regime, or from the withdrawal by the National Bank of Georgia of a licence for the respective activity of a commercial bank and of an



insurer until the end of the respective regime, the assessment of surcharge on overdue tax liabilities that existed before the commencement of the aforementioned regimes shall be suspended.

3<sup>1</sup>. No surcharge shall be assessed, from the entry into legal force of the court ruling on commencing the bankruptcy regime, on the tax liability having arisen after the commencement of the bankruptcy regime.

4. Penalty interest shall account for 0.05% of the outstanding tax liability for each overdue day of payment. If the tax payment is overdue, the day when the tax is paid shall be deemed as an overdue day.

5. During the restructuring of an outstanding tax liability, penalty interest shall be assessed in accordance with procedure defined by the Law of Georgia on Restructuring Outstanding Tax Liabilities and Government Loans.

6. In the cases provided for by Article 64(2)(a) of this Code, if a person has been served with a Tax Notice after the due day of tax payment, penalty interest shall be assessed from the 30<sup>th</sup> day after the Tax Notice has been served.

7. No penalty shall be imposed on (except the taxes, in relation to which the person has a tax agent's function):

a) the suppliers of goods/providers of services – with respect to the budget obligations arising due to non-payment by purchasing organisations of the cost of goods supplied/services delivered based on allocations provided for under the Law of Georgia on the State Budget of Georgia for the respective year and under the budgets of the municipalities – pro rata to the amount of actual financing of their cost and their share in the total volume of goods supplied/services delivered;

b) legal entities under public law, implementing projects (including, preparatory phases of projects) defined under international agreements ratified by the Parliament of Georgia, with which the Ministry of Finance of Georgia has signed a Project Implementation Authorisation agreement – in respect to the tax liabilities originating from the scope of such projects. The list of legal entities under public law implementing the above projects shall be approved by the Minister of Finance of Georgia.

*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 5169 of 28 October 2011 - website, 11.11.2011*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 6395 of 5 June 2012 - website, 19.6.2012*

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

*Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*

*Law of Georgia No 4225 of 27 December 2018 – website, 31.12.2018*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 6942 of 15 July 2020 – website, 28.7.2020*

*Law of Georgia No 7169 of 18 September 2020 – website, 25.9.2020*

### **Article 273 - Violation of the procedure for registration as a taxpayer**

Violation of the procedure determined by the legislation of Georgia for registration as a taxpayer, – shall entail the imposition of a fine on the person in the amount of GEL 500.

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

### **Article 274 – Violation of the time limit for filing Tax Return/tax calculations**

1. Violation of the time limit determined by the tax legislation of Georgia for filing a tax return/tax calculation with the tax authority if the delay period does not exceed 2 months, –

shall entail the imposition of a fine in the amount of 5% of the sum of a tax to be assessed for payment on the basis of the tax return/tax calculation for each overdue complete/incomplete month (incomplete months shall be counted as one month). At the same time, the total amount of a penalty for the entire overdue period shall not exceed 30% of the sum of a tax to be assessed for payment.

2. Violation of the time limit determined by the tax legislation of Georgia for filing a tax return/tax calculation with the tax authority if the delay period exceeds 2 months, –

shall entail the imposition of a fine in the amount of 10% of the sum of a tax to be assessed for payment on the basis of the tax return/tax calculation.

3. If the sum of a tax to be assessed for payment under a tax return/tax calculation equals zero, the fine under this article shall not be imposed on a person.

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

*Law of Georgia No 4225 of 27 December 2018 – website, 31.12.2018*

### **Article 275 - Understating taxes in a Tax Return/tax calculation**

1. Understating payable taxes in a Tax Return/tax calculation by a person, if caused by tax control authority changing the moment (period) of origin of the person's tax liability -

shall entail the imposition of a fine on the person in the amount of 10% of the understated sum of payable taxes.

2. Understating payable taxes in a Tax Return/tax calculation, except in the cases provided for by paragraphs 1, 2<sup>1</sup> and 2<sup>2</sup> of this article, –

shall entail the imposition of a fine in the amount of 50% of the understated sum of payable taxes.



2. Understatement of a tax in a Tax Return/tax calculation if the amount of the understated tax does not exceed 5 % of the tax amount specified in the Tax Return/tax calculation, – shall entail the imposition of a fine in the amount of 10 % of the understated tax amount.
- 2<sup>2</sup>. Understatement of a tax in a Tax Return/tax calculation if the amount of the understated tax is more than 5 % and does not exceed 20 % of the tax amount specified in the Tax Return/tax calculation, – shall entail the imposition of a fine in the amount of 25 % of the understated tax amount.
3. Overstating a deductible/refundable amount in a Tax Return/tax calculation shall be considered as an understatement of the payable tax amount in a tax return/tax calculation and it shall, in a respective case, entail the liability under paragraphs 1-2<sup>2</sup>) of this article.
4. Understating payable taxes in a Tax Return in excess of GEL 100 000 shall be deemed a tax evasion in large amounts and entail responsibility under the procedure established by the criminal legislation of Georgia.
5. The total amount of the fines imposed under this article as a result of a tax audit must not exceed the sum of the tax amounts assessed for payment a result of the tax audit.

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 5649 of 27 December 2011 - website, 9.1.2012*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 4225 of 27 December 2018 – website, 31.12.2018*

### **Article 276 - Violation of gambling business rules**

A person's activity without a sign of gambling business fee payment or without a seal on the object of gambling business fee payment, if such obligation is determined by law – shall entail the imposition of a fine on the person in the amount of 100% of the gambling business fee payable on such an object of gambling business fee.

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

### **Article 277 - Resisting an authorised person of the tax authority**

1. Resisting an authorised person of the tax authority or the National Bureau for Enforcement, ignoring a legal request of such a person, that impedes implementation of a measure provided for by the tax legislation of Georgia – shall entail the imposition of a fine on the person in the amount of GEL 800.

2. Repeatedly committing the act referred to in the first paragraph of this article shall entail the imposition of a fine on the person in the amount of GEL 2 000.

*Law of Georgia No 4206 of 22 February 2011 - website, 10.3.2011*

### **Article 278 - Disposal of seized property and removal of the seal of the tax authority or of the National Bureau for Enforcement**

Disposal of seized property, removal of the seal of the tax authority or of the National Bureau for Enforcement by a person without agreement of the tax authority – shall entail the imposition of a fine on the person in the amount of GEL 4 000.

*Law of Georgia No 4206 of 22 February 2011 - website, 10.3.2011*

### **Article 279 – Failure to present information to the tax authority**

1. In case of a request of the tax authority in the manner provided for by this Code, failure to submit to the tax authority accounting documents and/or taxation-related information, or failure to submit the list of assets within the time limit fixed by the tax authority or the National Bureau for Enforcement, – shall entail the imposition of a fine on the person in the amount of GEL 400.

2. Repeatedly committing the act referred to in the first paragraph of this article – shall entail the imposition of a fine on the person in the amount of GEL 1 000 for each subsequent repeated act.

3. Submitting wrong information on writing off inventory holdings to a tax authority, – shall carry a fine in the amount of the unconfirmed accounting value of the inventory holdings based on submitted information.

4. (Deleted – 28.6.2019, No 4906).

5. (Deleted – 28.6.2019, No 4906).

*Law of Georgia No 4206 of 22 February 2011 - website, 10.3.2011*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 279<sup>1</sup> – Violation of the period for submitting statements or submission of incomplete reports by a multinational enterprise**



Violation of the period set for submitting statements under Article 70 of this Code or submission of incomplete reports to a tax authority, –  
shall carry a fine in the amount of GEL 5 000.  
*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 280 - Illegal tax deduction**

1. Obtaining a deduction as a result of a non-commodity transaction or a fictitious transaction, or a deduction based on a fake VAT deduction document –  
shall entail the imposition of a fine on the person in the amount of 200% of the deducted tax amount.  
2. The Minister of Finance of Georgia shall define the cases and circumstances, when a transaction can be regarded as non-commodity and/or fictitious.  
*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

### **Article 281 – Violation of rules for using cash registers**

1. Working without a cash register when accepting cash payments from customers, –  
shall entail the imposition of a fine on a taxpayer (except for a natural person renting a mobile trading place located within the market territory) in the amount of GEL 200.  
2. (Deleted – 08.11.2011, No 5202).  
3. Failure to use a cash register when accepting cash payments from customers –  
shall entail the imposition of a fine on the taxpayer in the amount of GEL 200.  
4. (Deleted – 20.5.2011, No 4705).  
5. Showing in a receipt an amount less than what has actually been paid –  
shall entail the imposition of a fine on the taxpayer in the amount of GEL 200.  
6. (Deleted – 20.5.2011, No 4705).  
7. Loss of a cash register (other than GPRS and CRYPTO fiscal cash registers) by a taxpayer, unless established that such loss has been caused by the unlawful act of any other person, –  
shall entail the imposition of a fine on the taxpayer in the amount of GEL 3 000.  
8. Repeatedly committing the act defined by the seventh paragraph of this article within 60 days after revealing of the tax offence –  
shall entail the imposition of a fine on the taxpayer in the amount of GEL 6 000.  
8<sup>1</sup>. (Deleted – 22.6.2012, No 6547).  
9. Operating in a petrol and/or gas filling station a flow meter without a seal or with a damaged seal of the tax authority shall entail the imposition of a fine on the taxpayer in the amount of GEL 1 500.  
10. Repeatedly committing the act defined by the ninth paragraph of this article - shall entail the imposition of a fine on the taxpayer in the amount of GEL 15 000 for each subsequent repeated act.  
11. The Government of Georgia may define different amounts of fines for tax offences committed within the administrative boundaries of a municipality, but not less than 5% of the fines determined by paragraphs (1-10) of this article.  
*Law of Georgia No 4705 of 20 May 2011 - website, 01.6.2011*  
*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*  
*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*  
*Law of Georgia No 6547 of 22 June 2012 - website, 4.7.2012*  
*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*  
*Law of Georgia No 4680 of 18 December 2015 - website, 29.12.2015*  
*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*  
*Law of Georgia No 6942 of 15 July 2020 – website, 28.7.2020*

### **Article 282 – Violation of VAT requirements**

1. Conducting activities without registration as a VAT taxpayer –  
shall entail the imposition of a fine on the person of 5% of the amount of VAT taxable transactions (except VAT exempt transactions) carried out during the period of activity without registration.  
2. Failure of a supplier of goods/provider of services to issue a tax invoice to the buyer, at the request of the latter –  
shall entail the imposition of a fine on the person of 100% of the VAT amount of the taxable transaction.  
3. Issuing of a tax invoice for a fictitious /non-commodity transaction or a fake tax invoice by a person –  
shall entail the imposition of a fine on the person having made out/issued the tax invoice of 200% of the VAT amount indicated in the tax invoice.  
4. If the fine defined by paragraph 1 of this article is applied, the fines provided for by Articles 274 and 275 of this Code shall not apply to the accounting period (periods) of conducting activities without registration as a VAT taxpayer, in relation to the VAT declaration.  
*Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*



### **Article 283 - Non-fulfilment of obligations by banks**

1. In case there is money in a person's bank account, failure of the bank to fulfil the person's Payment Order or the tax authority's Collection Order for transfer of tax to the state budget in due time, except as provided for by the second paragraph of this article, -  
shall entail the imposition of a fine of 0.15% for each day of delay of that part of funds on the account, which was subject to complete or partial fulfilment under the Collection/Payment Order.
2. The act defined in the first paragraph of this article, if accompanied by a transfer of funds in any other direction, not taking into consideration Article 54(1<sup>1</sup>) and Article 71(1)(e) of this Code -  
shall entail the imposition of a fine of 10% of the amount transferred in such other direction but not less than GEL 500 and not in excess of the amount indicated in the collection/payment order.
3. Opening by a bank of an account for a taxpayer without the taxpayer submitting documents evidencing that the tax authority has assigned an identification number to the taxpayer (except for a foreign enterprise and natural person not engaged in economic activity) or opening any other account for such a person in the presence of the decision of the tax authority on imposition of seizure upon or presentation of a collection order against the account of the taxpayer shall entail the imposition of a fine in the amount of 10% of the sum of payment transactions from the accounts of the taxpayer but not less than GEL 500.
4. Failure of a bank to submit to the tax authority the information on opening of bank accounts for a taxpayer for the first time, or on closing the last account of a taxpayer, in accordance with the requirements of Article 71(1)(a),(b),(c), and (f) of this Code within the time limit fixed by the tax legislation of Georgia (in case of a contract with the Revenue Service – on the conditions and within the time defined by the contract), if this is not caused by providing wrong information by such persons to the bank and other organisations performing certain types of bank operations -  
shall entail the imposition of a fine in the amount of GEL 300 for each account.
- 4<sup>1</sup>. A bank's failure to fulfil the obligation under Article 71(1)(c<sup>1</sup>) of this Code -  
shall entail the imposition of a fine in the amount of GEL 300 for each account.
5. Performing a payment transaction before or within two working days after submitting the information on the accounts provided for in the fourth paragraph of this article -  
shall entail the imposition of a fine in the amount of 10% of the sum of the payment transaction but not less than GEL 500.
6. If the Revenue Service and a banking institution have signed a contract on electronic exchange of information (including collection orders), the penalty provided for under the fifth paragraph of this article shall apply only for the violation of the time limit defined by such contract.
7. Failure of a bank to fulfil the decision of the tax authority on seizure of a taxpayer's account -  
shall entail the imposition of a fine in the amount of 20% of the sum that has been transferred to any other person by the taxpayer's order but not in excess of the amount of the outstanding liability.
8. In case there is money in a person's bank account, failure of the bank to fulfil the person's Payment Order or the tax authority's Collection Order for writing off an amount or transferring tax to the budget in due time, if the taxpayer applies to the tax authority in writing, shall result in the tax authority being obliged to impose the penalty interest that has been assessed on the taxpayer as a result of such act of the bank, on that bank in the same amount. In such a case no penalty shall be imposed on the person.

*Law of Georgia No 4114 of 17 December 2010 - LHG III, No 76, 29.12.2010, Art. 506*

*Law of Georgia No 4963 of 24 June 2011 - website, 30.06.2011*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.05.2012*

### **Article 284 – (Deleted)**

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

### **Article 285 – (Deleted)**

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

### **Article 286 – Transportation, sale, and non-accounting of goods without documents**

1. Transporting goods for entrepreneurial activity without a waybill, the failure to issue a waybill at the request of the buyer or refusing to accept a waybill when purchasing goods, -  
shall carry a fine in the amount of GEL 500.

1<sup>1</sup>. Transporting round timber (logs), tree-plants or products of their primary processing for entrepreneurial activity without a waybill, the failure to issue a waybill at the request of the buyer or refusing to accept a waybill when purchasing goods, if the market value of the round timber (logs), tree-plants or products of their primary processing





transported or delivered/to be delivered without a waybill does not exceed GEL 1 000 - shall entail the imposition of a fine on the person in the amount of GEL 500 and the seizure of the goods.

1<sup>2</sup>. Transporting round timber (logs), tree-plants or products of their primary processing for entrepreneurial activity without a waybill, the failure to issue a waybill at the request of the buyer or refusing to accept a waybill when purchasing goods, if the market value of the round timber (logs), tree-plants or products of their primary processing transported or delivered/to be delivered without a waybill exceeds GEL 1 000 but does not exceed GEL 10 000 - shall entail the imposition of a fine on a person in the amount of GEL 5 000 and seizing the goods.

2. Repeatedly committing the act provided for in the first paragraph of this article repeatedly, - shall entail the imposition of a fine on the person in the amount of GEL 5 000.

3. (Deleted – 28.12.2012, No 189).

3<sup>1</sup>. (Deleted – 14.7.2020, No 6817).

3<sup>2</sup>. An act under paragraph 1<sup>1</sup> or 1<sup>2</sup> of this article if the market value of the goods transported or delivered/to be delivered without a waybill exceeds GEL 10 000, – shall entail the imposition of a fine on a person in the amount of Gel 10 000 and seizing the goods.

4. Revealing inventory holdings of a taxpayer that are not recorded in accounting documents, and not accompanied by the original payment documents -

shall entail the imposition of a fine on the person in the amount of 50% of the market value of such inventory holdings at the moment of revealing.

5. In the cases provided for by paragraphs (1-4) of this article, the penalty shall apply if the waybill does not indicate or incorrectly indicates (except the cases, where there is a technical error that cannot have any significant impact on the result):

a) date and number of execution of the document;

b) name, identification number or name, surname and personal number of the party to the economic transaction;

c) name and/or quantity of goods.

6. The responsibility determined by the first paragraph of this article shall not be imposed on a person in the case:

a) of transportation or delivery of primary (before industrial processing – before changing the commodity code) agricultural produce, as well as regular or uninterrupted transportation or delivery of goods (electric or thermal energy, natural gas, water);

b) of transportation of goods accompanied by the appropriate documents related to crossing the customs border of Georgia;

c) of existence of a special VAT invoice;

d) in the case of distributing free of charge for advertising purposes, including through a retail seller, of goods that have no independent consumer specifications and are an integral part of the delivery of the main goods/service;

e) of transportation of newspapers, magazines and the goods supplemented by their publishers in the same pack, except for the original delivery by the publisher;

f) of transportation of the relevant goods in the state of emergency and with the aim of rendering emergency assistance (fire service, rescue service, emergency medical aid, or energy supply or sewage system breakdown emergency response);

g) if no waybill has been issued in the given case, according to the order of the Minister of Finance of Georgia.

7. The penalty provided for under paragraphs 1, 2, 3<sup>1</sup> and 4 of this article shall not be imposed on a person having the status of a micro business, or on a person with a fixed taxpayer status (except for the activity to be taxed with a rate provided for in Article 95<sup>3</sup>(1)(b) of this Code) within the scope of the activities subject to a special tax treatment.

8. For the purposes of this article:

a) money and bank plastic cards are not goods;

b) it is not mandatory to make out a waybill for transportation of precious metals and stones, as well as numismatic valuables, if they are transported by the National Bank of Georgia or any commercial bank defined by Article 1(g) of the Law of Georgia on Commercial Bank Activities, as well as by an authorised legal entity under public law, in a specially protected or controlled transport vehicle.

9. Revealing at a taxpayer of any shortfall as provided for by this Code shall be deemed as supplying at market price at the moment of revealing. Furthermore, if the inventory holdings shortfall was revealed as a result of inventory taken by a tax authority, a person shall be additionally fined in the amount of 10% of the market value of the inventory holdings.

10. The penalties provided for in paragraphs 4 and 9 of this article shall not apply if:

a) the amount of the inventory holdings surplus and/or shortfall not reflected in the accounting records does not exceed 2% of the similar type of recorded inventory holdings;

b) the taxpayer has reflected the information on the surplus and/or shortfall in tax reports and/or has provided such information to the tax authority before commencement of inventory taking or tax audit, and according to this information, the surplus is recognised as profit and the shortfall – as supply.

11. Revealing the offence provided for in paragraph (4) of this article, if the market value of the inventory holdings does not exceed GEL 1 000 –

shall entail the imposition of a fine on the person in the amount of GEL 200.



12. Repeatedly committing the act referred to in paragraph (11) of this article- shall entail the imposition of a fine on the person in the amount of GEL 400 for each subsequent reoccurrence.
13. To identify and prevent the offences under paragraphs 1, 1<sup>1</sup> and 1<sup>2</sup> of this article, an authorised employee of a tax authority may stop a person and a vehicle, ask the person to produce his/her identity document, the documents accompanying the vehicle and the goods, visually inspect the vehicle, also count the goods to establish conformity with the accompanying documents and use technical equipment for recording these procedures. If the person or the driver of the vehicle does not comply, the authorised employee of the tax authority may apply measures provided for by the legislation of Georgia.
14. In the cases provided for by paragraphs (1 – 3) of this article, the tax authority may seize goods without a court decision. The procedure and terms of seizure provided or under this article shall be determined by an order of the Minister of Finance of Georgia.
15. (Deleted – 12.12.2014, No 2946).
- Law of Georgia No 4114 of 17 December 2010 - LHG III, No 76, 29.12.2010, Art. 506*
- Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*
- Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*
- Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*
- Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*
- Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*
- Law of Georgia No 6446 of 12 June 2012 - website, 25.6.2012*
- Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*
- Law of Georgia No 1583 of 20 November 2013 - website, 3.12.2013*
- Law of Georgia No 2946 of 12 December 2014 - website, 24.12.2014*
- Law of Georgia No 3581 of 1 May 2015 - website, 15.5.2015*
- Law of Georgia No 4680 of 18 December 2015 - website, 29.12.2015*
- Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*
- Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018*
- Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

#### **Article 287 - (Deleted)**

*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*

#### **Article 288 - Violation of the rules for conducting micro or small businesses**

Any act that, based on a ground under Article 85(4) or Article 89(2)(c) or (d) of this Code, has caused a tax authority to cancel the status of a micro business or the status of a small business for a person, – shall entail the imposition of a fine on the person in the amount of GEL 500.

*Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018*

#### **Article 288<sup>1</sup> - Violation of business rules by a Special Trading Company**

1. Exceeding by a Special Trading Company the income provided for in Article 24<sup>1</sup>(4)(d.c) of this Code above the limit set by the same subparagraph -

shall entail the imposition of a fine in the amount of 10% of the amount exceeded.

2. The purchase by a Special Trading Company of Georgian goods for subsequent delivery -

shall entail the imposition of a fine of 50% of the market value of the purchased goods.

3. Delivery of services by a Special Trading Company to a Georgian enterprise and/or a permanent establishment of a foreign enterprise in Georgia -

shall entail the imposition of a fine of 50% of the amount received and/or to be received for delivering such services.

4. Delivery by a Special Trading Company of any fixed asset used in economic activity for up to 2 years -

shall entail the imposition of a fine of 50% of the amount received/to be received for delivery of such goods.

*Law of Georgia No 5120 of 13 October 2011 - website, 19.10.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

#### **Article 288<sup>2</sup> - Violation of the procedure set for a fixed taxable activity**

1. Performing activity by a person having the status of a fixed taxpayer during the period of suspension of such an activity -

shall entail the imposition of a fine on the person in the amount of GEL 200.

2. Adding a taxable object of a fixed taxable activity by a person having the status of a fixed taxpayer without notifying the tax authority -

shall entail the imposition of a fine on the person in the amount of GEL 200.



**Article 288<sup>3</sup> – Supply and transportation of non-excisable goods subject to mandatory marking without marking**

Supply and transportation of non-excisable goods subject to mandatory marking without marking, – shall entail the imposition of a fine on the manufacturer in the amount of the market value of the non-excisable goods subject to mandatory marking that were found without marking but not less than GEL 500.

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 288<sup>4</sup> – Non-submission, late submission and/or incorrect submission of information on the amounts paid and taxes withheld according to the accounting month**

1. Refund of excess amount by an employee within the scope of a non-taxable minimum and/or deduction of excess amount against the tax liabilities, which is caused by non-submission, late submission and/or incorrect submission to a tax authority of information on the amounts paid and the taxes withheld according to the accounting month, shall result in the imposition of a fine on a person who was responsible for submitting the information. The fine shall be double the amount of the amount excessively refunded and/or excessively deducted against the tax liabilities.

2. The fine specified in this article shall not be applied if the information on the amounts paid and the taxes withheld according to the accounting month was submitted before the tax authority adopted a decision on refunding the non-taxable minimum.

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 3015 of 26 December 2014 - website, 30.12.2014*

**Article 289 – (Deleted)**

*Law of Georgia No 3880 of 7 December 2010 - LHG III, No 69, 15.12.2010, Art. 421*

*Law of Georgia No 4754 of 14 June 2011 - website, 28.6.2011*

*Law of Georgia No 5120 of 13 October 2011 - website, 19.10.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 6211 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 4065 of 17 July 2015 - website, 29.7.2015*

*Law of Georgia No 4680 of 18 December 2015 - website, 29.12.2015*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 290 – (Deleted)**

*Law of Georgia No 5120 of 13 October 2011 - website, 19.10.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 5942 of 27 March 2012 - website, 12.4.2012*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

*Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019*

**Article 290<sup>1</sup> – Non-compliance with the tax legislation of Georgia on the part of a Special Trade Zone status holder**

1. Non-compliance with the tax legislation of Georgia on the part of a Special Trade Zone status holder – shall entail the imposition of a fine on the person in the amount of GEL 4 000.

2. Repeatedly committing the act provided for in the first paragraph of this article, (violation of the same conditions) – shall entail the imposition of a fine three times the amount of the fine prescribed by the first paragraph of this article.

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

**Article 290<sup>2</sup> – Non-compliance by the person having the status of organiser of market with the requirements established by the tax legislation of Georgia**

1. Discovery of a mobile trading place located within the market territory, which is not provided with a cash register, – shall entail the imposition of a fine on a person with the status of organiser of market in the amount of GEL 1 000 for each of the mobile trading place not provided with a cash register.

2. Renting out of a trade outlet and/or trading place located within the market territory by a person with the status of



organiser of market to a person not registered with the Register of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Persons, –  
shall entail the imposition of a fine on the person with the status of organiser of market in the amount of GEL 1 000.  
3. Failure by a person with the status of organiser of market to submit the information on the persons renting a trade outlet and/or trading place located within the market territory, and/or submission of incorrect/incomplete information to a tax authority, –  
shall entail the imposition of a fine on the person with the status of organiser of market in the amount of GEL 4 000.  
*Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

#### **Article 291 - Other fines**

Failure of a person to fulfil any obligation provided for under this Code, for which responsibility is provided for, but the amount of fine is not defined by the this Code -  
shall entail the imposition of a fine in the amount of GEL 100.

### **Chapter XLI - Tax Agreement**

#### **Article 292 - Essence of a tax agreement**

1. A tax agreement may be concluded between the Revenue Service and a taxpayer to reduce the taxpayer's:
  - a) tax arrears/a part of tax arrears;
  - b) sum of a duty and/or the related penalty and surcharge which is administered by a tax authority.
2. This article shall not apply to current payments charged under Articles 155 and 205 of this Code.
3. In the case under paragraph 1(b) of this article Articles 293-295 of this Code shall apply accordingly.

*Law of Georgia No 4705 of 20 May 2011 - website, 1.6.2011*

*Law of Georgia No 4935 of 24 June 2011 - website, 30.6.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 6212 of 15 May 2012 - website, 29.5.2012*

*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*

*Law of Georgia No 3407 of 20 March 2015 - website, 26.3.2015*

*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

#### **Article 293 - Signing a tax agreement**

1. The taxpayer shall submit an application for a tax agreement to the Revenue Service that may:
    - a) refuse to sign a tax agreement with the taxpayer;
    - b) submit the application, along with appended documents, to the Minister of Finance of Georgia for consideration at the Government Meeting.
  2. The Government of Georgia shall make a decision on signing a tax agreement, defining the amount payable and the time limit of payment under the tax agreement.
  3. The taxpayer shall be obliged to discharge the liabilities under the tax agreement within the term fixed by the agreement.
  4. After the tax agreement has been signed, the head of the Revenue Service may make a decision on cancelling/not applying, in whole or in part, the overdue tax liability compliance security measures.
  5. After the terms and conditions of the tax agreement have been satisfied, the taxpayer's overdue tax liability shall be reduced by an individual administrative-legal act of the head of the Revenue Service.
  6. If the liabilities under the tax agreement have not been satisfied within the fixed term, the tax agreement shall be deemed cancelled, and fine in the amount of 10% of the unpaid sum shall be imposed on the taxpayer.
  7. After the tax agreement has been signed, it shall be impermissible to reduce the amount assessed in the tax return for the respective tax period by filing an adjusted Tax Return.
  8. After a tax agreement on reducing the amount (overdue tax liability) additionally assessed, as a result of tax control, has been signed:
    - a) a controlling/law-enforcement authority may not re-audit an audited period or matter and/or impose a tax/a sanction on a taxpayer, except for the tax period or matter related to the person who merged with the taxpayer after concluding the tax agreement with him/her;
    - b) a taxpayer may not initiate or resume a dispute on the grounds of any newly discovered/newly detected circumstances/evidence.
  9. If a tax agreement is cancelled, the rights and obligations of the tax authority and the taxpayer arising under the agreement shall be cancelled.
  10. The procedure for signing a tax agreement shall be defined by an ordinance of the Government of Georgia.
- Law of Georgia No 4206 of 22 February 2011 - website, 10.3.2011*  
*Law of Georgia No 4705 of 20 May 2011 - website, 1.6.2011*



*Law of Georgia No 4935 of 24 June 2011 - website, 30.6.2011*  
*Law of Georgia No 4963 of 24 June 2011 - website, 30.6.2011*  
*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*  
*Law of Georgia No 6212 of 15 May 2012 - website, 29.5.2012*  
*Law of Georgia No 189 of 28 December 2012 - website, 29.12.2012*  
*Law of Georgia No 1886 of 26 December 2013 - website, 30.12.2013*  
*Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017*

#### **Article 294 - Tax agreement form**

1. The tax agreement shall be executed between the Revenue Service and a taxpayer.
2. The tax agreement shall indicate:
  - a) the taxpayer's name, identification number or name and surname, personal number, as well as other details (if necessary);
  - b) the content and terms and conditions of the agreement;
  - c) the time limit and procedure for appealing a tax agreement.

#### **Article 295 - Appealing a tax agreement**

A taxpayer may appeal a tax agreement if the tax agreement has been signed by an authorised person.

### **SECTION XIV TAX DISPUTE**

#### **Chapter XLII - Tax Dispute Proceedings**

#### **Article 296 - General Provisions**

1. A tax dispute may be resolved within the system of the Ministry of Finance of Georgia and in court.
2. This Section sets forth the procedure for resolving a tax dispute within the system of the Ministry of Finance of Georgia.
3. An appellant may apply to the court at any stage of a tax dispute within the system of the Ministry of Finance of Georgia.
4. The procedure for tax dispute court proceedings shall be provided for by the legislation on administrative proceedings of Georgia.

#### **Article 297 - Authorities with competence for tax dispute resolution**

1. The authorities having the competence to resolve a tax dispute within the system of the Ministry of Finance of Georgia shall be the Revenue Service and the Dispute Resolution Council under the Ministry of Finance of Georgia (the dispute resolution bodies).
  2. The Dispute Resolution Council shall be a tax dispute resolution body under the Ministry of Finance of Georgia.
  3. A tax dispute within the system of the Ministry of Finance of Georgia shall include two stages, and it shall start with filing a complaint with the Revenue Service, except as provided for in paragraph 3<sup>1</sup> of this article.
  - 3<sup>1</sup>. An advance ruling under Article 47(1) of this Code shall not be appealed in the Revenue Service. A person may appeal against the advance ruling under Article 47(1) of this Code in the Dispute Resolution Council under the Ministry of Finance of Georgia.
  4. The composition of the Dispute Resolution Council shall be defined by the Government of Georgia.
  5. The dispute resolution bodies shall have regulations approved by the Government of Georgia that defines the procedure for resolving an appeal and communicating with appellants.
  6. The staff of the Dispute Resolution Council shall prepare appeals lodged with the Council for review; provide information on legal proceedings to appellants and process decisions delivered by the Council.
  7. The staff of the Dispute Resolution Council, by the decision of the head of staff, may hold a preparatory meeting to ascertain the circumstances related to an appeal.
- Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018*

#### **Article 298 - Tax dispute settlement principles**

1. A dispute resolution body, in resolving a dispute, shall be guided by the principles of fairness, objectivity, equality of arms and impartiality.
2. The appellant's tax obligations, within the system of the Ministry of Finance of Georgia may not be aggravated, as a result of a tax dispute, except where an audit is conducted within the scope of such a dispute by consent of the taxpayer.

#### **Article 299 – Initiating a tax dispute**

1. A decision made by the tax authority with relation to a person, based on this Code, may be appealed to a dispute



resolution body in the manner provided for by this Chapter.

2. A tax audit report and the decision based on it shall be appealed along with the Tax Notice based on such documents. A tax offence report/order shall be appealed in the manner provided for by this Chapter.

3. (Deleted – 13.5.2016, No 5092).

3<sup>1</sup>. A decision of the Revenue Service on a taxpayer's appeal related to the offences provided for under Articles 273 and 281 of this Code shall be appealed to a court.

4. A person may appeal a decision of the tax authority within 30 days after it has been served.

5. A person may deem the violation by the tax authority and/or a dispute resolution body of the time limit fixed for making a decision as a dismissal of his/her application and appeal it in the manner provided for by this Chapter. The time limit for appealing a decision issued in violation of the time limit shall commence from serving such a decision upon the person.

6. After 30-days, a dispute may be initiated on the grounds of newly discovered or newly revealed circumstances or evidence.

7. Newly discovered or newly revealed shall mean circumstances or evidence that the appellant did not know and could not have known prior to delivery of a decision unfavourable for him/her and the timely presenting of which would have resulted in the delivery of a decision favourable for the appellant.

8. A dispute may also be initiated if it is established that the appealed decision has not been sent to the appellant. In such a case, the term of appeal shall commence from the day the appealed decision became known to the appellant.

9. An appeal shall be filed with a dispute resolution body usually in an electronic form. The form of the appeal shall be defined under the regulations approved by the Government of Georgia.

10. The decision of the tax authority may be appealed even after the time limit for appeal has elapsed if the appellant proves that failure to observe the time limit for appeal was caused by the circumstance beyond his/her control.

11. Appealing a decision of the tax authority shall not suspend the decision.

*Law of Georgia No 4705 of 20 May 2011 - website, 1.6.2011*

*Law of Georgia No 5202 of 8 November 2011 - website, 22.11.2011*

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

*Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016*

*Law of Georgia No 649 of 21 April 2017 – website, 10.5.2017*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 300 – Filing an appeal for processing**

1. A dispute resolution body shall not accept an appeal for processing if the appeal fails to meet the following procedural requirements:

- a) the appellant's identification/personal number is not indicated in the appeal;
- b) the appellant's contact details are not indicated in the appeal;
- c) the appeal fails to clarify the essence of claim;
- d) a copy of an appealed decision or of a document related to its issuance (if any) is not attached;
- e) pages of the appeal or of the documents attached thereto are not numbered;
- f) the appeal or the documentation attached thereto are illegible;
- g) the appeal or a document attached thereto is not drawn up in the state language of Georgia;
- h) the appeal is not signed;
- i) the appeal has been filed by the representative and the document confirming the power of representation is not attached thereto.

2. If the appeal does not meet the procedural requirements, the appellant shall be given written notice, as well as at least five days to remedy the shortcomings in the appeal. The dispute resolution body may prolong the time for remedy of the shortcomings in the case of a well-grounded request of the appellant.

3. A dispute resolution body may accept an appeal for processing irrespective of a shortcoming, if such a shortcoming does not essentially impede the resolution of the appeal.

*Law of Georgia No 649 of 21 April 2017 – website, 10.5.2017*

*Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 301 – Refusal to resolve an appeal**

The dispute resolution body shall not resolve an appeal if:

- a) the appellant refuses to continue the dispute;
- b) the subject of the claim falls beyond the scope of authority of the dispute resolution body;
- c) the appeal has been lodged by an unauthorised person;
- d) there is no subject matter of the dispute;
- e) the time limit for lodging the appeal has elapsed;
- f) the appeal does not meet the procedural requirements and the appellant has failed to remedy the shortcoming within the time limit fixed by the dispute resolution body;



- g) there is a decision made by the same body on the same subject of the dispute with relation to the same appellant;
  - h) (Deleted – 14.7.2020, No 6817);
  - i) the appellant has applied to the court with respect to the same subject of the dispute;
  - j) the appellant has passed away;
  - k) the appealed Tax Notice reflects an acknowledged overdue tax liability. The appeal shall not be resolved with respect to the acknowledged overdue tax liability;
  - l) the appellant cannot be found;
  - m) the appeal is anonymous;
  - n) a tax agreement has been signed with respect to the appealed overdue tax liability.
- Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

### **Article 302 – Resolving an appeal**

1. A dispute resolution body shall resolve an appeal within 20 days.
2. A dispute resolution body shall resolve an appeal only to the extent of the appellant’s claim.
3. Unless otherwise provided for by this Chapter, a dispute resolution body shall resolve an appeal to the extent of the subject of the dispute appealed with the Revenue Service.
4. A dispute resolution body or its staff may request that the appellant or the tax authority produce additional information/documents about the appeal, at which time the proceedings for resolving the appeal shall be suspended.
5. The appeal shall be resolved with the participation of the appellant.
6. The dispute resolution bodies may resolve an appeal remotely, using the technical means. They may also resolve the appeal in the absence of the appellant if the available case materials fully establish the factual circumstances related to the subject of the dispute.
7. The appellant shall be notified of the time and venue of an oral hearing of an appeal by any means at the disposal of the dispute resolution body, including phone, registered mail or electronic mail, SMS, etc.
8. If the appellant cannot be contacted or found, or fails to appear at the oral hearing of the appeal, the appeal shall be heard in absentia of the appellant.
9. The appellant may defend his/her interests personally or through his/her authorised representative.
10. During the hearing, the appellant and/or his/her representative may attend the hearing in person or remotely, by using a technical device.

*Law of Georgia No 83 of 5 January 2021 – website, 6.1.2021*

### **Article 303 – Suspension of resolution of an appeal**

1. A dispute resolution body may suspend, on its own initiative or based on a party’s reasonable petition, resolution of an appeal in order to obtain additional information and/or documents.
2. While suspending the resolution of an appeal, a dispute resolution body may request that the appellant and/or the tax authority produce additional information or documents on the matters to be resolved within the scope of the appeal.
3. If the request of a dispute resolution body cannot be satisfied within the fixed term, the dispute resolution body shall be notified accordingly within a reasonable time.
4. The total duration of suspension of resolution of an appeal on the grounds of obtaining additional information and/or documents shall not exceed 45 days.
5. If the session of the Dispute Resolution Council is not held, the Chairperson or Vice-chairperson of the Council or in their absence – a member present at the session of the Council may make a decision on suspension of the appeal to be resolved at the session for maximum of 30 days, notifying the appellant to that effect.

### **Article 304 – Decision of a dispute resolution body**

1. A dispute resolution body may:
  - a) grant an appeal;
  - b) grant an appeal in part;
  - c) dismiss an appeal;
  - d) leave an appeal unresolved;
  - e) make an interim decision and suspend resolving of an appeal;
  - f) (Deleted – 14.7.2020, No 6817);
2. The interim decision of a dispute resolution body shall be appealed along with the final decision.
- 2<sup>1</sup>. If the appealed decision/tax notice has been issued in accordance with the decision made by a dispute resolution body, the dispute resolution body shall make the decision to refuse to grant the appeal. The aforementioned issue shall be considered by the body on the basis of the decision of which the appealed decision/tax notice was issued.
3. The acts issued by the tax authority, which served as the basis for the appeal decision shall be overturned pro rata to the overturned part of the decision of the tax authority.
4. The decision of a dispute resolution body shall usually be sent to the parties electronically.



5. If the appealed decision of a dispute resolution body is overturned based on the disciplinary misconduct of an official of the dispute resolution body, for adequate reaction to such a fact, the dispute resolution body authority shall report the information to the competent authority to determine the responsibility of such a person.
  6. If the basis for granting an appeal in full or in part by the Dispute Resolution Council is any record in the tax legislation of Georgia that allows multiple interpretations, the decision of the Council shall contain a recommendation on introducing changes to the normative act that shall be forwarded to the competent authority for follow-up.
- Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020*

#### **Article 305 - Appealing the decision**

1. If the Revenue Service makes a decision unfavourable to the appellant, the appellant may, within 20 days after being served with the decision, appeal the decision to the Dispute Resolution Council or court.
2. The appellant may appeal the decision of the Dispute Resolution Council within 20 days after being served with the decision, to a court.
3. Lodging an appeal with the tax authority or any other public authority within the time limit fixed for lodging an appeal shall be deemed as compliance with the time for appeal.
4. The burden of proof that the appellant has failed to observe the time limit for appeal rests with the tax authority.
5. Failure of the appellant to follow up the tax dispute within the fixed time limit shall be deemed as acknowledging the appealed overdue tax liability.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

#### **Article 306 - Entry into force and fulfilment of the decision**

1. A decision of a dispute resolution body shall take effect on the 21<sup>th</sup> day of serving it upon the appellant, unless appealed.
2. Fulfilling a decision of a dispute resolution body, that has taken effect, shall be binding.
3. An appellant may apply to a dispute resolution body, and provide it with information on hindering execution of the decision by an administrative authority.
4. Failure to execute or unlawfully hindering execution of the interim or final decision of a dispute resolution body shall be deemed disciplinary misconduct and entail responsibility as prescribed by the legislation of Georgia.
5. Execution of a decision may be postponed on the basis of a reasonable written request of the authority executing the decision and by the decision of a dispute resolution body.

*Law of Georgia No 5556 of 20 December 2011 - website, 30.12.2011*

#### **Article 307 - Clarification of the decision**

1. The appellant and the tax authority may apply to the dispute resolution body for clarification of the decision made by the latter.
2. While clarifying its decision, a dispute resolution body shall observe the same time-frames that are fixed for appeal resolution.
3. Clarifications shall form an integral part of the decision and shall be sent to the persons and authorities involved in the dispute.
4. Once executed, the decision shall not be clarified.

#### **Article 308 - Resumption of disputes**

1. A dispute may be resumed within the system of the Ministry of Finance of Georgia only in the event of newly discovered or newly revealed circumstances, within 6 years after the decision has been made.
2. Only the appellant shall be entitled to apply to a dispute resolution body for resuming the dispute.
3. Based on any newly discovered or newly revealed circumstance, the appellant shall apply to the dispute resolution body that was the last body to have substantially reviewed the subject of the dispute indicated by the appellant.

### **SECTION XV TRANSITIONAL AND CONCLUSIVE PROVISIONS**

#### **Chapter XLIII - TRANSITIONAL AND CONCLUSIVE PROVISIONS**

#### **Article 309 – Transitional provisions**

1. (Deleted – 20.12.2012, No 118).
2. (Deleted – 20.12.2012, No 118).
3. (Deleted – 20.12.2012, No 118).
- 3<sup>1</sup>. (Deleted – 13.5.2016, No 5092).
- 3<sup>2</sup>. (Deleted – 13.5.2016, No 5092).





- 3 . (Deleted – 13.5.2016, No 5092).
4. (Deleted – 20.12.2012, No 118).
5. (Deleted – 8.11.2011, No 5202).
6. (Deleted – 18.12.2015, No 4680).
7. (Deleted – 26.12.2013, No 1886).
8. (Deleted).
9. (Deleted).
10. (Deleted – 28.6.2019, No 4906).
- 10<sup>1</sup>. The processing customs procedures (except for an inward processing procedure) shall not apply to oil product waste (to bilge water (petroleum-contaminated water) and/or waste water after washing oil-storage tanks and reservoirs) provided that the processed product is exported from the territory of Georgia.
11. (Deleted – 28.6.2019, No 4906).
12. Supply of goods/provision of services by a partnership established before 7 August 2009 to its member in return for an interest shall not be subject to VAT and profit tax.
13. The Government of Georgia shall be assigned to prepare, upon making changes in the Forest Code of Georgia in the types of forest management in connection with the lands occupied by hunting undertakings, the relevant changes regarding imposing property tax on such lands.
14. The bad debt arising from economic activity conducted within the occupied territory shall be written off in agreement with the Government of Georgia, without regard to the documents set forth in Article 8(29)(a-d) of this Code.
15. Until 1 January 2023, natural persons not using hired labour and conducting economic activity from a movable point of sale, including a counter, located on the territory of a market (bazaar), except for a person who has been granted the status of a small business, or who has been registered or is obliged to get registered as a VAT payer under this Code.
16. Where a betting house is organised in an electronic-systemic form, the object of income/profit taxation for a person with respect to this activity shall be the sum of all bets accepted during each accounting month, which is subject to taxation at a 7% rate. In such a case, the person shall submit a tax return in the form established by the Minister of Finance of Georgia not later than the 15<sup>th</sup> day of the month following the accounting month, and shall pay the appropriate tax within the same period.
17. If a tourist zone business entity transfers a hotel built by the investment of such business entity, the provisions of Article 18(11)(c), Article 99(1)(q) and Article 99(2), and Article 206(1)(ee) shall apply to a new owner.
18. The privileges established under Article 99(1)(q) and paragraph 17 of this article shall not apply if a tourist zone business entity or a new owner that acquired such a hotel built by the investment of such business entity does not ensure the functioning of the hotel.
19. (Deleted – 28.6.2019, No 4906).
20. (Deleted – 28.6.2019, No 4906).
21. (Deleted – 28.6.2019, No 4906).
22. (Deleted – 28.6.2019, No 4906).
23. (Deleted – 14.7.2020, No 6817).
24. Until 1 January 2023, a natural person conducting the activity under Code 55.2 of the Georgian National Classification of Economic Activities, namely letting living space owned by him/her for a short period, shall be taxable at a fixed income tax rate in the event of applying to the tax authority, if he/she is not voluntarily registered as a VAT payer or the total sum of the transactions performed by him/her in this part of activity in any 12 continuous calendar months does not exceed GEL 100 000.
25. For the part of activity provided for in paragraph (24) of this article, the living space, intended for letting for a short period, shall be an income tax object of taxation for a natural person.
26. The fixed income tax shall be determined according to the object of taxation (room) and shall amount to GEL 10 per m<sup>2</sup> in a calendar month. Depending on the location of the object of taxation and/or seasonality, the Government of Georgia may reduce and/or increase the fixed income tax rate based on the application by the local self-government authority.
27. The fixed rate income tax, according to objects of taxation, shall be paid:
- a) for the period from 1 January through 31 March – by no later than 15 April;
  - b) for the period from 1 April through 30 June – by no later than 15 July;
  - c) for the period from 1 July through 30 September – by no later than 5 October;
  - d) for the period from 1 October through 31 December – by no later than 15 January.
- Note:** At the same time, the assessed fixed rate income tax shall not be subject to subsequent recalculation.
28. Transition to the fixed rate income tax shall be performed based on the taxpayer's application. The period of levying the fixed rate income tax may cover either a full calendar year or one or more calendar month(s) that may not be continuous.
29. During the period of levying the fixed rate income tax:
- a) in connection with letting living space by a natural person for a short time, a person engaged in hired labour shall be exempt from income tax, correspondingly, a person letting living space for a short time – from a tax agent's obligation;



- b) the tax privileges under this Code shall not apply to the income tax with respect to the fixed rate income tax;
- c) a natural person shall be released from the obligation to use a cash register.
30. If in the period of levying fixed rate income tax the object of taxation of the fixed rate income tax under paragraph (24) of this article is leased out and the lessee uses the property for the same type of activity:
- a) the lessee shall be exempt from profit/income tax on the income from letting the living space for a short time;
- b) in connection with letting a living space by a lessee for a short time, a person engaged in hired labour shall be exempt from income tax, correspondingly, a lessee – from a tax agent's obligation;
- c) the lessee shall be released from the obligation to use a cash register for such activity.
31. The Minister of Finance of Georgia shall define the procedure of transition to the fixed rate income tax and of tax reporting.
32. Letting a living space by a natural person for a short time in the period of levying fixed rate income tax on such a person shall not be deemed as a VAT taxable transaction.
33. From 1 January 2011, natural persons shall not be subject to the fine provided for under Article 274 of this Code for violation of the time limit for filing a property tax return for 2007 on the object of taxation provided for by Article 203 of this Code.
34. The object of taxation (parcel of land) calculated pro rata to the co-owned area of a natural person residing in an apartment house shall be fully exempt from property tax in 2011.
35. For the purposes of profit and property taxes, the norms of the Tax Code of Georgia effective before 1 January 2010 shall apply to depreciable fixed assets leased before 1 January 2010.
36. (Deleted – 14.7.2020, No 6817).
37. Notwithstanding the requirements of Article 252 of this Code, the following shall be written off:
- a) an acknowledged tax liability, which incurred before 1 January 2013 and remains outstanding at the moment of its write-off, and the surcharge assessed on it, if the person has not submitted to a tax authority any tax return/calculation (except for the person's property tax return/calculation, and a declaration and/or assessment made in accordance with Article 176<sup>1</sup>(1) or Article 309(58) and (59) of this Code) for any period after 1 January 2013 (before the amounts are written off), or if the tax amount to be charged as payable based on the tax return/calculation (except for the person's property tax return/calculation and a declaration and/or assessment made in accordance with Article 176<sup>1</sup>(1) or Article 309(58) and (59) of this Code) submitted to the tax authority equals zero (except where the amount of the total income under the submitted tax return/calculation exceeds zero and/or the amount deductible exceeds the amount assessed); the procedure for writing off the tax liability as provided for by this subparagraph shall be applied until 1 January 2021;
- a<sup>1</sup>) an acknowledged tax liability, which incurred before 1 January 2013 and exists for the moment of its write-off, and the surcharge assessed on it, if the person has not submitted to a tax authority any tax return/calculation (except for the person's property tax return/calculation, and a declaration and/or assessment made in accordance with Article 161<sup>1</sup>(1) or Article 309(58) and (59) of this Code) for any period after 1 January 2013 (before the amounts are written off), or if the tax amount to be charged as payable based on the tax return/calculation (except for the person's property tax return/calculation and a declaration and/or assessment made in accordance with Article 161<sup>1</sup>(1) or Article 309(58) and (59) of this Code) submitted to the tax authority equals zero (except where the amount of the total income under the submitted tax return/calculation exceeds zero and/or the amount deductible exceeds the amount assessed);
- b) (Deleted – 21.7.2018, No 3263);
- c) a penalty imposed/charged before 1 January 2013 on a natural person under Article 281 of this Code and Article 139 of the Tax Code of Georgia that was in force until 1 January 2011 and still outstanding by the time of entry into force of this paragraph.
38. The salaries accrued but not paid by 1 January 2008 shall be subject to 12% income tax.
39. (Deleted – 22.6.2012, No 6547).
40. (Deleted – 1.5.2015, No 3581).
41. (Deleted – 13.5.2016, No 5092).
42. A person who was engaged in the organisation of a market (except for the organisation of an agricultural market) before 1 January 2018 shall:
- a) not later than 1 July 2018, apply to a tax authority for granting him/her the status of organiser of market;
- b) (Deleted – 19.12.2019, No 5626);
- c) (Deleted – 19.12.2019, No 5626);
- d) (Deleted – 19.12.2019, No 5626);
- e) not later than 1 January 2023, completely provide mobile trading places located within the market territory with cash registers.
43. (Deleted – 20.12.2012, No 118).
44. (Deleted – 14.7.2020, No 6817).
45. Notwithstanding the requirements of Article 252 of this Code, the Revenue Service may write off, under the procedure established by the Minister of Finance of Georgia, any overdue tax liability, and fines and penalties assessed on it, if the liability is not deemed acknowledged under the legislation of Georgia, or the taxpayer has not been served with



any notice of a tax authority/Tax Notice regarding the assessment of the tax liability amount, and the limitation period for serving the notice has expired.

46. The tax treatment of international carriage and related services (including forwarding) in the course of tax audit of tax period(s) from 1 January 2005 to 1 June 2006 shall be defined taking into consideration the amendments made to the Tax Code of Georgia (Legislative Herald of Georgia, No 41, 30.12.2004, Art. 200) under Law of Georgia No 2955 of 28 April 2006 (Legislative Herald of Georgia, No 11, 1.5.2006, Art. 84). This paragraph shall not apply to the overdue tax liabilities assessed and acknowledged as per a tax audit completed prior to coming into force of this paragraph.

47. The 10-year loss carryover period defined by Article 122 of this Code shall apply to the loss incurred in 2010 and in subsequent years.

48. Article 142(4) of this Code shall not apply to amounts assessed and unpaid prior to 1 January 2011.

49. The tax treatment of revenues received/receivable in the form of contractual penalties and other fines in the course of tax audits of any tax period(s) subsequent to 1 January 2006 shall be defined taking into consideration Article 136(13) of this Code. This paragraph shall not apply to overdue tax liabilities assessed and acknowledged per a tax audit completed prior to coming into force of this paragraph.

50. Notwithstanding the requirements of Article 252 of this Code, the following shall be written off in the manner provided for by the Minister of Finance of Georgia:

a) the property tax assessed on and unpaid for the property in the territories established by the Law of Georgia on Occupied Territories, the penalty interest and fines assessed on it;

b) the property tax assessed on and unpaid for the land possessed/owned by a person, the penalty interest and fines assessed on it, if the land is situated in territories adjacent to the territories established by the Law of Georgia on Occupied Territories, due to which the person cannot use the land, as evidenced by a certificate issued by a local self-government authority;

c) the property tax assessed on and unpaid for property possessed/owned by a person and parcels of land attached to it, the penalty interest and fines assessed on it, if such a person cannot use such property due to the property being used as a dwelling for IDPs, and if the property has been registered as a unit of compact (organised) accommodation of IDPs, as evidenced by a certificate issued by the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs Georgia.

51. If a natural person fulfils the obligation to declare property tax on agricultural land before 1 January 2014, he/she shall be released from the corresponding fine established by this Code.

52. In connection with the tax audit of any tax period(s) prior to the establishment by the competent authority of a maximum marginal rate of loss:

a) the rate of loss established by the competent authority shall apply only if in such tax period the taxpayer used a higher loss rate than that established by the competent authority;

b) if in such tax period the taxpayer used a loss rate equal to or lower than that established by the competent authority, a shortage within the loss rate applied shall not be deemed as a shortfall;

c) no consideration shall be given to the adjustment of tax liability in connection with the taxpayer applying a maximum marginal rate of loss, subsequent to the establishment of the loss rate, if the taxpayer used the loss rate lower than that established by the competent authority or did not use it at all.

53. Paragraph (52) of this article shall not apply to overdue tax liabilities assessed and acknowledged per tax audits completed prior to coming into force of this paragraph.

54. Goods imported for military exercise under the Memorandum on Facilitation of Crossing Border by Civil Transport of Vital Importance, signed in Brussels on 30 October 2007, shall be exempt from import duties.

55. The tax liabilities, privileges and restrictions of an investor and contractor under the Law of Georgia on Olympic Movement Promotion shall be determined by this Code and the Law of Georgia on Olympic Movement Promotion.

56. In the cases provided for by the Law of Georgia on Olympic Movement Promotion, the representative body of local self-government may, within the scope of its authority, introduce a local tax rate different from the one fixed by this Code on a part of the territory of the self-governing unit, within the limits of marginal rates fixed by an ordinance of the Government of Georgia.

57. Articles 82(1)(gg) and (gg<sup>1</sup>), 99(1)(u), 153(5<sup>1</sup>), 161<sup>1</sup>(2), 165<sup>1</sup>(3)(d), 165<sup>2</sup>(2)(d), 168(5), 205(10<sup>1</sup>), 206(1)(gg<sup>4</sup>) and 272(3<sup>1</sup>) of this Code shall not apply to persons engaged in the electricity distribution activity under the Law of Georgia on Power Engineering and Natural Gas.

58. The interests not reimbursed to a natural person (except for a person registered as a VAT payer at the moment of receiving income) or a non-resident enterprise (except where the income belongs to a non-resident's permanent establishment in Georgia):

a) by the end of 2012, which are deducted as expenditure in the tax period of 2006, shall be deemed for tax purposes to be reimbursed at the end of 2012;

b) by the end of 2012, which are deducted as expenditure in the tax period of 2007, shall be deemed for tax purposes to be reimbursed till 1 July 2013;

c) by the end of 2013, which are deducted as expenditure in the tax period of 2008, shall be deemed for tax purposes to be reimbursed at the end of 2013;



d) by the end of 2014, which are deducted as expenditure in the tax period of 2009, shall be deemed for tax purposes to be reimbursed at the end of 2014;

e) by the end of 2015, which are deducted as expenditure in the tax period of 2010, shall be deemed for tax purposes to be reimbursed at the end of 2015.

59. Where so provided for by paragraph (58) of this article, a person shall have a tax agent's obligation and the obligation to be taxed by 5 per cent of the corresponding amount, and if actually reimbursed in the subsequent period, the respective income shall not be taxable at the payment source.

60. (Deleted – 13.5.2016, No 5092).

61. The penalty on the outstanding part of a tax liability between 1 January 2013 and 30 June 2015 shall be assessed in the amount of 0.06%, and the penalty under Article 272(4) of this Code in the amount of 0.05% shall be assessed on the outstanding part of a tax liability as from 1 July 2015. In this case, provisions of Article 269(2) and (2<sup>1</sup>) of this Code shall not apply when defining the amount of penalty for non-payment of the tax.

62. The limitation period defined under Article 4(1), (3), (5), (8) and (9) of this Code and the period defined under Article 43(1)(f) and Article 72 (3) of this Code shall be:

a) within the period from 1 January 2015 to 1 January 2016 – 5 years;

b) within the period from 1 January 2016 to 1 January 2017 – 4 years.

63. (Deleted – 14.7.2020, No 6817).

64. A tax agreement concluded on the basis of a decision made before 31 December 2013 shall retain legal force and shall be subject to the provisions of Chapter XLI of the Tax Code of Georgia that was in force at the time when the decision in question was made.

65. The amount paid within the scope of the state financing provided under Article 10 of the Law of Georgia on State Support for National Cinematography shall be recognised as income at the moment of accepting a national film for operation, but not later than the preparation of an act on the completion of the film and the moment of confirming the fact that the financing was spent according to the intended purpose.

66. A person shall record a national film produced with the support of state financing under the Law of Georgia on State Support for National Cinematography as an intangible asset. The person may fully deduct depreciation charges on the intangible asset from the moment of accepting the film for operation.

67. A person who produces a film with the support of state financing under the Law of Georgia on State Support for National Cinematography, shall be obligated to:

a) select the deduction rate for the depreciation charges on an intangible asset in the year when the asset was put into operation and shall not change the selected rate of deduction for the given asset in the periods following the tax year when the asset was put into operation;

b) in the case of full deduction of depreciation charges, use the same method for all the subsequently produced national films, however, he/she may change the selected full deduction of the depreciation charges after five years from the moment of selection.

68. (Deleted – 14.7.2020, No 6817).

69. (Deleted – 14.7.2020, No 6817).

70. (Deleted – 14.7.2020, No 6817).

71. (Deleted – 14.7.2020, No 6817).

72. (Deleted – 14.7.2020, No 6817).

73. (Deleted – 14.7.2020, No 6817).

74. (Deleted – 14.7.2020, No 6817).

75. (Deleted – 14.7.2020, No 6817).

76. (Deleted – 14.7.2020, No 6817).

77. (Deleted – 14.7.2020, No 6817).

78. (Deleted – 14.7.2020, No 6817).

79. Supply of immovable property and delivery by the supplier of immovable property of construction and installation services related to the property supplied shall be VAT exempt with the right to deduct if all of the following conditions are met:

a) the immovable property is supplied and the related construction and installation services are delivered within the period from 1 January 2015 to 1 January 2026;

b) the supplied immovable property is located within the facility that meets one of the following conditions:

b.a) the facility is provided for by a construction permit which was valid on 8 August 2008;

b.b) the design documentation ( architectural design ) for the facility was agreed upon with an authorised body, as of 8 August 2008, but the construction permit was issued later on;

b.c) the design documentation (architectural design) for the facility provided for by subparagraph b.a) or b.b) of this paragraph was changed, or the existing building was taken down and a new construction permit was issued during the period following 8 August 2008;

c) the supplier of the immovable property is the holder of the construction permit issued for the facility specified in subparagraph b) of this paragraph (he/she may not be the holder of the construction permit/the design documentation (



architectural design ) specified in sub-paragraph (b) of this paragraph);

d) an authorised body issues, before 1 January 2026, an individual administrative-legal act to put into operation the facility where the supplied immovable property is located;

e) the facility where the supplied immovable property is located is intended for living;

f) the facility where the supplied immovable property is located is included in the list under paragraph 81 of this article.

**Note:** for the purpose of this paragraph, if within the period from 8 August 2008 to 1 January 2015 the right of ownership to immovable property, as a facility under construction, located in a facility included in the list under paragraph 81 of this article was registered with the Public Registry in the name of a purchaser, construction and installation services delivered by the property supplier in connection with this property shall be considered as part of the immovable property supply, and the moment of completing the construction and installation services shall be considered as the time of supply.

80. The construction and installation services rendered in connection with a facility included in the list under paragraph 81 of this article to a person supplying the immovable property which, under paragraph 79 of this article, is VAT exempt with the right to deduct shall be VAT exempt with the right to deduct.

81. To enjoy the privileges provided for in paragraphs 79 and 80 of this article, the list of facilities that meet the requirements set in paragraph 79(b) and (e) of this article shall be compiled by an executive body of the municipality.

81<sup>1</sup>. A person may apply to a municipal executive body for entering a facility in his/her possession in the list under paragraph 81 of this article. The municipal executive body shall enter this facility in this list if, upon application to it by the person, this facility meets the requirements of paragraph 79(b) and (e) of this article.

81<sup>2</sup>. Based on the tax privileges under paragraphs 79 and 80 of this article, the period of limitation under Article 4 of this Code of the respective accounting period for an exempt taxable transaction conducted within the accounting periods between 1 January 2015 and 1 January 2023 shall be:

a) eleven years for an exempt taxable transaction conducted within the accounting period from 1 January 2015 to 1 January 2016;

b) ten years for an exempt taxable transaction conducted within the accounting period from 1 January 2016 to 1 January 2017;

c) nine years for an exempt taxable transaction conducted within the accounting period from 1 January 2017 to 1 January 2018;

d) eight years for an exempt taxable transaction conducted within the accounting period from 1 January 2018 to 1 January 2019;

e) seven years for an exempt taxable transaction conducted within the accounting period from 1 January 2019 to 1 January 2020;

f) six years for an exempt taxable transaction conducted within the accounting period from 1 January 2020 to 1 January 2021;

g) five years for an exempt taxable transaction conducted within the accounting period from 1 January 2021 to 1 January 2022;

h) four years for an exempt taxable transaction conducted within the accounting period from 1 January 2022 to 1 January 2023.

82. (Deleted – 28.6.2019, No 4906).

83. The exemption from liability provided for by paragraph 82 of this article shall not apply to persons against whom the tax sanctions imposed for tax offences were enforced before the entry into force of paragraph 82 of this article.

84. A document confirming the payment of VAT into the budget at the time of reverse charge or temporary admission of goods shall be deemed to be a deduction document for the reporting periods before 1 July 2015.

85. The Minister of Finance of Georgia shall ensure issuance of an order to establish the procedure specified in Article 81(5) of this Code before 1 January 2016.

86. Waiver by an electricity enterprise engaged in electricity distribution of a debtor's debt incurred as a result of the supply of electricity from 1 November 2001 to 1 January 2005 shall not be deemed as the reimbursement of the cost of the received goods.

87. The following shall be exempted from income tax:

a) a benefit received by a natural person as a result of the waiver of the debt incurred as a result of the supply of electricity 1 November 2001 to 1 October 2005;

b) a benefit received by a person affected by the natural disaster occurring in Tbilisi on 13-14 June 2015:

b.a) as a result of waiver of loan by a financial institution;

b.b) as a result of receiving goods/services free of charge from 14 June 2015 to 1 January 2016;

c) the benefit received by a natural person as a result of waiving (writing off) the loan granted to the natural person before 1 January 2019, and the interest and the penalty accrued on the loan if the appropriate obligation of the aforementioned natural person has been waived (written off) by a commercial bank or a microfinance organization.

**Note :**

1. For the purposes of subparagraph (b) of this paragraph, the list of persons affected by the natural disaster that occurred in Tbilisi on 13-14 June 2015 shall be compiled by the government of the Tbilisi municipality.



2. Sub-paragraph c) of this paragraph shall not apply to the cases of waiver by an employer of a loan obligation of an employee or of the related persons defined under Article 19 of this Code.

88. A financial institution may deduct from the total income the value of the loan (waived) under paragraph 87(b.a) of this article. The value of the loan (waived) under paragraph 87(b.a) of this article need not be included in the total income by the financial institution.

88<sup>1</sup>) A commercial bank or a microfinance organisation may deduct the amount waived (written off) for a natural person, as provided for in paragraph 87(c) of this article, from the gross income, except when:

a) the reserve of a potential loan loss has been deducted from the gross income for a respective period;

b) the interest and the penalty accrued on the loan has not been included in the gross income for a respective period.

**Note:** Based on the limitation defined in this paragraph, the value of an obligation waived (written off) for a natural person, as provided for in paragraph 87(c) of this article, shall not be subject to inclusion by a commercial bank or a microfinance organisation in the gross income.

89. If the Government of Georgia, in accordance with the treaty put in effect after the ratification by the Parliament of Georgia, has an obligation to make exemption from or to undertake the fulfillment of tax liabilities arisen from supply of goods and/or providing services (except where it is directly determined in the treaty that tax liabilities are fulfilled by the Government of Georgia) the supply of goods and/or provision of services within the scope of the said treaty shall be deemed exempt from VAT with the right of deduction and the income from conducting such operations shall be exempt from income/profit tax.

90. Gratuities transferred by an enterprise/entrepreneur to the State and/or self-government unit in relations with natural disaster which took place in 13-14 June 2015 in Tbilisi, shall be subject to deduction from gross income.

91. Tax privileges under Article 82(2)(a.f) of this Code that are valid until 1 January 2016 shall apply to persons under the same subparagraph residing in towns, villages, communities and small settlements (except for settlements included in the list of high-mountain settlements approved by Ordinance No 671 of 30 December 2015 of the Government of Georgia on Approval of the List of High-mountain Settlements) specified in the list defined under the appendix to the law provided for in Article 6 of the Law of Georgia on Socio-economic and Cultural Development of High-mountain Regions valid until 1 January 2016.

92. If a resident enterprise distributes a dividend from a net profit gained during the reporting periods from 1 January 2008 to 1 January 2017, it may set off the amount of profit tax assessed and paid based on the reporting periods, but not more than the amount to be paid according to the object of profit taxation provided for under Article 98<sup>1</sup> of this Code.

92<sup>1</sup>. The distribution of profit gained by the permanent establishment of a non-resident enterprise before 1 January 2017 shall not be subject to profit taxation.

93. The amount to be set off under paragraph 92 of this article shall be calculated by the following formula –  $A \times B / (C - D)$ , where: A is the amount to be distributed as a dividend; B is the amount of profit tax assessed and paid according to the reporting periods from 1 January 2008 to 1 January 2017; C is the amount of net profit gained during the reporting periods from 1 January 2008 to 1 January 2017; D is the value of the shares/interest of an enterprise transferred to a partner by the enterprise instead of a dividend based on the net profit gained during the reporting periods from 1 January 2008 to 1 January 2017.

93<sup>1</sup>. In the case under Article 98<sup>2</sup>(3)(f) of this Code, a person may, in accordance with paragraph 92 of this article, set off the profit tax imposed and paid before the distribution of dividends for the accounting periods from 1 January 2008 to 1 January 2017.

93<sup>2</sup>. If a person enjoys the right under paragraph 93<sup>1</sup> of this article:

a) at the time of the distribution of dividends for the accounting periods from 1 January 2008 to 1 January 2017, the offset under paragraph 92 of this article shall be decreased by the amount of the profit tax set off in accordance with paragraph 93<sup>1</sup> of the same article;

b) at the time of receiving the compensation as a result of providing the right to participate in the capital (shares/interest) (actually receiving the sum), a person may set off the previously paid profit tax within the accounting period when the sum was actually received but not more than the profit tax calculated according to the sum compensated.

94. Commercial banks, credit unions, insurance organisations, microfinance organisations and loan providers shall be subject to profit tax according to the objects of taxation under Article 97(1) of this Code from 1 January 2023.

95. Until 1 January 2023, the object of profit taxation for commercial banks, credit unions, insurance organisations, microfinance organisations and loan providers shall be the difference between the gross income gained during a calendar year and the deduction amounts under this Code.

96. (Deleted – 14.7.2020, No 6817).

97. The rate for mobile communication services under Article 188(3) of this Code shall be 8 % until 1 January 2017, and 3 % – from 1 January 2017 till 1 January 2018.

98. The time of performing a taxable transaction involving goods supplied/services provided within a period after 1 January 2017 for which the compensation/part of the compensation was paid before 1 January 2017 (before supply of goods/provision of services) shall be considered the moment of supplying goods/providing services. In addition, the compensation/part of the compensation paid within a period after 1 January 2017 on the same transaction before supply



of goods/provision of services shall be subject to VAT assessment under Article 163(2) of this Code.

99. For the purposes of Article 98<sup>1</sup> of this Code:

- a) the distribution of dividends from profits attributed to the periods from 1 January 2008 to 1 January 2023 received from a person under paragraph 94 of this article shall not be considered as the distribution of profit;
- b) the distribution of dividends from profits attributed to the periods from 1 January 2008 to 1 January 2017 to a person under paragraph 94 of this article, also the distribution of dividends from profits attributed to the periods from 1 January 2017 to 1 January 2023 to a person under paragraph 94 of this article until 1 January 2023 shall be considered as the distribution of profit.

100. Until 1 October 2019, a motor car under the commodity item 8703 of the National Commodity Nomenclature of Foreign Economic Activities shall be taxed at an excise rate effective until 1 June 2019 if:

- a) transportation of the motor car by sea has started before 1 June 2019, and it is delivered to the customs territory of Georgia by the sea transport not later than 31 August 2019;
- b) the motor car is delivered to the customs territory of Georgia before 1 June 2019.

101. Co-financing received by a person from the Legal Entity under Public Law within the system of the Ministry of Economy and Sustainable Development of Georgia – Produce in Georgia under Ordinance No 365 of 30 May 2014 of the Government of Georgia on Approval of the State Programme ‘Produce in Georgia’ throughout the duration of this ordinance, within the micro and small entrepreneurship part of the State Programme ‘Produce in Georgia’ shall not be included in the gross income.

102. In the case of enjoying the tax privileges under Article 99(1)(f) and (q) of this Code that are effective during the respective accounting period, the period of limitation under Article 4 of this Code of the respective accounting period for the accounting periods of 2014-2016 years shall be extended by one year.

103. For the purposes of Article 98<sup>1</sup> of this Code:

- a) distribution of dividend from the net profit earned during the accounting period from 1 January 2008 to 1 January 2017 shall be deemed as the distribution of profit, whereas its subsequent distribution by the recipient of the dividend – the person defined under Article 2(1) of the Law of Georgia on Entrepreneurs (except for an individual enterprise and a person exempted from profit tax under this Code) shall not be deemed as the distribution of profit;
- b) subsequent distribution of dividend received during the accounting periods before 1 January 2017 shall not be deemed as the distribution of profit.

104. An object of profit taxation of an enterprise shall be the difference between the gross income gained during a calendar year and the deduction amounts provided for by this Code if the enterprise has been granted the status of person under paragraph 94 of this article during the respective calendar year (it has been established that it is the person under paragraph 94 of this article). In such a case:

- a) accruals carried out on the basis of a profit tax return submitted according to the object of taxation under Article 97 of this Code during the respective calendar year shall be cancelled;
- b) current payments payable according to the periods under Article 155 of this Code for the period before acquiring the status of person under paragraph 94 of this article (before being declared a tax payer of this category) shall not be imposed.

105. An object of profit taxation of an enterprise shall be the difference between the gross income gained during a calendar year and the deduction amounts provided for by this Code if the enterprise has lost the status of person under paragraph 94 of this article during the respective calendar year (it has been established that it is not the person under paragraph 94 of this article).

106. If an enterprise taxed according to the objects of taxation under Article 97(1) and (3) of this Code since 1 January 2017 was established during the period from 1 December 2016 to 31 December 2016, its first taxation period shall be the period from the day it was established till the end of 2016, according to which it shall submit the profit tax return to the tax authority before 1 April 2018.

107. For VAT taxation purposes, provisions effective until 1 January 2018 shall apply to long-term contracts concluded before 1 January 2018.

108. A person having the status of a small business shall file a tax return for the period from 1 January 2018 to 1 July 2018 to a tax authority not later than 1 April 2019.

109. An entrepreneur natural person, who has been granted the status of a small business within the period from 1 January 2018 to 1 July 2018, shall file a tax return for an incomplete tax period (for a period from 1 January 2018 until the month when the status was granted) to a tax authority not later than 1 April 2019.

110. A penalty under Article 274 of this Code for violation of the time limit determined for filing a tax return under Article 93(1<sup>1</sup>) of this Code for the accounting periods from 1 January 2018 to 1 January 2019 with a tax authority shall not be imposed on a person having the status of a small business;

111. Articles 26<sup>2</sup>(5) and 290<sup>2</sup> of this Code shall be suspended until 1 January 2023.

112. Within 6 calendar months from 1 May 2020, and within 6 calendar months from 1 December 2020, an employer may reduce (not pay to the budget) its payable income tax deducted from a salary of up to GEL 750 paid to an employee if the salary of the employee received from this employer during one calendar month does not exceed GEL 1 500.



**Note:** the tax privilege under this paragraph does not apply to:

- a) a budgetary organisation;
- b) the National Bank of Georgia;
- c) a national regulatory body;
- d) an enterprise more than 50% of the equity/shares of which is held by the state or a municipality;
- e) an enterprise established by/a subsidiary enterprise of the enterprise provided for by paragraph d) of this note if this enterprise holds more than 50% the equity/shares of the enterprise established thereby/its subsidiary enterprise.

113. A person may impose a VAT tax on rental/leasing services rendered during 6 calendar months (the accounting period) from 1 March 2020, and during 6 calendar months (the accounting period) from 1 December 2020, within the accounting period of actual payment of the compensation amount/part of the compensation amount for the services.

114. The Minister of Finance of Georgia/Head of the Revenue Service shall have the right to extend for individual taxpayers the deadline set by this Code for payment of income tax and/or property tax payable in 2020 (including in February, March, April and May of 2020) until not later than 1 January 2021. In such a case, a surcharge provided for by this Code shall not be charged to a taxpayer.

114<sup>1</sup>. The Minister of Finance of Georgia/head of the Revenue Service shall have the right to extend the deadline set by this Code for payment of income tax payable in November and December of 2020 until not later than 1 July 2021 for a taxpayer who performs activities provided for by paragraph 115(a) of this article in urban-type settlement (daba) of Bakuriani of the Borjomi municipality, village Gudauri of the Kazbegi municipality, resort goderdzi located in the Khulo municipality or in urban-type settlement (daba) Mestia of the Mestia municipality. In such a case, the surcharge provided for by this Code shall not be charged on the taxpayer.

115. The property used in the activities under the below Codes of the Georgian National Classification of Economic Activities ( 006-2016) shall be exempt from the property tax to be declared in 2020 or 2021 under this Code:

- a) property used in the activities provided for under Code 55.1 (hotels and similar accommodation facilities) and/or under Code 55.2 (rest and other short-term accommodation facilities);
- b) property used in the activity provided for under Code 56.1 (restaurants and mobile food service activities);
- c) property used in the activity provided for under Code 56.3 (beverage service activities);
- d) property used in the activity provided for under Code 79 (travel agencies, tour operators and other reservation services and related activities).

**Note:** the tax privilege under this paragraph shall also apply to the property transferred by rent, leasing or another similar way if the property is used in any of the activities defined by the same paragraph.

116. Provision of a tax authority with incorrect information, which has lead to an unreasonable payment to an employee of the compensation related to the spread of the novel coronavirus in Georgia as defined by Ordinance No 286 of 4 May 2020 of the Government of Georgia on Approval of the Targeted State Programme for Mitigating the Damage Incurred as a Result of the Infection (COVID-19) Caused by the Novel Coronavirus (SARS-COV-2), shall carry a fine for an employer in the amount of the doubled compensation paid on the basis of the aforementioned information.

117. If a lease agreement is concluded till 1 January 2022, the VAT taxable amount of the property lease out transaction shall be the full amount of the lease payments under the agreement (including the benefit under the agreement), and the VAT taxation shall be carried out in proportion to the amount payable, in stages, according to the accounting periods within which the appropriate amount is to be paid. In addition, if the amount, fully or partially, is paid earlier than it is provided for by the agreement, the VAT corresponding to the amount reimbursed shall be paid according to the accounting period of payment of this amount.

118. An enterprise, which has been granted the status of a person provided for by paragraph 94 of this article (it has been established that it is a person provided for by paragraph 94 of this article):

- a) shall, under the procedure established by the Minister of Finance of Georgia, impose a profit tax on the distribution of dividends in the accounting periods after receiving the appropriate status, from the net profit earned within the accounting periods from 1 January 2017 till the receipt of the status, when the person was subject to profit tax according to the objects of taxation under Article 97(1) and (3) of this Code;
- b) may, in the accounting periods after receiving the status, under the provisions of Article 98<sup>2</sup> and 98<sup>3</sup> of this Code, deduct and refund under the procedure established by the same Code the amount of profit tax paid according to the accounting periods from 1 January 2017 till the receipt the status, when the person was subject to profit tax according to the objects of taxation under Article 97(1) and (3) of this Code. The procedure for deducting and refunding the amount of profit tax shall be defined by the Minister of Finance of Georgia.

119. If an enterprise, which has lost the status of a person provided for by paragraph 94 of this article (it has been established that it is no longer a person provided for by paragraph 94 of this article), distributes dividends in the accounting periods after losing the status from the net profit earned in the accounting periods from 1 January 2017 until the loss of the status, when the person was subject to profit tax according to the object of taxation provided for by paragraph 95 of this article, it shall be entitled to deduct the amount of profit tax assessed and paid according to these periods, but not more than the amount payable according to the object of profit taxation provided for by Article 98<sup>1</sup>(1) of this Code.





120. The amount of profit tax provided for by paragraph 118 of this article deductible from the net profit earned in the accounting periods when a person was subject to profit tax according to the object of taxation under paragraph 95 of this article shall be calculated according to the following formula:  $A \times B / (C - D)$ , where A is the amount of a sum to be distributed as a dividend; B is the amount of profit tax assessed and paid according to the accounting periods from 1 January 2017 until the loss of the status; C is the amount of net profit earned in the accounting periods from 1 January 2017 until the loss of the status; D is the value of the shares/interest of this enterprise transferred by the enterprise to its partner in return for a dividend at the expense of the net profit earned in the accounting periods from 1 January 2017 until the loss of the status.

121. In customs proceedings provided for by the Customs Code of Georgia, for the purposes of Article 163(9) of the Customs Code of Georgia, consideration shall be given to tax offences identified before 1 September 2019 on the basis of Articles 277, 279, 289 and 290 of this Code.

122. If tax liabilities of a taxpayer are written off under the procedure established by the tax legislation, and before the tax liabilities are written off, payment of the amount of the aforementioned tax and the sanction, including in the form of compensation for damage, has been imposed by the court decision on the same taxpayer and/or an authorised person for administration/representation and/or on a founder in favour of the state/the state budget/a tax authority, a liability imposed by the court decision and remaining outstanding shall be considered cancelled after the tax liabilities are written off and the enforcement proceedings initiated on the basis of this liability shall be terminated.

123. Provisions provided for in Article 174(9<sup>1</sup>) of this Code effective until 1 January 2021 shall apply to the cases of supplying fixed assets purchased before 1 January 2021 in a period after 2021.

124. Before 1 January 2021, apart from the grounds under Article 61(2) of this Code, information on VAT assessment of the sale of goods in the case provided for by Article 176<sup>1</sup> of this Code shall also be the ground for the assessment of a tax.

125. The Minister of Finance of Georgia shall, have the right to define before 1 January 2021 certain cases when a tax authority may cancel the registration of a person as VAT taxpayer. In such a case, the registration as VAT taxpayer shall be cancelled from the date of the decision of the tax authority.

126. Until 1 January 2021, where so provided for by Article 54(2), (3) or (4) of the Customs Code of Georgia, the sum of import shall be determined in compliance with the procedure established by the same paragraph for calculating the amount of import tax.

127. Until 1 January 2021, the following shall be exempted from VAT with the right of deduction:

a) the supply of electricity and guaranteed capacity, except for the supply of electricity to a consumer provided for by the Law of Georgia on Energy and Water Supply who buys electricity for own consumption, and the transmission and/or dispatching services;

b) the supply of goods manufactured in Georgia intended for the therapeutic/medical purposes. For the purpose of this subparagraph, the list of goods intended for therapeutic/medical purposes shall be defined by a joint order of the Minister of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia and the Minister of Finance of Georgia.

128. Until 1 January 2021, except as provided for Article 174(3)(a-f) of this Code, VAT shall not be deducted on the basis of the deduction documents provided for by Article 173(2)(e) and (g) of this Code, which are not included by the taxpayer (buyer/beneficiary of deduction) in the VAT declaration submitted according to not later than the accounting period of December of the calendar year of the taxable transaction from the end of the accounting period of a taxable transaction, or within not later than 3 calendar years, in the adjusted declaration for the same period.

129. Until 1 January 2021, except as provided for Article 240(1-3) of this Code, a tax authority may take measures provided for by Article 238(1)(a) and (c-f) of this Code against an authorised person selling the goods provided for by Article 176<sup>1</sup>(1) and (2) of this Code if the person fails to fulfil the obligation under the same article to pay the amount of VAT to the budget.

130. A taxpayer may reduce (not pay to the budget) the due income tax deferred in accordance with paragraph 114 of this article (income tax the deadline under this Code for payment of which has been extended) if he/she performs any of the activities provided for in paragraph 115 of this article. The procedure for applying this paragraph shall be defined by an order of the Minister of Finance of Georgia.

131. Article 164<sup>1</sup>(2) and Article 172(4)(z5) of this Code shall be applied when importing goods from 1 January 2023 on. In addition, a VAT taxable amount at import of goods before 1 January 2023 (the value of goods for customs purposes) shall include, apart from VAT, the import duties to be paid in Georgia, based on the import of goods.

132. Until 1 January 2023, the import of goods shall be exempt from VAT in accordance with the requirements of Article 199(d) and (n) of this Code, considering the Note to the same article, except for the import of goods from a Free Industrial Zone.

133. Distribution of dividends from the net profit gained by a person organising a game of chance in a systemic and electronic form from this activity during the accounting period before 1 January 2022 shall be considered as profit distribution and it shall be subject to taxation under Article 97(10) of this Code.

*Law of Georgia No 4061 of 15 December 2010 - LHG III, No 75, 27.12.2010, Art. 469*

*Law of Georgia No 4114 of 17 December 2010 - LHG III, No 76, 29.12.2010, Art. 506*



Law of Georgia No 4206 of 22 February 2011 - website, 10.3.2011  
Law of Georgia No 4549 of 19 April 2011 - website, 2.5.2011  
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Law of Georgia No 4680 of 18 December 2015 - website, 29.12.2015  
Law of Georgia No 4842 of 4 March 2016 - website, 9.13.2016  
Law of Georgia No 5092 of 13 May 2016 - website, 1.6.2016  
Law of Georgia No 5406 of 8 June 2016 - website, 17.6.2016  
Law of Georgia No 5445 of 22 June 2016 - website, 29.6.2016  
Law of Georgia No 5491 of 22 June 2016 - website, 29.6.2016  
Law of Georgia No 97 of 16 December 2016 - website, 23.12.2016  
Law of Georgia No 196 of 22 December 2016 - website, 29.12.2016  
Law of Georgia No 850 of 17 May 2017 – website, 2.6.2017  
Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017  
Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017  
Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018  
Law of Georgia No 3109 of 5 July 2018 – website, 11.7.2018  
Law of Georgia No 3263 of 21 July 2018 – website, 1.8.2018  
Law of Georgia No 4225 of 27 December 2018 – website, 31.12.2018  
Law of Georgia No 4616 of 29 May 2019 – website, 30.5.2019  
Law of Georgia No 4906 of 28 June 2019 – website, 4.7.2019  
Law of Georgia No 5626 of 19 December 2019 – website, 26.12.2019  
Law of Georgia No 5651 of 20 December 2019 – website, 27.12.2019  
Law of Georgia No 3349 of 22 May 2020 – website, 25.5.2020  
Law of Georgia No 6817 of 14 July 2020 – website, 22.7.2020  
Law of Georgia No 83 of 5 January 2021 – website, 6.1.2021  
Law of Georgia No 1082 of 14 December 2021 – website, 17.12.2021  
Law of Georgia No 1165 of 17 December 2021 – website, 28.12.2021  
Law of Georgia No 1191 of 22 December 2021 – website, 28.12.2021



**Article 309<sup>1</sup> – Legal regulation during transition period in relation to persons declared as legally incompetent by court before 1 April 2015**

1. Tax liabilities of a person declared as legally incompetent by court before 1 April 2015 shall be paid by his/her custodian at the expense of the property of the legally incompetent person, until the individual examination of this legally incompetent person is conducted.
2. Tax arrears of a person declared as legally incompetent by court before 1 April 2015 shall be regarded as bad debt and shall be written off if his/her property is insufficient to cover the tax arrears, until the individual examination of this legally incompetent person is conducted.
3. The written-off tax arrears shall be restored the day the decision is made following the individual examination of a person declared as legally incompetent by court before 1 April 2015, unless otherwise determined under the court decision.
6. Tax arrears of a person declared as legally incompetent by court before 1 April 2015 shall be the tax arrears as of the date when he/she was declared as legally incompetent.

*Law of Georgia No 3349 of 20 March 2015 – website, 31.3.2015*

**Article 310 – Final provisions**

1. This Code shall become effective from 1 January 2011.
2. The following shall be declared invalid upon the entry of this Code into force:
  - a) the Tax Code of Georgia (Legislative Herald of Georgia, No 41, 30.12.2004, Art. 200) for the tax periods starting from 1 January 2011;
  - b) the Customs Code of Georgia (Legislative Herald of Georgia, No 39, 9.8.2006, Art. 280) for the tax periods starting from 1 January 2011.
3. The procedural provisions of this Code shall also apply, from 1 January 2011, to the tax periods that end before 1 January 2011.
4. Articles 173(y) and 199(r) of this Code shall be suspended until 1 January 2023.

*Law of Georgia No 7204 of 30 September 2020 – website, 5.10.2020*

*Law of Georgia No 1165 of 17 December 2021 – website, 28.12.2021*

**President of Georgia**  
**Tbilisi**

**M. Saakashvili**

**17 September 2010 No 3591–II b**

