



Doing Business  
in Georgia

# DOING BUSINESS IN GEORGIA 2024

May 2024



## INTRODUCTION

This publication has been prepared by BDO, its clients and prospective clients. Its aim is to provide the essential background information on the taxation aspects of setting up and running a business in Georgia. It is of use to anyone who is thinking of establishing a business in Georgia as a separate entity, as a branch of a foreign company or as a subsidiary of an existing foreign company. It also covers the essential background tax information for individuals considering coming to work or live permanently in this country.

This publication covers the most common forms of business entity and the taxation aspects of running or working for such a business. For individual taxpayers, the important taxes to which individuals are likely to be subject are dealt with in some detail. We have endeavoured to include the most important issues, but it is not feasible to discuss every subject in comprehensive detail within this format. If you would like to know more, please contact the BDO firm(s) with which you normally deal. Your adviser will be able to provide you with information on any further issues and on the impact of any legislation and developments subsequent to the date mentioned at the heading of each chapter.

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# 1. THE BUSINESS ENVIRONMENT

## GENERAL INFORMATION

### *Geography*

Georgia is a country in the southern Caucasus. It opens to the Black Sea in the west with the Great Caucasus Mountains in the north and the Lesser Caucasus Mountains in the south. The country is bounded to the north by Russia, to the south by Turkey and Armenia, and to the east by Azerbaijan. Georgia is largely mountainous with diverse natural conditions. Local climate is of a transitional character from Asian to European.

It is the subject of never-ending argument whether Georgia and its neighbors Armenia and Azerbaijan are in Europe or Asia. On the basis of the socio-historical characteristics of the country, some scientists consider Georgia part of Europe. Georgian socio-political and cultural history can also be considered European.

Georgia's borders run for 1771 km (310 km of which (17.5%) is coastline). As noted, the north of the country is occupied by the Greater Caucasus chain (with the highest point being Mt. Shkhara, 5068m), which includes the Great Caucasian Range (the main watershed) and Gagra, Bzipi, Kodori, Svaneti, Egrisi, Racha, Lomisi, Kartli and other ranges. The four extreme-most geographic points of the country are: Mt Aibga (650m) to the north, the source of the Agrichai river (left confluent of the Alazani River) to the east, the source of the Lori River to the south, and the source of the Psou River to the west. The geographic center of the country is Kharagauli district, which is in the Imereti region.

### *History*

Georgia is a land with a magnificent history and unparalleled natural beauty. Archaeologists found the oldest traces of wine production (7000-5000BC) in Georgia. Georgia has made a valuable contribution to the development of world culture and civilization. From ancient times the indigenous population - the Georgian tribes were well known for their original and highly developed culture.

The first Georgian states of Kolchis (Lasika) and Iberia (Kartli) were formed between the sixth and fourth century BC. In the early fourth century Georgia adopted Christianity, only the second nation in the world to do so officially, and Orthodox Christianity, in combination with a unique language and alphabet, have proved to be key factors in preserving Georgia's separate identity for so many centuries.

Christianity was introduced into Georgia in the first century and became the official national state religion in the mid fourth century, thanks to the evangelism of St. Nino of Cappadocia. The Georgian cross is said to have been forged by St. Nino with grape vines and her own hair. Thus, the grape and the vine hold important places in Georgian symbolism.

The conversion to Christianity meant that Georgians would have a historical cultural leaning to the West instead of to the Islamic states in the region (Turkey and Persia to the south). Nonetheless, Georgian culture stands at the crossroads of civilizations. Its culture and tradition is the product of the influence of its neighbours and of its own unique civilization.

In 1783 the King of Eastern Georgia signed the Treaty of Georgievsk with Russia, by

which Russia agreed to become the protectorate of Georgia. In 1801 Russia began the piecemeal process of unifying and annexing Georgian territory. So Kartli and East Georgia become part of the Russian Empire in 1801, followed by Western Georgia in 1812.

The Georgian Social Democratic Republic seceded from Russia in 1918 and proclaimed its independence (after the break-up of the short-lived Democratic Federative Republic of Transcaucasia), under the leadership of the Social Democrat Noe Zhordania. In 1921 Georgia was invaded and conquered by the Red Army. In 1922 the Bolsheviks merged the Georgian Soviet Socialist Republic with Transcaucasia and incorporated them into the USSR that same year.

In 1990 Zviad Gamsakhurdia became Chairman of the Supreme Council of Georgia. This council declared the Republic of Georgia 1991 independent from the USSR. Georgia became a presidential parliamentary republic under president Gamsakhurdia. The same year the regions of Abkhazia and South Ossetia seceded from Georgia. This secession was not recognized internationally and in 1992 Georgian rule over South Ossetia was restored.

In 1992 Georgia abolished the presidency and at the end of 1992, Eduard Shevardnadze became Chairman of the Parliament. In 1995 the presidency was restored and Shevardnadze was elected president. After surviving assassination attempts in 1995 and 1998 then President Shevardnadze consolidated his leadership and declared an ambitious reform agenda. The political status of the breakaway provinces of Abkhazia and South Ossetia remained unresolved, however. Russian peacekeepers along with UN observers were stationed in Abkhazia.

Following the seriously flawed parliamentary elections in 2003, public pressure led to the resignation of Shevardnadze in the so-called Rose Revolution. The 2004 presidential elections led to a landslide victory by Mikheil Saakashvili of the New National Movement.

Following the Russo-Georgian war in 2008, South Ossetia and Abkhazia declared independence with Russian support, but their independence is not recognized internationally.

On 28 March 2017 the decision to transfer Georgia to the list of third countries whose nationals are exempt from visa requirement came into effect. From that date, the visa obligation for citizens of Georgia who hold a biometric passport and want to travel to the Schengen zone for a maximum period of 90 days for any 180 days was abolished.

## ***Government and political powers***

Georgia (Sakartvelo) is usually described as a democratic semi-presidential republic. The supreme legislative body is the unicameral parliament elected every four years.

The independent judiciary is represented by the Constitutional Court and separate courts sharing common jurisdiction.

President Salome Zourabichvili directly elected by absolute majority popular vote in 2 rounds if needed; Election last held on 28 November 2018 (next to be held in 2024); The President of Georgia controls external affairs of the country. She is the supreme representative in foreign relations and Supreme Commander-in-Chief of the military. 2017 constitutional amendments made the 2018 election the last where the president was directly elected. Future presidents will be elected by a 300-member College of Electors. In light of these changes, Zourabichvili was allowed a six-year term.

Unicameral Parliament or Sakartvelos Parlamenti currently consists of 139 members who serve 4-year terms. Elections last held on 31 October and 21 November 2020 (next to be held in 2024).

The government is made up of the Cabinet of Ministers. The government constitutes by the Prime Minister, one State Minister and eleven Ministers. Prime minister nominated by Parliament, appointed by the president. The Cabinet is headed by a Prime Minister, currently Irakli Kobakhidze (since 8 February 2024); Vice Prime Ministers are Levan Davitashvili (First vice prime minister since February 2023), Thea Tsulukiani (since September 2019) and Irakli Chikovani (since February 2024). The Cabinet is the supreme executive authority, which ensures overall implementation of the internal and foreign policies.

In 2018, Salome Zourabichvili was elected as President. The election took place one year after a legislative election that witnessed the mostly peaceful shift of legislative and ministerial power from the ruling party, the United National Movement (UNM), to the Georgian Dream (GD) coalition bloc. The Constitutional model entered into force in November 2013 provided the difference checks and balances between the President and the Prime Minister and in regards with the Parliament. The President of Georgia controls external affairs of the country. He is the supreme representative in foreign relations and Supreme Commander-in-Chief of the military. The President is directly elected for a five-year period.

The parliament of Georgia is the supreme representative body of the country. The parliament determines the basic direction of domestic and foreign policies and controls the government's activity within the constitutional framework.

## **Population and language**

According to Georgia's most recent official census, the population of Georgia was 4,371,500 in 2002. Between 1989 and 2002, the population decreased by 15.3%.

The population decrease was caused by several factors: the existence of non-controlled territories, low birth rate, high rate of mortality, increased emigration, and the departure of soldiers and their families from ex-soviet military bases in the territory of Georgia.

The estimated population in 2023 was 3,736,357. About 60.37% of the population was classified as urban. Tbilisi, the capital and the largest city, had 1,210,748 inhabitants, or approximately 32% of the national total. The capital's population was reduced by 3.37% in 2023. Batumi, the second largest city, had a population of about 179,185 in 2023.

In 2022 Georgia's birth rate was 11.4 per 1000; the death rate - 13.2 per 1000. Life expectancy at birth was 73.7 years. In 2022 the infant mortality rate was 13.2 per 1000 live births.

Georgia is an ethnically diverse state. As of 2015 Georgians comprise 86.82% of the population. The ethnic minorities are represented by Azeris (6.27%), Armenians (4.53%), Russians (0.71%), Ossetians (0.39% in the controlled territories), and Abkhazians (0.1% in the controlled territories). Yezids, Greeks, Kists, Ukrainians and Assyrians are among the smallest ethnic groups.

With regard to religion, 83.4% of the population are orthodox and 10.73% is Muslim according to official census of 2014.

Georgian is the official language. The Georgian language is distinct and is completely unrelated to Indo-European, Semitic or Turkic languages; indeed, the Georgian alphabet is one of only 14 existing alphabets in the world.

## **Currency**

The currency of Georgia is the Lari (GEL), which entered into circulation in 1995. One GEL consists of 100 tetri. Bank notes come in denominations of 5, 10, 20, 50, 100, and 200 GEL; coins are 1, 2, 5, 10, 20 and 50 tetri, as well as one and two GEL coins. For the year 2023, the average exchange rate of GEL against the Euro (EUR) and the US dollar (USD) was: EUR1 = GEL 2.8436; USD1 = GEL 2.6287.

ATMs, which generally accept MasterCard, Visa, Cirrus and Maestro cards, are plentiful in cities and most towns.

All kinds of payments (shopping in stores and markets, paying in restaurants, at hotels and for other services) are made in GEL. Furthermore, pricing of all goods and services in GEL in the advertisement of those goods and services carried out by an entrepreneur is mandatory.

Foreign currency, including US dollars, Euros and Russian Roubles, can be exchanged at special exchange shops in large towns. Currency other than US dollars, Euros and Russian Roubles can be exchanged at the banks.

There are no restrictions on the import or export of local currency. Visitors must declare foreign currency of more than GEL30,000 on arrival and the export of foreign currency is limited to the amount declared.

Monetary transfers are provided by Western Union and large banks.

### **Membership of international organisations**

Georgia is a member of several international organizations, including:

- The World Trade Organization (WTO)
- The United Nations (UN)
- The Organization for Security and Co-operation in Europe (OSCE)
- The International Monetary Fund (IMF)
- The Council of Europe
- The Organization of the Black Sea Economic Cooperation
- The Community of Democratic Choice
- The GUAM Organization for Democracy and Economic Development.

### **Time, weights and measures**

Standard Time is 4 hours ahead of Greenwich Mean Time (GMT / UCT+4 hours, no DST). Georgia uses the metric system of weights and measures and the Celsius scale for temperature.

### **Economic background**

The Gross Domestic Product (GDP) in Georgia was worth GEL 72 265.7 million in 2022. In 2023\* GDP of Georgia amounted to GEL 80 246.1 million. GDP in Georgia averaged GEL 59 272.3 million from 2018 to 2023\*.

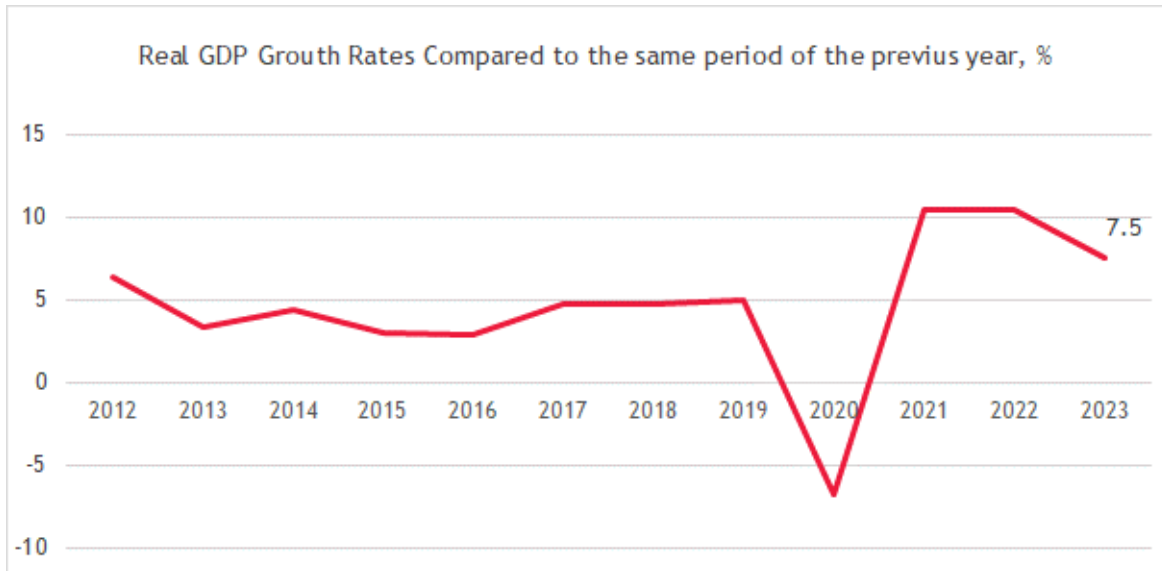
The economy of Georgia has made good progress since 1995, with the aid of assistance received from the World Bank and the IMF. In the past, Georgia suffered from a chronic failure to collect taxes on earnings. However, since 2004 the government has made great progress and has reformed the taxation code, improved tax administration and enforcement, and cracked down on corruption (including cronyism and nepotism). Thanks to strong inflows of foreign direct investment (FDI) and robust government spending, Georgia's economy had Gross Domestic Product (GDP) growth of close to 12% in 2007.

The 2008 conflict with Russia and the world economic crisis caused a reduction in the GDP growth rate. In 2009 GDP decreased by 6.1%. Foreign loans and assistance of several billion dollars prevented further deterioration as a result of the crisis and helped avert a large budget deficit.

As can be seen from the chart below, decrease tendency began from 2011 and continued till 2016, except 2014, when GDP growth rate showed 0.8% higher rate compared to previous year. In 2017 and 2018 real growth rate of GDP did not change and was equal to 4.8%, while in 2019 this index increased to 5%. There was significant decline of real GDP growth rate in 2020 compared to 2019 and was equal to -6.8%, while in 2021 it increased to 10.4% and 10.4 in 2022. In 2023 it 's 7.5%, but this figure is preliminary.

GDP Annual Growth Rate in Georgia averaged 4.07% from 2006 until 2016, reaching an all-time high of 12.30% in the fourth quarter of 2007 and a record low of 9% in the second quarter of 2009.

- \*Source <http://geostat.ge> all 2023 figures are preliminary, subject to adjustments by November 2024



Source: <http://geostat.ge>

In 2023\* Georgia had a negative foreign trade balance equal to USD 9 347.8 million. In 2023\* Georgia's major foreign trade partners in export were: Azerbaijan (USD 862 070.1million), Armenia (USD 787 129.0million), Kazakhstan (USD 702 965.0), Kyrgyzstan (USD 695 661.4) and Russia (USD 657 043.9million); whereas major foreign trade partners in imports were: Turkey (USD 2 570 105.5 million), USA (USD 1 949 302.4 million), Russia (USD 1 744 469.5million), China (USD 1 328 742.6million) and Germany (USD 948 059.4 million).

The stability of the Georgia's economy is mainly dependent on FDI. In 2023\* the volume of FDI amounted to USD 2 000,0 million. In 2023\* FDI was distributed in the following areas: Trading (15.6) financial and assurance sector (5.2 %), Real estate (10.2%), Construction (7.9%), , Information and Communication (5.9%) and other areas ( 25.5%).

\*Source <http://geostat.ge> all 2023 figures are preliminary, subject to adjustments by November 2024

## Reforms

Intense reforms were implemented from 2005 to 2017. As a result, The International Finance Corporation of the World Bank has granted Georgia with the title of the number one reformer country in Europe in 2007.

In addition, according to official international ratings, Georgia occupies the following positions:

- Ease of Doing Business by World Bank's DB 2020 Distance to Frontier rankings - 7th position
- Social Progress Index 2023 by Social Progress Imperative - 52<sup>th</sup> position among 170 countries
- Corruption Perceptions Index by Transparency International, 2023- 41th position from 180 countries.

## Infrastructure

Georgia has extensive road and rail networks. The highway network has been more than doubled in the last decade; the process of modernizing the infrastructure has

continued during the last five years. The capital, Tbilisi, has an international airport with two terminals that services both internal and foreign-airline flights. There are also minor international airports in Batumi and Kutaisi.

Georgia's international telephone area code is 995 and the area code of Tbilisi is 32.

Emergency services can be reached by dialing 112 (emergency service number which includes ambulance, police and fire service numbers).

Three major mobile telephone operators are available on 900 MHz, 1800 MHz and 2100 MHz frequencies. High-speed internet access, wireless networks and 4G mobile Internet are available throughout the country. The power supply is 220V AC with standard European plugs and sockets.

## BUSINESS ENTITIES

### *Forms of business organisation*

Under Georgian law, legal entities are divided into two broad categories: entrepreneurial legal entities and non-profit legal entities. Individuals may also conduct business as sole proprietors without establishing any separate legal entity. Companies are required to have their own name, management and registered offices. In addition to their legal address, entrepreneurial legal entities may submit to the registration authority information about an alternative legal address and email address.

Companies established in Georgia are subject to Georgian law, but agreements concluded by Georgian companies can be governed by the law agreed to between the parties, unless otherwise determined by the Georgian Act of International Private Law. Foreigners can become a partner or be appointed as director of a Georgian company and they do not need a permit to do so. In case foreigner desires to become a partner in a company, that owns agricultural land, unofficial restrictions might apply.

### *Legal entities for carrying out business*

The Georgian Entrepreneurs Act (2021) defines five types of legal entities that may carry out entrepreneurial activities:

- Limited liability company (შეზღუდული პასუხისმგებლობის საზოგადოება - Shezghuduli pasukhismgeblobis sazogadoeba)
- Joint stock company (სააქციო საზოგადოება - saaktsio sazogadoeba)
- Cooperative (კოოპერატივი - kooperativi)
- Joint liability company (სოლიდარული პასუხისმგებლობის საზოგადოება - solidaruli Pasukhismgeblobis sazogadoeba)
- Limited partnership (კომანდიტური საზოგადოება - komandituri sazogadoeba).

These entities can be categorized into two groups based on the type of liability: limited and unlimited liability. The first three listed above are limited liability in that their liability is limited to their property and shareholders' liability is limited to the shareholder's contribution to the share capital.

## **Limited liability company**

The limited liability company is the most common form of business entity in Georgia. This is because limited liability companies have a less complicated organizational and management structure than the joint stock company and because of certain characteristics that are peculiar to limited liability companies. In contrast to other types of companies, the formalities required to establish and operate a limited liability company are much less complicated and expensive.

The most attractive characteristics of a limited-liability company are:

- It can be established by a single founder
- A founder can be a natural person or a legal entity
- There are no restrictions regarding the number of directors; it can be managed by a single
- Director or jointly by several directors
- There are no requirements regarding authorized and paid-up capital.

Day-to-day management is carried out by a director or board of directors. However, it should be pointed out that having a board of directors is not mandatory. The company is governed by the shareholders' meeting at which the most significant issues related to the company's activities are resolved.

A director is an authorized representative of the company and can bind the company under contracts, represent the interests of a company before third parties, and perform other executive and representative activities. However, the shareholders may restrict the power of a director. For example, they can restrict the directors' ability to encumber the company's assets (for example, by mortgage). They may also require directors to obtain consent of the partners (at a meeting of the partners) for making major investments, such as acquisitions, implementing mergers, acquiring real estate. The detailed regulations of relations between the partners and a director (or board of directors) are mainly set forth in the limited liability company's articles of association.

The most significant advantage of this type of company is that the members do not bear personal liability for the activities of the company.

No requirements exist regarding the nationality or residence of shareholders or company directors. Furthermore, they do not require a work permit or insurance number. However, to stay in Georgia for more than 90 days, foreign shareholders and company directors need a residence permit. The procedures for obtaining a residence permit are very simple.

\*Source <https://migration.commission.ge>

To be incorporated, a limited liability company must register with the Entrepreneurial and Non-Entrepreneurial Legal Entities Registry in the Public Registry of Ministry of Justice. Such incorporation covers state and tax registration. Information about the identities of the directors and shareholders must be provided on registration, as well as the legal and alternative addresses, email address of the entity, and information about the directors' representative authority.

As noted, the articles of association of a limited-liability company defines the detailed rules for managing the company (including but not limited to the procedures for holding partners' meetings and governance of the board of directors). The articles of association also

set out voting and dividend rights of the partners, rules related to raising share capital, provisions related to the partners' rights to control and monitor the company's activities and other issues involving relations between the company and its partners and directors.

The Georgian Entrepreneurs Act specifies that the directors must manage a company in good faith. If directors breach this duty and the breach results in loss to the company, the directors are fully and jointly liable to the shareholders for that loss.

Pursuant to the Georgian Entrepreneurs Act, a limited-liability company must have share capital. However, there is no mandatory minimum capital and no contributions to capital needs to be made as part of the registration process. Thus, shareholders can freely determine the amount of the share capital and they can set the timeframe within which the contributions are made.

Shareholders receive dividends and have voting rights in proportion to their shareholdings. However, partners may agree on proportions for the distribution of dividends and for allocation of voting rights that might not correspond to their actual shareholdings. Such agreement must be reflected in the company's charter. Normally it takes one day to register a limited liability company.

### ***Joint stock company***

A joint stock company is normally used when funds are to be raised from the general public, for example on stock exchanges. Commercial banks and insurance companies can only be organized as joint stock companies. The characteristics of a joint stock company are very similar to those of a limited liability company. For instance, a joint stock company can be established by a single shareholder; there are no restrictions regarding the number, nationality or residence of the directors/shareholders; and shareholders are not personally liable for the debts incurred by the company. Shareholders can be natural persons or legal entities.

According to the Georgian Entrepreneurs Act, a joint stock company must have an authorized share capital that is divided into certain classes of shares. As in the case of a limited liability company, there is no mandatory minimum amount of authorized share capital for a joint stock company. The shareholders are entitled to determine the minimum authorized share capital. As well, there is no compulsory requirement for share capital to be paid up at the time of incorporation. In kind capital contributions are permitted. Shareholders can determine the par value of shares.

Unless otherwise determined by the company's charter, there are two main classes of shares: ordinary and preference shares. The latter have no voting rights and receive a fixed dividend. A holder of one ordinary share has one vote at the members' meeting and is entitled to a dividend. However, this rule may be changed by the Articles of association. Apart from the aforementioned two classes of shares, the shareholders may introduce other classes of shares, but they must be defined in the Articles of association.

If a joint stock company has more than 50 shareholders, an independent registrar must maintain a register of shareholders. In other cases, the company itself can keep the registry. Investment Securities Market Act of Georgia and Entrepreneurs Act define specific cases, when registry of shareholders is mandatory to be maintained by independent register.

The management structure of a joint stock company is very much like that of a limited liability company. A director or the board of directors represents and manages the company. However, certain issues can be resolved only with the prior

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consent of the shareholders at a shareholders' meeting. The issues that require shareholder approval are set out in the Entrepreneurs Act. In particular, the shareholders must approve the amount of dividend distributions and any increase or decrease in share capital. As well, shareholders appoint the members of the supervisory board, approve annual financial reports, etc. In addition, the company's charter can include additional matters requiring shareholder approval.

The management structure of a joint stock company must include a supervisory board where:

- The shares of the company are traded on the stock exchange
- It is licensed by the National Bank of Georgia, or
- It has more than 100 shareholders.

In all other cases a supervisory board is optional. A supervisory board must have at least three members but no more than 21 members. The powers and authority of a supervisory board are determined by legislation and the Articles of association.

If a joint stock company is a public company as defined in Georgian Law on Investment Securities and shares of such company are admitted for trade on stock exchange the at least one member of the supervisory board shall be a person who is not an employee of the company or is not directly or indirectly connected to the company and is not engaged in daily activities of the company. Such person shall be independent member of the supervisory board.

Chairman of the supervisory board in a joint stock company shall not serve as the director of the same company

A joint stock company is subject to more complicated regulations than a limited liability company. For example, if a shareholder or group of shareholders acting jointly purchase more than 50% of the shares, they must make a tender offer to the other shareholders to purchase the remaining shares from them or reduce their percentage of shares below 50%. There are, however, some exclusions from this requirement. As well, there are other complicated regulations applicable to joint stock companies. As a result, entrepreneurs often prefer to establish a limited liability company.

It usually takes one day to register a joint stock company.

### ***Entities with unlimited liability***

The second group of enterprises are entities with unlimited liability: the joint responsibility company and the limited partnership. These enterprises can be established by a minimum of two persons. Members of a joint-liability company are personally, jointly, and fully liable for the company's liabilities and there is no limit to their liability.

A limited partnership is a hybrid, with two kinds of partners: general partners, who are personally liable, and limited partners, whose liability is limited to a certain, pre-determined sum (the so-called "guarantee sum"). Limited partners do not participate in the management of the partnership. However, they are entitled to receive profit. Limited partners have voting rights only under circumstances defined in the Articles of association.

### ***Companies owned by foreign investors***

There are no specific regulations applicable to foreign individuals and foreign legal entities wishing to establish a company in Georgia. According to Georgian law, companies owned by foreign natural persons and foreign legal entities benefit from equal legal treatment and have the same right to establish business operations in Georgia by incorporating separate legal entities.

However, the incorporation of legal entities owned by foreign investors requires fulfilment of certain legal formalities. For example, foreign documents related to an investor must be notarized and certified with an apostille according to the Hague Convention 1964, or otherwise legalized.

Any type of enterprise permitted under Georgian law can be established by foreign investors without any restrictions, as long as they meet the normal legal requirements for establishing such an enterprise.

### ***Representative offices and branches of foreign companies***

An alternative approach for foreign investors is establishment of a branch or a representative office, rather than setting up a separate company. According to Georgian law, a branch or representative office does not constitute a legal entity; it is simply an internal unit of the “parent” company. Therefore, a parent company bears full responsibility for the activities of its branch/ representative office. Since a branch/representative office is not a separate legal entity, the foreign company is liable to the employees and creditors of the branch/representative office for the actions of, and debts contracted by, its managers and agents on behalf of the branch/ representative office.

From a legal point of view, there is no difference between a branch and a representative office. But, in practice, representative offices are used to promote and supervise the business of the parent company. In contrast, a branch is actually used to carry out business activities.

### ***Health and Safety***

According to Occupational Safety and Health Act of Georgia (2019) in case the activities of the enterprise are qualified as hazardous, harmful or dangerous according to the list determined under the Act of Ministry of Labor, Health and Social Affairs of Georgia, an enterprise shall be obliged to register in the Register of Economic Activities as legal entity carrying out such activities. In addition, under the same Act registered enterprise shall be obliged to provide insurance for accidents of its employees.

### ***Beneficial tax regimes***

Special Trading Companies, Free Industrial Zone Enterprises, Special Trading Zones, Tourist Enterprises and International Companies are special purpose entities that enjoy beneficial tax regimes

Special Trade Company is an enterprise being granted a status of a special trade company for corporate income tax exempt purposes.

Special Trade Company is entitled:

- To re-export foreign goods from the customs warehouse
- To supply with and without status enterprises with foreign goods within customs warehouse

- To acquire foreign goods at price no less than customs value from no special trade status
- companies for further re-export and/or supply purposes within customs warehouse
- To receive income other than income from carrying out activities envisaged under listed above including: income exempt from profit tax (corporate income tax), income from supplying fixed assets used in economic activities for more than 2 years, income equal to the amount less than 1 mln GEL earned from Georgia source through tax year and 5% of customs value of foreign goods imported by the special trade company with exception of income exempt from profit tax and income from supplying fixed assets used in economic activities for more than 2 years.

Special Trade Companies must comply with the restrictions set out in the Georgian Tax Code related to allowed activities. In particular, Special Trade Companies are not allowed:

- To importing goods other than those intended for fixed assets
- To acquire domestic goods on the territory of Georgia for their further supply purpose
- To provide services to Georgian enterprise/natural person - entrepreneur or/and permanent establishment of a foreign enterprise
- To own customs warehouse.

Special Trade Companies are exempt from corporate income tax (with exception of income received from supplying fixed assets used in economic activities for more than 2 years. Because of this, Special Trade Companies are a good choice for those who wish to use Georgia as their distribution hub from which to supply the region.

Free Industrial Zone enterprise is an enterprise established in accordance to the Georgian Law on “Free Trade Zones”.

Free Industrial Zone enterprise is obliged upon supply of goods to the taxpayer registered according to the Georgian legislation pay tax at 4% of income received/receivable (in case of free of charge supply - market value) from such supply by 15 of the month following the month of supply.

Upon purchase of goods (with the exception of the electricity, water and natural gas intended for local consumption and/or supply) from a taxpayer registered according to the Georgian legislation (except Free Industrial Zone enterprise) to pay tax at 4% of market value of purchased goods by 15% of the month following the month of purchase.

Not permitted operations of a Free Industrial Zone enterprise include the following:

- Purchase of services from the taxpayer registered according to the Georgian legislature (except Free Industrial Zone enterprise) except: security and/or property rental or lease services from an organizer and/or administrator of a Free Industrial Zone, transportation, communication, sewerage, audit and/or consulting services, financial operations and/
- or financial services by licensed financial institutions fixed assets installation, and/or construction services, services defined by the Government of Georgia
- Services provided to the company registered according to the Georgian legislature (except the free industrial zone enterprise).

Such companies are using following tax beneficial regime:

- Income of Free Industrial Zone Enterprise is exempt from corporate income tax
- Free Industrial Zone enterprise is not obliged to withhold personal income tax at the source of payment
- Supply of goods/services between companies operating in a Free Industrial Zone (including FIZ Enterprises) is exempt from VAT, but they cannot claim any input VAT
- Interest and dividends paid by Free Industrial Zone Enterprise are not taxed and are not included in the recipient's gross income
- On services rendered by non-residents, FIZ Enterprises are not obliged to charge and pay Reverse Charge VAT
- Import of goods produced by FIZ Enterprise in a Free Industrial Zone into the economic territory of Georgia is exempt from Import Tax
- Property of FIZ Enterprises, including land located in a Free Industrial Zone is exempt from property tax.

Special Trade Zone is an entity organizing trade in Georgia.

Special Trade Zone is obliged: to ensure accounting of the movement of the goods for the economic activities on the territory of the Special trade Zone, pay income/profit tax owed by person renting trade outlets and/or trading places for conducting activities in the Special Trade Zone in accordance with the code, affix safety mark to goods in the territory if Special Trade Zone and make payments to their customers through a centrally managed cash machines.

Income received/receivable by the tenant of trade facility or/and trade space, located on the territory of Special Trade Zone as the result of goods sale, shall be taxed at the rate of 3% by the entity with Special Trade Zone status. Income derived on the territory of Special Trade Zone which has been taxed according to the above provision shall not be included in gross income of recipient and shall not be subject to further taxation.

The tax benefits envisaged for Special Trade Zone are following:

- For person who does provide goods solely on the territory of Special Trade Zone does not emerge an obligation of mandatory registration as VAT payer
- Profit received by the Special Trade company within the allowed activities with the exception of profit received as the result of supply of fixed assets used by Special Trade Companies up to 2 years in economic activities is exempted from corporate income tax.

Tourist Enterprise is a legal entity that based on the certificate of status granted by the Georgian fiscal authorities, builds a hotel for the purpose to supply the assets/parts thereof to another person and then lease back from the latter. The status of Tourist Enterprise shall be granted to entity by the Georgia Revenue Service according to particular facility (hotel).

Tourist Enterprise is using following tax benefits:

- Benefit received by Tourist Enterprise in a form of goods/services supplied free of charge by the State is exempted from income tax
- Supply of the assets/part of the assets of hotel by tourist enterprise with the purpose to receive the hotel under the lease is exempted from VAT with input VAT right. If tourist enterprise receives the assets under the lease within 2 years from the supply the operation shall be exempted with input VAT right and the enterprise shall be entitled to file corrected return

- The supply of the hotel service free of charge for the period not exceeding 60 days by tourist enterprise or by a person that on the basis of contract is invited to operate and function the hotel.

## LABOR RELATIONS

According to the Georgian Labour Code, there are two kinds of employment contracts: individual contracts, which are between an employer and a single employee, and collective agreements, which are between an employer (or employers) and a group of employees (or an employee).

An employment contract shall be oral or written, fixed-term or open-ended. An employment contract must be in written form if labour relations last for more than three months. Except when the term of employment contracts is one or more years, an employment agreement shall only be concluded for a fixed term under circumstances directly stipulated in Labour Code.

Labour Code specifies that overtime work shall be deemed when an employee works under agreement between the parties during the period exceeding 40 hours a week for adults, 36 hours a week for minors from 16 to 18 years of age, and 24 hours a week for minors from 14 to 16 years of age. Work performed on official holidays is deemed as overtime. Overtime work shall be compensated by increased amount of hourly pay rate. Overtime work compensation shall be determined by agreement of the parties. Furthermore, the parties may agree on granting additional time off to an employee in return for overtime compensation.

Employees are entitled to an annual paid leave of 24 working days and also to annual unpaid leave of 15 days. If granting an employee a paid leave for the current year may affect the normal course of work, the leave may be carried over to the next year by consent of the employee. Carrying over of paid leaves for two consecutive years is prohibited.

At employees' request, they shall be granted maternity and child care or new-born adoption leaves. Furthermore, at the request of employees, they shall be granted, at once or in parts but at least two weeks a year, an extra unpaid child care leaves of 12 weeks until the child reaches age of five. Extra child care leave may be granted to any person who actually takes care of the child.

Labour Code outlines complete list of grounds for terminating labour agreement and procedures for such termination (including severance payment rules). Hence, parties to employment relations may terminate such relations only based on these grounds with the relevant justification.

## Foreign employees

### Visa requirements

Georgian legislation regarding visa requirements underwent major changes. Currently, there are following aspects to consider:

- Visiting Georgia for any period not exceeding 90 days in any 180 consecutive day period from the countries listed in Table 1 does not require special application or visa.
- Visas are issued for a period not exceeding 90 days.

In case visit is expected to continue more than 90 days, Residence Permit is required. Visa application is made in the country of residence. Visitor that does not require visa to visit Georgia (as stated above), is entitled to apply for the visa in Georgia.

Table 1

Commonwealth of Australia	Republic of Turkey	Romania
Republic of Austria	Turkmenistan	Russian Federation
Republic of Azerbaijan	Japan	Hellenic Republic
Republic of Albania	Republic of Ireland	Republic of South Africa
United States of America	Iceland	Republic of San Marino
Principality of Andorra	State of Israel	Kingdom of Saudi Arabia
Antigua and Barbuda	Italian Republic	French Republic
United Arab Emirates	Canada	Seychelles
Argentine Republic	State of Qatar	Saint Vincent and the Grenadines
New Zealand	Republic of Cyprus	Republic of Serbia
Barbados	Republic of Colombia	Republic of Singapore
Kingdom of Bahrain	Republic of Korea	Slovak Republic
Commonwealth of the Bahamas	Republic of Costa Rica	Republic of Slovenia
Republic of Belarus	Republic of Latvia	Republic of Armenia
Kingdom of Belgium	Republic of Lithuania	Kingdom of Thailand
Belize	Lebanese Republic	Republic of Tajikistan
Bosnia and Herzegovina	Principality of Liechtenstein	Republic of Uzbekistan
Republic of Botswana	Grand Duchy of Luxembourg	Ukraine
Federative Republic of Brazil	Republic of Mauritius	Hungary
Brunei Darussalam	Malaysia	Republic of Finland
Republic of Bulgaria	Republic of Malta	State of Kuwait
Federal Republic of Germany	United Mexican States	Kyrgyz Republic
Kingdom of Denmark	Principality of Monaco	Republic of Kazakhstan
United Kingdom of Great Britain and Northern Ireland	Republic of Moldova	Kingdom of Sweden
Dominican Republic	Montenegro	Swiss Confederation
El Salvador	Kingdom of the Netherlands	Czech Republic
Republic of Ecuador	Kingdom of Norway	Holy See
Kingdom of Spain	Sultanate of Oman	Republic of Croatia
Republic of Estonia	Republic of Panama	Republic of Honduras
Portuguese Republic	Republic of Poland	Hashemite Kingdom of Jordan
Territories of the Kingdom of the Netherlands - Aruba and Netherlands Antilles	Territories of the Kingdom of Denmark - Faroe Islands and Greenland	Territories of the French Republic - French Polynesia and New Caledonia
Overseas territories of the United Kingdom of Great Britain and Northern Ireland - Bermuda Islands, Cayman Islands, British Virgin Islands, Falkland Islands, Turks and Caicos Islands, Gibraltar	Crown Dependencies of the United Kingdom of Great Britain and Northern Ireland - Jersey, Guernsey and the Isle of Man	Portuguese Republic

Georgian law provides for temporary and permanent residence permits. A temporary residence permit is granted for a period no longer than six years. However, it may be extended on expiry. Certain documents are required to obtain a residence permit, such as bank statements and any other documents proving the purpose for staying in Georgia. Applicant is required to have long term visa (immigration visa, type D), with at least 45 days until its expiry for date of application.

## 2. FINANCE AND INVESTMENT

### BANKING AND LOCAL FINANCE

Banking in Georgia is regulated under the National Bank of Georgia Act.

Georgia's central bank is the National Bank of Georgia, which is one of the key public institutions. The main objective of the National Bank is to ensure price stability. The National Bank of Georgia implements monetary policy according to the main directions of the monetary and foreign exchange policy defined by the Parliament of Georgia. It holds, keeps and disposes the international foreign reserves of the country. It carries out economic functions as prescribed by law. One such responsibility of the National Bank is supervision of commercial banks. The aim of banking supervision is to ensure stable functioning of the banking system through control of local commercial banks and local branches of foreign banks; minimizing the probability of occurrence of systemic risks in the banking system and thus maximizing protection of bank depositors' and other creditors' funds and upholding the principles of competition in the banking system.

The banking system consists of the following types of institutions:

- Commercial banks
- Credit institutions
- Subsidiaries and branches of foreign banks.

The minimum capital required for establishing a bank is GEL50 million which must be fully paid-up in cash.

Currently there are 17 licensed banks in Georgia. Commercial banks play the leading role in financing the economy.

The banking system has been developing rapidly in recent years, increasing trust in banks and the national currency. A growing amount of deposits and foreign investments have contributed significantly to the Georgian economy. However, the tense conditions in 2008 in the country and the global financial crisis also affected the banking sector. Increased risks and liquidity deficits reduced banking activity, resulting in reduced credit levels. Nowadays the three leading fields contributing to lending are trade, industry and construction.

### EQUITY MARKET

The Georgian Stock Exchange (GSE) is the only organized securities market in Georgia. It is in the capital city of Tbilisi. Designed and established with the help of USAID and operating within the legal framework drafted with the assistance of American experts, the GSE complies with global best practices in securities trading and offers an efficient investment facility to both local and foreign investors. The automated trading system of the GSE can accommodate thousands of securities that may be traded by brokers from workstations on the GSE floor or remotely from their offices. As of February 29, 2024, 40 securities are admitted on GSE (Categories: A Listing, B Listing and Admitted to Trading), with Total Market Capitalization of GEL 5.20 billion.

### COMMODITY EXCHANGE MARKET

Georgia's commodity exchange market started operating in Tbilisi in 2010.

A commodities exchange ('the Exchange') is an organized wholesale market established for organizing and regulating exchange trade, where trade is carried out publicly at a specific place and within certain time frames, according to predetermined rules.

The purpose of an Exchange is to satisfy the interests of its members. Under the Law on Entrepreneurs an Exchange shall be established as a limited liability company or a joint stock company.

## ACCOUNTING AND AUDIT REQUIREMENTS

Bookkeeping and financial reporting in Georgia are mainly regulated by the Accounting and Reporting Act and the Enterprises Act, as well as by other subordinated legislation.

Bookkeeping and financial reporting are conducted in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).

### ***Accounting and annual financial reporting***

Accounting records must be set out in a manner so that any person qualified in accounting can clearly identify the company's financial situation and the transactions made during the accounting period, including being able to determine both the beginning and the sequence of each transaction.

Books must be kept in the Georgian language and in Georgian currency.

The accounting records and all relevant mandatory documentation must be retained for six years. The information in the accounting records is confidential as regards outside users; only the tax authority and auditors have access to the information. In circumstances prescribed by law, certain other state institutions may also have access to accounting records.

The normal reporting period is calendar year (12 months).

### ***Statutory audit of financial statements***

According to the law PIES, 1st and 2nd category entities and 1st and 2nd category groups are obliged to ensure the audit of their financial reports/consolidated financial reports, while 3rd and 4th category entities are exempt from the obligation of the financial statements audit, if not otherwise stated by the Georgian legislation.

1<sup>st</sup> category entity - legal entity, whose indicators meet at least two of the following three criteria at the end of the reporting period:

- Total value of assets exceeds GEL50 million
- Income exceeds GEL100 million
- The average number of employees in the reporting period exceeds 250.

2<sup>nd</sup> category entity - legal entity, that is not the 3rd or 4th category entity and whose indicators meet at least two of the following three criteria at the end of the reporting period

- Total value of assets does not exceed GEL50 million
- Income does not exceed GEL100 million
- The average number of employees in the reporting period does not exceed 250.

3<sup>rd</sup> category entity - legal entity, that is not the 4<sup>th</sup> category entity and whose indicators meet at least two of the following three criteria at the end of the reporting period:

- The total value of assets does not exceed GEL10 million

- Income does not exceed GEL20 million
- The average number of employees in the reporting period does not exceed 50.

4th category entity - legal entity, whose indicators meet at least two of the following three criteria at the end of the reporting period:

- The total value of assets does not exceed GEL1 million
- Income does not exceed GEL2 million
- The average number of employees in the reporting period does not exceed 10.

### ***Development of the accounting and auditing profession***

All the largest international audit firms are represented in the Georgian market and they also have the dominant position in servicing large companies. About 269 local and international audit firms are registered in Georgia, out of which 15 have Permission for rendering audit for PIEs (Public Interest Entities). Most of the mentioned firms are registered in Tbilisi. Unlike the large networks, local firms rarely provide business consulting. However, prices for the provision of services by local firms are generally significantly lower.

### ***Accounting software***

All computerized accounting is allowed, provided only that the law is not violated. Foreign and local accounting software packages are used; local packages are tailored to the needs of Georgian accounting systems and are generally used by companies, but foreign accounting software packages are also in use.

### ***Foreign exchange policy***

Exchange rate flexibility is an important cushion against real shocks. The National Bank of Georgia does not have a fixed exchange rate policy. Therefore, the NBG aims to gradually increase the flexibility of the exchange rate. As exchange rate uncertainty increases, the private sector can protect itself against exchange risk by developing foreign-exchange hedging instruments (swaps, forwards, futures and options). Liquid and efficient short-term interbank money and government securities markets help market interest rates emerge, thus providing important information for pricing hedging instruments.

## **INVESTMENT ENVIRONMENT**

### ***Investment opportunities and incentives***

Located at the crossroads of Europe and Central Asia, Georgia is a bridge connecting several important economic regions. It is a key link in the shortest transit route between Western Europe and Central Asia for transportation of oil and gas, as well as dry cargo.

The fundamental issues for the country's progress are the formation of a financial sector, the dynamic development of financial markets and the creation of appropriate markets. Georgian investments are of huge importance. The long-term effects of foreign investment result in increased employment and increases in household income.

Georgia is developing its infrastructure and simplifying licensing and permits to ease constraints on business. The total number of required licenses and permits has been reduced by 84% since 2005, in reforms that eliminated 756 licenses and permits and streamlined procedures. One of the reasons to invest in Georgia is the establishment of a Free Industrial Zone.

### ***New enterprises***

From July 2019 the status of international company exists in Georgian Tax Legislation. The following tax reliefs are defined for it:

- Income received as a result of hired work (employment) in an international company is taxed at 5 percent.
- A dividend paid by an international company shall not be taxed at the source of payment and shall not be included in gross income by the person receiving thereof.
- The profit tax rate for an international company is 5%. 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.
- An international company is exempt from property (except for land) tax if that property is intended or used for the performance of activities allowed by the decree of the Government of Georgia.

An enterprise intending to be granted the status of international company under which must carry out permitted activities in Georgia, which means that it shall have adequate human resources to carry out such activities, with the necessary qualifications, and shall ensure the coverage of appropriate operating costs in Georgia.

The status of international company may be granted in any of the following cases to a Georgian enterprise:

- ▶ has at least two-year experience in carrying out the permitted activities, on the basis of which it applies to obtain the status. Permitted activities are: IT and marine services
- ▶ is a representative of a non-resident enterprise in Georgia, if the non-resident enterprise has at least two-year experience in the permitted activities provided by this decree, which are carried out by a Georgian enterprise and on the basis of which it applies to obtain the status
- ▶ its more than 50% of shares are owned by partner enterprises independently (each partner separately), and which has at least two years of experience in the permitted activities provided by this decree, which are carried out by a Georgian enterprise and on the basis of which it applies to obtain the status.

The status of international company may be granted only to a person which is taxed by new model called as Estonian model of profit tax.

To obtain the status, the interested person must apply to the Revenue Service with an application in the prescribed form. The application form shows that there can be indicated only those services in the field of information technology, which will be provided to persons, whose place of registration or place of management is outside Georgia. The similar restriction is not imposed over the commercial and maintenance services by a shipowner and/or those related to ship ownership.

## 3. THE TAX SYSTEM

### INTRODUCTION

The system of taxes in Georgia consists of:

- State taxes, which are governed by the Tax Code of Georgia; and
- Local taxes, which are governed by the Tax Code of Georgia and established under local authority regulations.

The main taxes are as follows:

#### *Direct taxes*

- Corporate income tax
- Personal income tax
- Property tax

#### *Indirect taxes*

- Value added tax
- Import duty
- Excise duty

#### *Other taxes and duties*

Natural resources fees are regulated by the tax authorities and the Ministry of Environment of Georgia. Duties on gambling are levied locally.

#### *Payment*

Taxes and duties are assessed and payable in Georgian currency only.

#### *Assessment*

The tax authorities are authorized to make an assessment of the tax liability of every taxpayer, tax agent, or other person liable to pay tax. The assessment is based on information contained in a taxpayer's or tax agent's tax returns, information concerning payment of a sum subject to withholding tax, and audit materials and other relevant information known to the tax authorities. A taxpayer is responsible for keeping documentation supporting the basis on which the registration of taxable objects and the filing of tax returns are carried out. Documents confirming receipt of revenues (profit), expenses incurred and paid (withheld) taxes must be kept for three years following the end of the relevant tax year.

The tax authorities are entitled to carry out tax audits only in accordance with the Tax Code of Georgia. The tax authorities can adjust the amount of taxes due based on their tax review. They can also impose fines.

#### *The period of limitation*

The term of limitation for taxpayer's tax assessment, tax audit, imposition of a sanction (other than penalty) and reception of relevant tax notice, filling of taxpayer's request and an individual administrative legal act of a tax authority is defined with 3 years.

The period of limitation 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.

### ***Appeal procedures***

Taxpayers have the right to appeal any assessments and administrative documents issued by the tax authorities to the Ministry of Finance or to a court. They must do so within 30 days of receipt of the assessment or document and they must provide supporting documentation.

If a taxpayer chooses to appeal to the Ministry, the dispute may be resolved in the first instance by the Revenue Services or it may be escalated to the Disputes Resolution Council under the Ministry of Finance.

Taxpayers may appeal decisions of the Revenue Services to the Disputes Resolution Council under the Ministry of Finance, or to the court. In either case, the appeal must be filed within 20 days of receipt of the decision. The appeal must be reviewed by the Council within 20 days.

Taxpayers may appeal decisions taken by the Disputes Resolution Council under the Ministry of Finance to the court within 20 days of receipt of the decision.

### ***Anti-avoidance principle***

The Georgian tax authorities have the right to inspect taxpayers' financial documents, accounting books, reports, expenses, financial assets, securities and other assets, calculations, tax returns, and other documents related to the assessment and payment of taxes in connection with the taxpayer's economic activity. Where the taxable base differs from existing reality, the tax authorities can recalculate the real tax base.

To determine tax liabilities, the tax authorities have the right to use a substance over form approach and they can re-classify a transaction in accordance with the real facts, in case the form of the transaction does not correspond to its substance.

## **4. TAXES ON BUSINESS**

### **CORPORATE TAX SYSTEM**

#### ***Two models of CIT***

From 1 January 2017 new model of CIT came into force in Georgia. Some entities are transferred to this model, while others are on the old model of CIT. All changes are given in details in the article "New model of CIT".

#### ***Scope and extent***

Corporate income tax is charged on the profits earned by a Georgian enterprise and profits derived by foreign enterprises carrying out their activities through a permanent establishment in Georgia and/or generating income from sources in Georgia.

## ***Company residence***

According to Georgian law, an enterprise is considered resident in Georgia if it is incorporated in Georgia or if it is deemed to have its main place of activity and/or its place of management in Georgia. All other enterprises are considered to be non-resident enterprises.

## ***Taxable entities***

The following persons are liable to corporate income tax:

- Georgian enterprises
- A foreign enterprise carrying out economic activities in Georgia through its permanent establishment
- A foreign enterprise deriving income from a source in Georgia
- Partnerships and other similar entities
- Organizations conducting economic activity.

According to the Georgian Tax Code the following are not liable to corporate income tax:

- Profits from the sale by the Patriarchy of Georgia of crosses, candles, icons, books and calendars used exclusively for religious purposes
- 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 2026 or distribution of profit. Income received by a non-resident from a Georgian source in respect of risk insurance and reinsurance
- Income received by a non-resident from leasing property situated in Georgia, other than the property of a Georgian permanent establishment
- Profit received from the sale of government or the National Bank of Georgia debt securities and interest profit from the above-mentioned securities and profit received from interest accrued on the funds deposited in the accounts at the National Bank
- Profit or distribution of profit earned from activities allowed in a Free Industrial Zone by FIZ
- Profit (distribution of profit) received by a Virtual Zone Legal Person, which are basically IT companies (that are engage in computer software creation) registered in Georgia, from the supply of IT produced products outside Georgia
- Distribution of profit received by Special Trading Companies from permitted activities, except for the profit received from sale of fixed assets used by the company for its economic activity for over two years.

## ***Taxable income***

The Georgian Tax Code levies corporate income tax on the worldwide profits of Georgian resident entities and on income sourced in Georgia and derived by foreign non-resident entities either through a permanent establishment or otherwise.

Gross income includes income from economic activities, interest income, royalties and rental income. Taxable income is calculated by adjusting accounting profits for non-taxable items and non-deductible items, and any other adjustments required by law.

Foreign enterprises having no permanent establishment in Georgia and generating income from sources in Georgia are subject to withholding tax at the source of payment.

## **Deductions**

All expenses related to deriving taxable income generally are deductible. Note, however, that there are expenses deductibility of which is limited and others that are wholly disallowed.

Expenses with restricted deductibility include:

- Representative expenses - these are limited to 1% of gross income collected during the tax year
- Interest payable - this is limited to the annual rate set by the Minister of Finance of Georgia
- Charitable donations - these are limited to 10% of net taxable income.
- Expenses not related to the company's business activities are generally not deductible. These types of expenditure include:
  - Entertainment expenses
  - Expenses incurred by a natural person for his or her own purposes
  - Expenses related to income earned from lotteries, gambling and games of chance
  - Expenses related to deriving exempt income
  - Expenses on the purchase of goods/services from Micro Business. (Micro Businesses are described below under the Special Tax Regime discussion).
  - The expenses incurred on purchased of good/services from a person with a status of fixed tax payers<sup>1</sup> (person who is not a VAT payer and who conducts one or more activities subject to a fixed tax) within the scope of activity subject to fixed tax
  - Non-separated expenses between activity subject to fixed tax and additional activities incurred by a person having status of fixed tax payer.

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<sup>1</sup> A fixed tax rate according to types of activity shall be determined by the Government of Georgia. At the same time, the Government of Georgia may determine different fixed tax rates according to local self-governing units for the same types of activities taxable at a flat tax rate.

## Tax depreciation

The Georgian Tax Code specifies two methods of depreciation of intangible or fixed assets: Straight-line method: the straight-line method applies only to intangible assets. Expenditures on intangible assets are deductible by way of depreciation over the useful life of the asset, with a zero residual value. Where it is deemed impossible to define the useful life of intangible assets, depreciation is taken at a rate of 15% under the declining balance method (as with tangible assets in group 5).

Declining balance method: all tangible fixed assets are depreciated under the declining balance method. Depreciable fixed assets are classed in five groups.

The effective rates are shown in Table 3 below:

**Table 3**

Group number	Fixed Assets	Depreciation rate (%)
1	Passenger cars, traction equipment for use on roads; office furniture, automotive transport rolling stock; lorries, buses, special motor vehicles and trailers; machinery and equipment for all sectors of industry; forging and pressing equipment; construction equipment; agricultural vehicles and equipment	20
2	Special tools, inventory and equipment; computers, data processing peripheral devices and equipment; electronic devices	20
3	Railway, sea and river transport vehicles; power vehicles and equipment; thermal technical equipment; turbine equipment; electric engines and diesel generators; electricity transmission and communication facilities; pipelines	8
4	Buildings, constructions	5
5	Depreciable assets not included in the other groups	15

## Capital gains

Georgia has no separate capital gains tax. Capital gains generated in Georgia are included in gross income and subject to corporate income tax at the standard rate of 15%.

Capital gains are calculated as the difference between the cost of acquisition and the proceeds of disposition.

## Dividends and interest

### Dividends

Dividends distributed by Georgian companies to a natural person or a foreign enterprise are subject to 5% withholding tax at the source of payment (unless they are paid to a non-resident and the terms of a tax treaty provide otherwise).

Dividends paid to Georgian enterprises or to a permanent establishment through which a foreign enterprise carries out activities are not taxed at the source of payment.

### Interest

Interest paid by the permanent establishment of a non-resident or by a resident, or on behalf of a resident, is subject to taxation at source at the rate of 5% of the payable amount, if the source of the payment is in Georgia.

Interest paid on credits (loans) to resident banks shall not be taxed at the source.

Interest received from licensed financial institutions is not taxed at source and is not included in the gross income of the person receiving the interest.

Interest earned from negotiable securities shall not be taxed at the source and shall not be included in gross income by the person earning the interest.  
Interest paid to the State by a resident enterprise is not subject to tax at source.

### **Withholding tax**

Incomes, except royalties received by a non-resident company without a permanent establishment in Georgia are subject to taxation at source at the rate of either 10% or 4%. Royalties are taxed at a rate of 5 percent. The 4% rate applies to income received by non-resident subcontractors carrying out oil and gas operations prescribed by the Oil and Gas Act.

### **Losses**

Losses may be carried forward for up to five years and offset against profit of future periods. The carry forward can be extended to 10 years upon application.

### **Avoiding double taxation**

To prevent double taxation of income, Georgian tax law allows taxpayers a credit against their Georgian tax for corporate income tax paid outside Georgia on foreign-source income. The total amount of credit cannot exceed the Georgian tax that is, or would have been, due on that income under Georgian law.

Georgia has signed and ratified more than 56 agreements with other countries to avoid double taxation regarding taxes from income and property taxes (see Appendix).

To claim treaty benefits, resident and non-resident persons have to submit the following forms:

- Declaration by a Georgian tax agent regarding payments to non-residents and tax withheld on this income
- Self-certification of residence status by a non-resident
- Claim by a non-resident for repayment of taxes paid/withheld in Georgia
- Application by a non-resident for the issue of a certificate of taxes paid in Georgia
- Certificate of taxes withheld completed by the resident withholder
- Certificate by the relevant tax authorities of taxes paid by a non-resident in Georgia
- Application by a resident taxpayer for a certificate of residence
- A certificate of residence issued by the tax authorities.

### **Transfer pricing rules**

From 1 January 2014 the rule approved by the Minister of Finance entered into force - transfer pricing for international controlled operations. Present rule together with the relevant articles of The Code regulates international transactions between related parties, pricing and taxation guidelines.

Georgian transfer pricing rules generally follow OECD transfer pricing

principles. They apply to cross border transactions between:

- a) A Georgian resident company and a related foreign company
- b) A Georgian resident company and an unrelated foreign company, where the latter is a resident of low tax jurisdiction/offshore country.

Taxpayer has a right to receive advance ruling for the operations subject to transfer pricing. The advance agreement shall be concluded before the operation

for a certain period and within its scope shall be set criteria according which the prices shall be established. Such criteria are, for example, method, comparable operations and their corresponding adjustments, important assumptions about future operations, etc.

### ***Thin capitalization***

There is no longer Thin Capitalization rule applicable according to Georgian tax legislation.

### ***Controlled foreign company rules***

Georgia has no controlled foreign corporation rules.

### ***General anti-avoidance rule***

Georgia does not have a general anti-avoidance rule. However, specific statutory provisions aimed at particular types of avoidance exist.

### ***Tax rate***

The current standard rate of corporate income tax on all taxable income is 15%. Taxable profit of a banking institution, credit union, microfinance organization and loan provider shall be taxed at the rate of 20% (from 1 January 2023).

### ***Returns and payments***

#### ***Returns***

Georgian-resident companies must file corporate tax returns by 1 April following the tax year, which is the calendar year.

Upon liquidation, the liquidation commission or the taxpayer must immediately notify the tax authorities in writing. Within 15 days of making a decision on the liquidation of a legal person, the liquidation committee must file a tax return with the tax authorities.

#### ***Payment of tax***

Companies are required to make payments on account of corporate tax, based on their taxable income in the previous year, according to the following schedule:

- Not later than 15 May - 25 %
- Not later than 15 July - 25 %
- Not later than 15 September - 25 %
- Not later than 15 December - 25 %.

Any balance of tax remaining is due by 1 April of the following year. Where payments on account exceed the final liability, the company may claim a repayment or apply to have the excess credited against other tax liabilities.

A company that had no taxable income (profit) during the previous tax year, either because it incurred a loss or because it was not trading, is not required to make any payments on account. 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.

## **NEW MODEL OF CORPORATE INCOME TAX**

### ***Intent and general information***

New model of Corporate Income Tax came into force from 1 January 2017. The purpose of this taxation model is simplification of the tax administration, promotion of business development and economic growth.

The main amendment under the new model of Corporate Income Tax is postponing taxation of corporate income until distribution of net income. This will increase availability of the funds and promote reinvestment of earned profits into the same or new activities.

### ***Taxable entities under new model of CIT***

The new model of Corporate Income Tax will be applied to all types of businesses having legal form, excluding:

- Commercial banks
- Insurance companies
- Micro-finance organizations
- Credit unions
- Pawn brokers
- Companies receiving income from Oil and Gas Operations prescribed by the Oil and Gas Act
- Bookmakers operating with systematic-electronic forms.

### ***The objects of taxation***

According to the new model of Corporate Income Tax, the objects of taxation are following transactions/actual payments:

- Payment of dividends
- Differences between contract price and market price
- Expenses not related to economic activity
- Payments not related to economic activity
- Free of charge supplies and gifts
- Representative expenses above limits.

Like dividends, the remaining transactions/payments shall be taxed according to the actual date of payments. The principles of taxation of payments vary according to the type and the receiver of payment:

### ***Payment of Dividends***

Dividend is taxed at the moment of the payment, in case it is distributed to individuals, non-profit entities, non-residents or entities exempt from Corporate Income Tax. Distribution of dividend to the resident enterprise subject to the new model of taxation is not taxable. The same rules apply to the re-distribution of dividends.

At the time of taxation of distributed dividend, specific year of earning of distributed profit is irrelevant. However, in order to avoid double taxation, if a resident enterprise

distributes dividends from the profit earned within a reporting period of 2008-2016, it is entitled to seek an offset for Corporate Income Tax assessed and paid

by such periods. Amount to be offset is calculated with the following equation -  $A \times B / (C - D)$ , whereby:

**A** - Amounts to be distributed as dividend

**B** - Amount of Corporate Income Tax assessed and paid for the reporting periods from 2008 till 1 January, 2017

**C** - Amount of net profit earned within a reporting period from 2008 till 1 January, 2017

**D** - Value of shares/stake of the enterprise transferred to the partner by the enterprise in exchange of the dividends from the net profit earned by such enterprise in a reporting period from 2008 to January 1, 2017.

### ***Differences between contract price and market price***

According to the new model of taxation, differences between contract price and market price are taxed with Corporate Income Tax, if the transactions are made with interdependent persons, companies registered in off-shore jurisdiction and companies exempt from the Corporate Income Tax:

- The difference related to purchase transaction will be taxed at the moment of payment of higher price than market price
- The difference related to the sale transaction will be taxed at the moment of delivering the goods/services at lower price than the market price.

Difference between the contract price and market price is not taxable with Corporate Income Tax, in case the party of the transaction is an enterprise subject to the new model of taxation or the budget organization.

### ***Expenses not related to the economic activity***

According to the new model of Corporate Income Tax, expenses, which are not related to economic activity or which are not deemed to be such will be subject to taxation, particularly:

- Expenses not documented
- Expenses not incurred for the generation of profit, revenues or compensation
- Expenses incurred on the goods or services procured from an individual operating under the status of micro business or persons under the status of fixed tax payer
- Interests paid on loans above the limit.

### ***Payments not related to economic activity***

Several types of payments, which will not be deemed as related to the economic activity for taxation purposes under new amendment, will become subject to taxation, particularly:

- Payment of the loan principal to natural persons or non-residents or enterprises exempt from Corporate Income Tax
- Payment for procurement of the share or increase of capital of non-resident enterprise, or the capital of the enterprise exempt from Corporate Income Tax
- Advance payments or liquidated damages to the persons registered in the off-shore jurisdiction or enterprises exempt from Corporate Income Tax.

It should be noted that reimbursement of above-mentioned payments, for instance refund of the loan principal or procurement of goods in exchange for advance payment, are subject to Corporate Income Tax credit and due refund from budget.

### ***Taxation of free-of-charge supplies and gifts***

According to the new model of Corporate Income Tax, free of charge delivery of goods/services, losses and transfer of funds as a gift will be subject to taxation. However, some of these operations shall not be taxed, including the following:

- Free of charge delivery of goods/services or transfer of funds as a gift, which are

- subject to personal income tax and are withheld at source;
- Free of charge delivery of goods/services or transfer of funds as a gift to the public authorities;
  - Donations made to the charity organizations during a calendar year, within the limit;
  - Delivery of goods or services free of charge, which are aimed to generate profit, revenues or compensation;
  - Free of charge delivery of goods/services and/or transfer of funds to all types of businesses which are taxed with new model of Corporate Income Tax.

### ***Representative expenses above limits***

According to the new model of Corporate Income Tax, representative expenses above limit will be subject to taxation. Similarly, to previous limits, representative expenses incurred during a year are 1% of the generated revenues or expenses (the greatest) incurred in the previous calendar year. The limit of representational expenses incurred in the calendar year of establishment of enterprise is 1% of the expenditure incurred on the end of the current calendar year.

### ***Tax rate***

Corporate Income Tax rate remains the same as before - 15%, however, technically, the 15%/85% rate will be applied to the amount of taxable object. For International Companies CIT rate is 5%.

### ***Returns and payments***

Reporting period for the new Corporate Income Tax is calendar month instead of calendar year. Therefore, Taxable persons must file a Corporate Income Tax return with the tax authorities for each reporting period no later than the 15th day of the month following the reporting period in question. They must pay the excess of payable Corporate Income Tax over minus their Corporate Income Tax to be credited at the time they file their return. If their Corporate Income Tax to be credited exceeds payable Corporate Income Tax, they may apply for a refund.

## SPECIAL TAX REGIMES: MICRO BUSINESS AND SMALL BUSINESS

### *General principles*

Individuals may apply to be considered a Micro Business and individual entrepreneurs may apply for Small Business status. Taxpayers eligible for such status are eligible to take advantage of certain simplified accounting rules and tax exemptions. The rules for issuing certificates granting the status of Micro Business and Small Business, as well as the rules regarding cancellation of such status, resides with the Minister of Finance of Georgia.

### MICRO BUSINESS

#### *Granting and cancellation of the status*

Based on the application filed with the Georgian tax authority (GTA) according to the place of registration, the status of Micro Business can be assigned to an individual who:

- Conducts economic activities independently without hiring employees
- Receives annual gross income up to GEL30 000
- Carries out activities that Micro Businesses are permitted to conduct
- Maintains inventory balance up to GEL45000.

If any of the above requirements for Micro Business are violated, the status of Micro Business is cancelled for the current tax year. As well, the status of Micro Business can be cancelled if an individual with that status applies to the GTA for cancellation of the status of Micro Business or applies for the status of Small Business.

Within 30 days of the cancellation of the status of Micro Business the income of the individual that accrued from the time of cancellation will be taxed:

- According to the rules applicable to taxation of Small Businesses, if Small Business status is obtained, or
- According to the normal personal income tax rules.

#### *Tax benefits and compliance regarding Micro Business status*

Micro Businesses are exempt from personal income tax. Micro Businesses must maintain all primary tax documentation.

If Micro Business status is cancelled, within 30 days of cancellation of the status the individual must file a personal income tax return and pays tax accrued from the time of cancellation of the status.

### SMALL BUSINESS

#### *Granting and cancellation of the Small Business status*

Based on the place of registration specified in the application filed with the GTA, Small Business status can be assigned to an individual entrepreneur who:

- Receives annual gross income from economic activities of no more than GEL500 000 in each calendar year during two calendar years
- Undertakes activities that are not prohibited for Small Businesses, as defined by the Government

- Uses a cash register and has not been penalized for not using the latter more than 3 times during a calendar year

The status of Small Business is cancelled for the next tax year if the above first requirement is violated or the person applies to a tax authority with this request to cancel the status. In case of violation of the above last two cases the status shall be canceled for the current tax year. However, if the person is no longer an entrepreneur, the status is considered revoked from the date of origin of the relevant grounds. After cancellation, an individual entrepreneur may regain the status the next year following the cancellation, if he or she has total gross income of no more than GEL500 000 during the 12 calendar months following the cancellation of the status

### ***Tax benefits and compliance***

Small business is liable for personal income tax at a rate of 1% of total gross income from. The taxable income of Small Business shall be taxable at the rate 3% in case the gross income received by it from the economic activity will exceed GEL 500,000. At this rate the person shall be taxed from the beginning of the month prior to the end of the calendar year.

The salary paid to the employees by Small Business in the amount up to GEL 6,000 shall not be taxed at the source in case it is registered as entrepreneurial entity and received the status of Small Business in the same calendar year or its income received in the previous calendar year does not exceed GEL 50,000.

The tax compliance rules applicable to Small Businesses are the same as those applicable to individual entrepreneurs, except for Small Businesses operating in the territory of the Special Trade Zone. As for Micro Businesses, the tax obligations (except for property tax compliance) of a Small Business operating in the territory of this Zone will be fulfilled by the person who organizes Special Trade Zone.

An individual entrepreneur with Small Business status files a personal income tax return and must pay any tax accrued up to the time of cancellation of the status of Small Business within 30 calendar days from cancellation of the status.

An individual entrepreneur with Small Business status must file and pay tax no later than the 15<sup>th</sup> day of a month following the accounting month.

## **VALUE ADDED TAX**

### ***Important Amendments***

In July 2020 quite significant amendments were made to the Tax Code of Georgia. The amendments affected the chapter of VAT in full.

The draft of VAT was developed to approximate tax legislation with the EU VAT Directive (2006/112/EC). As a result, the VAT reform based on international practice will improve the investment environment, reduce disputes, and simplify the fulfillment of tax obligations. There is an opportunity to develop internal procedures for the application of European Court decisions and interpretations in practice.

According to the amendments, the VAT regulations of the Tax Code have been completely revised, however some of the basic principles remained the same.

Amendments are in force since 1 January 2021.

### ***Taxable persons***

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For VAT purposes, Taxable person is any person who, independently, carries out in any place any economic activity, whatever the purpose or results of that activity, including:

- Persons registered for VAT
- Persons who carry out a taxable import of goods
- Non-resident persons making a supply of services in Georgia without registration.

In most instances, taxable persons can credit VAT paid (so-called input VAT) against the VAT invoiced on deliveries of goods and services provided (output VAT).

Registration as a taxable person for VAT purposes is quick; it occurs no later than the second day following submission of the application to the tax authorities.

### ***Non-deductible input VAT***

A taxable person is not entitled to deduct input VAT in respect of the following:

- Passenger cars
- Payments for charity, social and entertainment events and representative expenses
- Payments for supplies used to produce VAT exempt supplies, irrespective of whether the further supply thereof is anticipated.

### ***Taxable activities***

As a general rule, VAT is imposed on all supplies of goods and services that take place in Georgia, including gratuitous supplies within the following limits:

- The free delivery of goods will be taxed only if the relevant person has credited VAT on this expense
- The provision of services free of charge will be taxed only if these activities are not related to the purpose of the payer's activities or are performed for the personal benefit of the employee
- The supply of goods by a VAT payer for the personal use of its employees if the payer has fully or partially credited VAT on these goods or expenses
- The supply/use of goods/services for a purpose other than the purpose of its business if the payer has fully or partially credited VAT on these goods or expenses
- The importation of goods into Georgia.

### ***Time of supply***

The time of a taxable transaction is the time of supply of the goods or services.

Transaction subject to VAT shall also be advances received by supplier of goods/services within the limits of such supply operations. This is also applicable to the cases when goods are supplied regularly or continuously except for telecommunication/communication services and goods (guaranteed capacity, electricity, gas, water, thermal energy, cooling energy or other similar goods) supplied regularly or continuously.

The time of a taxable transaction is the time of supply of the goods or services, but not later than the moment of payment of the amount of compensation for the goods to be supplied/services to be delivered if payment is made before the supply of goods/delivery of services.

The amount of a taxable transaction shall be calculated according to the amount of compensation received or receivable by a VAT payer, including taxes, duties and other payments), without VAT and/or penalty.

For the purposes of VAT, taxation of advance payments came into force from 1 January 2017.

## ***Place of supply of goods, services and imports***

### *Place of supply of goods*

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. 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.

### *Place of supply of services*

Where a service is directly related to immovable property, the place of supply is where the property is located. Services directly related to immovable property includes leasing of property, hotel services, etc.

In case of delivery of services by the business (taxable person) to other business (taxable person) (B2B) - the place of service delivery is considered to be the place of incorporation of the service purchaser.

In case of delivery of services by the business (taxable person) to the customer (non-taxable person) (B2C) - The place of service delivery is considered to be the place of incorporation of the supplier.

Special rules for determining the place of taxation have been established for certain services, e.g. the place of transportation for the passenger is considered to be the place where the transportation takes place, in proportion to the distance traveled.

## ***Standard rate***

The standard rate of VAT is 18%.

## ***Exempt supplies***

So-called exempt supplies are not subject to VAT taxation. A taxpayer making such supplies may or may not be entitled to claim input VAT.

## ***VAT exempt transactions without the right to claim input VAT***

The following types of supply are exempt from VAT without the right to claim input VAT:

- The supply of financial services
- Ancillary services related to insurance and/or reinsurance provided by insurance brokers and/or insurance agents
- Import of national or foreign currency or securities
- Imports of goods transferred to the state or social organizations of Georgia for the alleviation of natural calamities, accidents or catastrophes, or as humanitarian aid
- The importation of goods under grant agreements by a donor or a beneficiary of a grant
- Imports of machinery, means of transport, spare parts and materials for the conduct of oil and gas transactions as envisaged by the Oil and Gas Act, as well as the supply of goods (works, services) necessary for the conduct of oil and gas transactions by investors and operating companies commensurate with the agreements specified by

- that act and/ or licenses issued for the conduct of oil and gas transactions
- Supplies of crosses, candles, icons, books, and calendars by the Georgian Patriarchate, so long as they are used exclusively for religious purposes
  - The supply of urban and inter-regional transportation (except for taxis) where the supply is made at prices/tariffs regulated by the state
  - The supply of cleaning and waste management services to the local self-governing bodies in populated areas
  - Educational services supplied by educational institutions
  - Medical services and care services rendered to children, the ill, disabled or elderly persons over the age of 60
  - The delivery of services and goods directly related to medical and educational activities and ancillary goods/services
  - Services of the provision of personnel by a religious organization, including for medical or educational activities
  - Provision of services/goods by the organization to raise funds for medical, educational and other social activities
  - Delivery of goods used only in exempt transactions in the medical, educational, cultural, sports, and social fields, unless the right to deduct VAT has arisen on the said goods
  - The supply or import of the following: books, newspapers and journals, printed music (including electronic supplies)
  - The supply of arts and sports training services to natural persons under the age of 18
  - The supply of childcare services at pre-school institutions
  - The importation of goods intended for the official use of foreign diplomatic and equivalent representative offices
  - The importation of personal effects and household items for the personal use of foreign citizens and their families engaged in the oil and gas extraction industry in Georgia
  - The supply or importation of baby food and infant hygiene products marked as such for wholesale/retail supply
  - The supply or importation of diabetic bread marked as such for wholesale/retail supply
  - The importation or supply of passenger cars
  - The importation of goods funded through beneficial credits raised by foreign states or international organizations and intended for the rehabilitation of the energy sector and/or the render of construction, assembly, repair, restoration, testing-design and/or geological examination services
  - Imports or supplies of natural gas to electrical power generators
  - The provision of lotteries, casinos, games of chance and prize-games
  - Supplies between enterprises in a Free Industrial Zone
  - Supplies of land
  - The supply of a stake in a partnership (title to preliminary registration for property) provided property is not assigned/personified to this stake (title), save the case when property is received into individual ownership in exchange for a stake (title)
  - Supplies of property by a partnership to its members, so long as the members are all individual persons and the membership has not changed since the partnership was established and the partnership is not a VAT payer.

If a taxpayer providing exempt supplies wishes to claim input VAT, the taxpayer can apply for the right to do so. In that case the exempt supplies will be treated as taxable supplies and the taxpayer will have the right to claim input VAT. This option becomes affective from the first day of the reporting period following the submission of the application and is valid for 12 calendar months for all transactions.

### ***VAT exempt transactions with the right to claim input VAT***

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The following are exempt transactions, but the taxable person has the right to claim input VAT on them:

- Supplies intended for the official use of diplomatic representative offices
- International shipping activities
- Transfers of gold to the National Bank of Georgia
- Provision of organized tours by tour operators and suppliers of tour packages where the tours bring foreign tourists into Georgia
- Supplies of natural gas to thermo electric power stations
- Supplies goods within the Duty Free zone
- Bringing of tourists to tourist sites in the territory of Georgia in an organized manner
- Goods and services provided free of charge to the state or local self-governing bodies
- The initial supply of agricultural products (except for eggs) by persons engaged in agricultural activities before industrial processing thereof (before changing their nomenclature code)
- Delivery of air carriage and air transportation services and performance of aviation works within the state border of Georgia
- Provision of technical services to the aircrafts and to the ships conducting international sea passages
- Supply of busses with electric engines
- Medicinal/treatment goods produced in Georgia, the list of which is determined by a subordinate normative act
- Delivery of services by an intermediary acting on behalf of another person in case of international transportation of goods or participation in transactions carried out outside Georgia
- The supply of goods on the high seas or for the paid-for carriage of passengers or commercial, industrial or fishing activities or rescue or relief operations in the sea, etc.
- The delivery, conversion, repair, maintenance, freight or lease of ships and aircraft, and supply, lease, repair or maintenance of equipment installed or used on such ship, etc.

### **Reverse-charge VAT**

Provision of services to a tax agent on the territory of Georgia by a taxable person who is not established or does not normally reside in Georgia, or does not have a fixed establishment in Georgia that participates in the provision of these services are subject to reverse-charge VAT. The VAT is accounted for by the tax agent, who has a Taxpayer Identification Number.

### **VAT registration**

Persons (except for those supplying goods only in the territory of the Special Trading Zone) are required to register for VAT where:

- They carry out an economic activity and the total amount of their taxable turnover over 12 successive calendar months exceeds GEL100 000
- An application for registration must be filed no later than the second day after turn over exceeds this threshold
- They produce goods subject to excise tax (referred to as “excisable goods”) during the course of their economic activity. The person concerned must register for VAT before the supply of excisable goods takes place.
- A taxable person who has a fixed establishment in Georgia shall be liable for VAT calculation and payment from the moment the service is provided / the goods are delivered (including this transaction). They are obliged to apply for registration as a VAT payer to the tax authority no later than the last day of the

reporting period when the transaction occurred.

Taxable persons whose taxable turnover during the previous 12 months was GEL100 000 or less may apply for deregistration after one year of registration for VAT.

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.

### ***VAT returns and payment***

Taxable persons must file a VAT return with the tax authorities for each reporting period no later than the 15th day of the month following the reporting period in question. They must pay the excess of output VAT over minus their input VAT at the time they file their return. If their input VAT exceeds output VAT, they may apply for a refund. Excess of the Input VAT may be refunded automatically based on risk-analytical systems of the Tax Authority.

### ***VAT refunds for foreign nationals***

Foreign nationals may be entitled to claim a refund for the VAT paid for goods purchased in Georgia upon removal of the property from Georgia. The VAT is refunded against a special receipt issued by an authorized retailer of goods. The VAT is refunded only where:

- The period of three months after the purchase of the goods has not passed
- The goods are removed from the territory of Georgia
- The value of the purchased goods specified in a single receipt exceeds GEL200, excluding of VAT.

### ***VAT returns to EU member state VAT payer***

VAT payer of the EU member state shall be given back VAT paid at the time of purchase of goods (except immovable property) and/or services or at the time of importing goods in Georgia if mentioned person meets all of the following conditions:

- The person does not have a fixed establishment in Georgia or their place of business and / or permanent residence is not in Georgia
- Goods/services purchased or imported in Georgia by the person are used in VAT taxable transactions
- In the case of similar operation held by the person registered as a VAT payer in Georgia under the tax code would be authorized to credit paid VAT

## **5. TAXES ON INDIVIDUALS**

### **INCOME TAX**

Georgia taxes individuals on the territoriality principle. Therefore, both residents and non-residents are subject to income tax on their Georgian-source income only.

#### ***Territoriality and residence***

Under the Tax Code of Georgia, an individual is considered to be resident of Georgia if he or she is physically present in Georgia for 183 days or more in any continuous 12-month period ending in the tax year concerned. Persons in the Georgian public

service are considered to be residents even if they spend the whole year abroad on service.

### ***Structure of income tax***

According to the Tax Code of Georgia, the taxable income of a resident person consists of the gross income generated by him or her in Georgia, as reduced by deductions and allowances granted by the Tax Code.

Gross income includes:

- Income from employment
- Income from independent economic activity
- Income from alienation of property
- Dividends and interest (except interest from deposits in a bank or licensed financial institution)
- Royalties
- Income arising from the waiver or cancellation of debts
- Income from leasing, usufructs, rent, etc.

### ***Exempt income***

Income exempt from income tax includes:

- Income from sources outside Georgia for resident individuals
- The state retirement pension and cumulative and refundable payments from private pension schemes, to the extent of contributions made by or on behalf of the taxpayer
- State scholarships and allowances
- Rewards received by sportsmen and their trainers for being medal winners in the Olympic Games, World and European Championships
- Alimony
- Income received as part of a divorce settlement
- Certain capital gains
- Certain inheritances and gifts
- The value of property and apartments awarded free of charge through privatisation, as well as apartments received by victims of earthquakes and other calamities in exchange for dwellings damaged in the same area, and apartments received by persons displaced from other areas because of environmental concerns
- Income from the disposition of securities issued by an International Finance Company
- Surplus received from selling government, National Bank and International Finance Institutes securities and the interest received from the securities deposited in National Bank
- Interest received from government, National Bank and International Finance Institutes loan securities
- Income received by a non-resident from risk insurance and reinsurance activities
- Income received by a non-resident from leasing out property not belonging to a permanent establishment in Georgia
- Interest received on state securities
- Income from employment in Georgia of a non-resident individual if the employment lasted 30 calendar days or less and the employment is not connected to the expenses of a permanent establishment of a non-resident person in Georgia
- The first GEL6000 of the taxable income of the following persons: Persons disabled from birth or with considerable disabilities.

## ***Taxation of employment income***

Employment income includes wages, salaries, and any compensation or benefits, including income in the form of a pension, other income gained from a previous place of employment and income from a future place of employment.

Employee benefits include:

- Use of a company car (the amount included in income is based on the capacity of car engine, Except for the electric car)
- The provision of accommodation if it is a part of the remuneration between employer and employees provided in the employment contract.
- The cost of goods or services supplied free of charge by the employer to the employee or the employee's dependents
- A loan issued to an employee at an interest rate lower than the rate fixed by the Minister for Finance of Georgia
- Received education by an employee or dependents assisted by an employer (not including a training program directly related to the fulfillment of the employee's obligations)
- Waived debt or obligation by an employer Reimbursed an employee's expenses
- Paid an insurance premium or other amount for an employee's life and health insurance or under any pension insurance contract

*Note: Benefits are normally valued at their market value.*

The following are not included in employment income:

- Reimbursement of per diem expenses to an employee within the norms specified by the Ministry of Finance
- Reimbursement of representative expenses
- Within the framework of compulsory insurance, benefit received by the employer by paying the insurance premium in favor of the employee.

## ***Taxation of personal business income***

Taxable income from carrying out an independent economic activity consists of the difference between the person's gross income for those activities and the amount of deductions permitted by the Tax Code.

### ***Income from a business***

Gross income from a business includes:

- Income earned from economic activity not related to an employment, and
- Income earned from activities other than those related to employment and economic activities.

### ***Income from renting out residential space***

The income received by natural person who makes no deduction from income which is received as a result of renting out the residential space to a legal or a natural person for residential purposes. Gross income received as a result of renting out the residential space to a legal or a natural person for residential purposes by a natural person.

## TAXATION OF INVESTMENT INCOME

### **Dividends**

Dividends distributed by Georgian companies (to a natural person or a non-resident enterprise) are subject to a 5% withholding tax at source (unless the provisions of a tax treaty applies with respect to dividends paid to a non-resident).

### **Interest**

Interest income is subject to a 5% withholding tax at source (unless the provisions of a tax treaty apply with respect to interest paid to a non-resident). For exempt interest, see above under “Exempt income”.

### **Royalty**

Royalties distributed to resident individuals (except for VAT payer individuals) from a resident person or by a permanent establishment of a non-resident person are subject to taxation at source (in other words, withholding tax) at the rate of 20%.

### **Capital gains**

Capital gains are normally included in income and taxed at the normal rate of income tax. Certain gains are exempt, however, including:

- Gains from the disposition of tangible assets owned for more than two years;
- Gains from the sale of a means of transport owned for more than six months after registration.

### **Other income**

Though there is no inheritance or gift tax, certain inheritances and gifts are subject to income tax. These are exempted inheritances and gifts received from a distant relative (someone related in the 3rd or 4th degree), to the extent that they exceed GEL150000 in any year.

### **Deductions and allowances**

Other than the deductions and relief described above, there are no general deductions or allowances.

### **Tax rate**

The single flat rate of income tax is 20%, income received from renting out of residential space is taxable at the rate of 5%, though, as noted, dividends and interest are taxable at 5% and royalties and rent are taxable at 20%.

Taxable income received by a natural person from arranging gambling in a systemic-electronic form is taxed at 10%. The taxable income received by a natural person from participating in systemic-electronic gambling and / or winning games (except for systemic-electronic promotional games) is the amount withdrawn from the systemic-electronic gambling account, which is taxed at 2%.

### **Withholding taxes**

Income received by non-residents and not related to a permanent establishment of

the non- resident is subject to taxation at source at the rate of 10% (4% rate applies to income received by non-resident subcontractors carrying out oil and gas operations prescribed by the Oil and Gas Act (unless a relevant tax treaty stipulates otherwise)).

Income earned by a person registered in a country with a preferential tax treatment/offshore country in the cases provided for in paragraph interests and other paid amounts, which are regarded as Georgian source income shall be taxed at source without deductions, at 15%.

*Important Note: According to the decree #615 of Georgian Government, it was determined the list of offshore countries, which came into force since 1 January 2017.*

## RETURNS AND PAYMENTS

### Returns

In most cases, income tax on personal income is withheld at source (for example, through application of the salary tax, which applies to remuneration) at the appropriate rate. As a result, individuals are not obliged to submit tax returns.

The payer of the income is responsible for withholding and accounting for taxes withheld. The following persons are required to withhold tax at source:

- Employers paying remuneration to employees
- Persons who pay pensions outside the framework of the state social security system
- Persons who pay dividends
- Persons who pay consideration in the course of business for services supplied by a person who is not registered as an individual entrepreneur
- Persons engaged in the gambling industry must withhold on winnings paid to natural persons
- Persons who pay scholarship income (other than state scholarships) to natural persons
- Persons who pay interest
- Persons who pay royalties to individuals
- Securities brokers who sell securities on behalf of persons not registered as taxpayers are obliged to withhold tax at source on the capital gains arising from the sale
- Persons who alienate property free of charge to persons not registered as an individual entrepreneur, except when these persons transfer free of charge to the same natural person property with a value of up to GEL 1 000 during a tax year
- Legal entity with the status of Special Trading Zone.

The following are exempt from with holdings:

- Companies registered in a Free Industrial Zone are exempt from the obligation to withhold tax at source on salary payments to resident individuals
- Non-resident companies paying salaries to employees when the salaries are not the expenses of a permanent establishment of the non-resident.

Residents and non-residents whose income is not taxed at source and also residents having monetary resources on accounts with foreign banks (although the income is not taxable) have to submit a tax return before April of the year following the reporting year. Persons carrying on an independent economic activity must also file returns.

Employers must report and account for salary tax withheld on a monthly basis before the 15th day of the month following the reporting month. They must also file a

monthly return of payments made, including the registration number of the person concerned, his or her name, residential address, the total amount of income received and the total amount of tax withheld during the reporting year. The monthly return must be filed, before the 15th day of the month following the reporting month.

### **Payment**

As in the case of companies, individual entrepreneurs must make quarterly payments on account of income tax based on their final taxable income in the previous year.

Payments are due as follows:

- 25% on or before 15 May
- 25% on or before 15 July
- 25% on or before 15 September
- 25% on or before 15 December

The balance remaining, if any, is due by 1 April of the following year.

An individual who had no taxable income (profit) during the previous tax year, either because he or she incurred a loss or was not trading, is not required to make any payments on account.

## **INHERITANCE AND GIFT TAX**

Georgia does not levy any inheritance or gift taxes, but certain inheritances and gifts are subject to income tax (see above under “Other income”).

## **WEALTH TAX**

There is no wealth tax in Georgia.

## 6. OTHER TAXES

### PROPERTY TAX

The following are subject to Property tax:

- ▶ For a resident entity/organization
  - Fixed assets and/or investment property
  - Uninstalled equipment
  - Construction projects in progress
  - Leased business property
- ▶ For a non-resident enterprise: all the above-mentioned properties are subject to property tax if they are located in Georgia (including properties that are leased out, rented or usufruct, or let under similar contracts by a non-resident).
- ▶ For an individual:
  - Immovable property owned by a resident (including an unfinished construction, building or structure, or a part thereof)
  - Yachts (boats)
  - Helicopters Airplanes
  - Motor cars specified under Code 8703 of National Commodity Nomenclature
  - Property received from a non-resident under a lease agreement In the case of an economic activity: fixed assets, uninstalled equipment construction projects in progress, also leased business property.

### *Taxpayers*

Property tax is payable by resident companies and organizations and by non-resident enterprises persons holding property located in Georgia.

In the case of individuals, property tax is applied to the property of the family unit. Families whose annual taxable income is less than GEL40,000 are exempt from the tax.

### *Rates*

The rate of tax on business assets for an enterprise/organization may not exceed 1% of the average annual net book value of residual assets on the balance sheet. The average annual net book value is calculated as the mean of the value of taxable assets as at the beginning and the end of the tax year. These values must be increased only in relation to immovable property:

- three times - for assets acquired prior to 2000;
- twice - for assets acquired between 2000 and 2004;
- 1.5 times - for assets acquired in 2004;
- For assets where the acquisition date is unknown, they are treated as assets purchased before 2000.

The factors above shall not be applicable to:

- Entities using a valuation method for immovable properties on the balance sheet and having audited financial statements. Furthermore, audited financial reporting may be used only for a four- year period.
- State-funded entities.

In the case of land, a taxpayer is liable to property tax on land owned as of 1 April of the tax year.

For companies, the property tax rate depends on the use to which the business puts the piece of land, its location and fertility.

For individuals, the rate of property tax depends on the family's annual taxable income. For families with income of no more than GEL100,000 the rate varies from 0.05% to 0.2%. For families with annual taxable income above that threshold, the rate varies from 0.8% to 1.0%.

### **Returns and payments**

An enterprise/organization must file property tax returns no later than 1 April of the following year. The property tax shall be paid within the same time frame, except property tax on land which shall be paid no later than 15 November of a calendar year.

An enterprise/organization 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.

Individuals have until 1 November of the following year to file a return and do not make payments on account. The tax due is payable no later than 15 November.

### **Exempt property**

The following are exempt from property tax:

- Highways
- Communications and electric power lines
- Property of an organisation, and property leased to the organisation, except land and the property used for economic activity Property used for oil and gas-related activities specified by the Oil and Gas Act
- State-owned land allocated to state-funded entities, except for land used for economic purposes
- Heritage property, except that used for economic activities, which does not include the sale of entrance tickets
- Land in, or owned by, nature parks, botanical gardens and arboreta, municipal parks and cemeteries, zoological gardens, oceanographic stations, public gardens, alleys, preserves, forestry organisations, unless used for economic activities
- Land plot or part of it with the status of a windbreak (field protection) strip
- City reservoirs and their water areas, land used for transport and underground communications, unless they are used for the production of agricultural goods or for economic activities
- Land occupied by reservoirs designated for the supply of potable water to the population, for operation of power stations and irrigation/drainage systems, as well as the related sanitary, security, and technical zones
- Land used for carrying out oil and gas operations (activities) covered by the Oil and Gas Act
- Agricultural land where the topsoil on 50% or more of it is damaged due to a natural disaster
- Property on the areas established by the Law of Georgia on Occupied Territories - on a temporary basis, until the resolution of conflict and the regulation of the economic situation
- State-owned and unused pastures and haymaking meadows, reserve agricultural lands or lands designated for re-cultivation
- Land used as safety zones and for underground communications at airports, airfields,
- helicopter fields, air navigation, also plots allocated for the future development of ports unless they are used for economic activities
- Agricultural land accepted for re-cultivation for the first five years

- Citizens resettled on the territories of former settlements, as well as within the framework of state settlement measures, for the first five years of settlement
- Agricultural land of up to five hectares owned by natural persons as of 1 March 2004
- Disabled veterans of World War Two and other persons of equivalent status with respect to land allotted through privatisation
- Permanent inhabitants of the high mountainous settlements on the land located in the high mountains.
- Business entities which, in accordance with the legislation of Georgia, have been granted the status of high mountainous settlement enterprise on the land located in the same high mountainous settlement for 10 years after getting the status.
- Land and other property of medical establishments used for medical activities, except for land used for non-medical economic activities
- Land occupied by scientific-research, educational, experimental breeding stations and experimental farms used for scientific and educational purposes and the work conducted thereon, where financed by the state
- Agricultural land on which 50% or more of the harvest has been destroyed by a natural disaster (blizzard, hail, drought, and flood) or other force majeure.
- Property located in a Free Industrial Zone
- Biological assets
- Until 1 January 2026, property in a Tourist Zone that is owned by an individual entrepreneur and used for a hotel activity run by the entrepreneur
- Property used by public schools authorised by the Ministry of Education and Science in educational activities
- Property received by leasing from a Georgian resident
- The space co-owned by a natural person in a residential apartment house
- Property to be declared in 2020 and 2021 and used in following "Georgian National Classification of Economic Activities" (GNC 006-2016): Property used in the activities provided for in Code 55.1 (hotels and similar accommodation) and / or Code 55.2 (leisure and other short-term accommodation), in Code 56.1 (restaurants and mobile food service activities), in Code 56.3 (beverage service activities), in Code 79 (travel agencies, tour operators and other booking services and related activities). The tax relief provided for in this section also applies to property transferred by lease or other such form if that property is used in any of the activities specified in that section.

### ***Excise duties***

Excise duties are imposed on certain goods ("excisable goods"), such as alcohol and alcoholic beverages, tobacco, means of transport, petrol and diesel, and mobile communication services. Excise duties are payable by:

- Manufacturers of excisable goods
- Importers of excisable goods
- Exporters of excisable goods
- Suppliers of natural-gas condensate or natural gas for means of transport
- Providers of termination services for international calls received from a resident or a non-resident person in a mobile or fixed network.

### ***Tax rates***

The rate of excise duty varies according to the nature of the goods. Taxpayer engaged in the following operations can claim input excise duties:

- The export of excisable goods

- Carrying out an excisable transaction sale.  
Input excise duties cannot be claimed in any other situations.

### ***Tax returns and payments***

Manufacturers of excisable goods, suppliers of natural gas condensate and natural gas for means of transport services must submit excise tax returns and pay the appropriate tax by the 15th day of the month following the reporting period.

Producers and importers of excisable products subject to excise stamping in Georgia must pay the total amount of excise tax and the face-value of excise stamps upon the purchase of those stamps.

## IMPORT DUTY

### *Taxable entities*

Import duty is payable by persons moving goods into the Georgian customs territory.

### *Taxable object*

The taxable object is the customs value of the goods imported in Georgia.

### *Tax rate*

*Table 4*

Rate	Applies To
12%	Foodstuffs, tobacco and tobacco alternate materials, salt asphalt, cement, concrete and wooden material, mineral water, synthetic cotton wools, stone, etc.
5%	Meat of swine, cheese and curd, preparations for use on the hair, soap, polishes and creams, self- adhesive plates, sheets, film, foil, tape, strip and other flat shapes of plastics, of cooper and etc.
Various	Alcohol - depends on the content of alcohol. Motor vehicles - depends on the age and engine capacity

### *Assessment and payment*

Assessment is made in accordance with the customs value of the goods. Import duty is payable no later than 5 days after the completion of the import operation, on the basis of the customs declaration. Given due date can be postponed till 45 days for some imported goods defined under the order of minister of finance of Georgia.

### *Exemptions*

The Georgian Tax Code allows for several exemptions from custom duties. Among them are:

- The export and import of goods financed by grants or credits from foreign states or international organisations
- The importation of baby and diabetic food
- The importation of machinery, equipment and means of transport intended for oil and gas operations covered by the Oil and Gas Act
- The importation of goods produced in a Free Industrial Zone into the Georgian customs territory
- The importation of tobacco row materials till 1 January 2023.

## NATURAL RESOURCES TAX

Enterprises engaged in businesses regulated by natural resources legislation, enterprises using wood and timber, and persons hunting migratory birds outside hunting reserves, must receive permission or a license, and are subject to the natural resources tax.

The period for the use of water resources in agriculture is the calendar year. Tax is due by 1 December of the calendar year.

The period for enterprises using mineral-water resources is the calendar quarter. Tax is due no later than the 15th of the month following the end of the quarter.

The period in respect of gas is the calendar month and tax is due no later than the 15th day of the month following.

In respect of wood and timber, tax is due until the 15th day of the following month, but no later than the time that the material is transported from the woodland.

## GAMBLING DUTY

Gambling duty is levied on licensed operators of casinos, other gambling establishments and games of chance.

For gambling establishments, the duty is payable per table at a rate of between GEL20,000 and GEL40,000 per quarter and per slot machine at GEL2,000 to GEL4,000 per quarter. Other rates apply to bingo and lotto, bookmakers, electronic games and lotteries.

## 7. FUNDED PENSION

### *Funded pension scheme*

In August 2018 there was issued law of Georgia on funded pensions according to which the funded pension scheme is a defined contribution scheme. Joining the funded pension scheme shall be mandatory for all employees, in the part of a salary income, except for employees who have attained the age of 60 (in the case of female employees, the age of 55) before the entry into force (1 August 2018) of this Law. However, joining the funded pension scheme is also voluntary for all employees who have attained the age of 60 (in the case of female employees, the age of 55), before the entry into force of this Law, in the part of a salary income, and for self-employed persons, in the part of the income of a self-employed person.

In addition, employees who have attained the age of 40 before the entry into force of this Law and who do not wish to be participants shall be entitled to leave the funded pension scheme.

### *Financing of the pension contributions*

The pension contributions of an employed or a self-employed participant shall be financed by the employer, the employee and the State in the amount and in accordance with rules defined below.

The pension contributions of employed participants shall be financed as follows:

- A. during the payment of salaries, an employer shall make a pension contribution, through an electronic system, to an individual retirement account of the employed participant, in the amount of 2 % of taxable salary to be paid to the employee
- B. on behalf of an employed participant, an employer shall make a pension contribution, through an electronic system, to an individual retirement account of the employee, in the amount of 2 % of taxable salary to be paid to the employee
- C. a self-employed participant shall make a pension contribution in the amount of 4 % of his/her annual income
- D. the State shall transfer, in favour of a participant, to an individual retirement account of an employed person, 2 % of the amount of the taxable salary of an employed person and/or of the income of a self-employed person, the total of which does not exceed GEL 24 000 received by a participant as annual salary and/or by a self-employed person as income. The State shall transfer 1 % if the amount received by a participant as annual salary and/or by a self-employed person as income is from GEL 24,000 to GEL 60,000. The State shall make a pension contribution after it has been confirmed through notification by the Pension Agency that the pension contribution(s) provided for by sub-paragraphs (a) and (b) and/or (c) of this paragraph has (have) been reflected in the individual retirement account of the participant. The State shall not make a pension contribution if the amount of the annual taxable salary of an employed person and/or of the income of a self-employed person exceeds GEL 60,000.

Above-mentioned regulations shall be applied to employers, citizens of Georgia, except for non-resident natural persons, foreigners permanently residing in Georgia and stateless persons, except for non-resident natural persons, activities related to funded pensions carried out by asset management companies, specialized depositories, commercial banks, insurance companies and other entities.

### **Taxation of pension contributions**

If according to the employment contract is determined accrued salary 1,000 GEL, then pension contribution is 20 GEL ( $1,000 * 2\%$ ), taxable amount for personal income tax purposes is 980 GEL ( $1,000 - 20$ ), personal income tax is 196 GEL ( $980 * 20\%$ ) and net amount received by employee is 784 GEL. In addition, employer shall be liable to pay 2% (20 GEL) with their own expense. Thus, pension contributions equals to 40 GEL (contribution amounting to 20 GEL paid on behalf of employee and another contribution amounting to 20 GEL on employer's expense).

In addition to the above-mentioned, if net amount (received by employer) of benefit is 20 GEL then:

- Pension contribution on behalf of the employee equals to 0.51 GEL ( $20/0.8/0.98*2\%$ )
- Pension contribution at employer's expense equals to 0.51 GEL ( $20/0.8/0.98*2\%$ ).

**APPENDIX****Terms of Double Taxation Agreements**

STATE	PERMANENT ESTABLISHMENT, MONTHS	DIVIDENDS	INTEREST	ROYALTIES
Austria	6 months	0% / 5% / 10%	0%	0%
Azerbaijan	6 months	10%	10%	10%
United Arab Emirates	6 months	0%	0%	0%
Belgium	9 months	5% / 15%	10%	5% / 10%
Bulgaria	9 months	10%	10%	10%
United Kingdom	12 months	0% / 15%	0%	0%
Germany	6 months	0% / 5% / 10%	0%	0%
Denmark	6 months	0% / 5% / 10%	0%	0%
Spain	6 months	0% / 10%	0%	0%
Estonia	9 months	0%	0%	0%
Turkey	12 months	10%	10%	10%
Turkmenistan	6 months	10%	10%	10%
Japan	6 months	5%/10%	5%	0%
Israel	9 months	5%	15%	0%
Iran	12 months	5% / 10%	10%	5%
Italy	6 months	5% / 10%	0%	0%
Ireland	6 months	0% / 5% / 10%	0%	0%
Qatar	6 months	0%	0%	0%
Lithuania	9 months	5% / 15%	10%	10%
Latvia	6 months	5%	5%	10%
Luxemburg	6 months	0% / 5% / 10%	0%	0%
Malta	6 months	0%	0%	0%
Netherlands	6 months	0% / 5% / 15%	0%	0%
Poland	6 months	10%	10%	10%
Portugal	9 months	5%/10%	10%	5%
Rumania	9 months	8%	10%	5%
Greece	9 months	8%	8%	5%
France	6 months	0% / 5% / 10%	0%	0%
Slovenia	6 months	5%	5%	5%
Singapore	6 months	0%	0%	0%
Armenia	6 months	5% / 10%	10%	5%
Uzbekistan	6 months	5% / 15%	10%	10%
Ukraine	12 months	5% / 10%	10%	10%
Hungary	12 months	0% / 5%	0%	0%
Finland	6 months	0% / 5% / 10%	0%	0%
Kazakhstan	6 months	15%	10%	10%
Switzerland	6 months	10%	0%	0%
China	6 months	0% / 5% / 10%	10%	5%
Czech Republic	6 months	5% / 10%	8%	0% / 5% / 10%
Slovakia	6 months	0%	5%	5%
Bahrain	6 months	0%	0%	0%
Norway	6 months	5%/10%	0%	0%
Egypt	6/183 days	10%	10%	10%
Serbia	9 months	5%/10%	10%	10%
San Marino	6 months	0%	0%	0%
Kuwait	6 months	0% / 5%	0%	10%
Croatia	9 months	5%	5%	5%
Sweden	12 months	0% / 10%	0%	0%
Belarus	12 months	5%/10%	5%	5%
Iceland	6 months	5%/10%	5%	5%
Cyprus	9 months	0%	0%	0%

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Korea	9 months	5% / 10%	10%	10%
Liechtenstein	9 months	0%	0%	0%
Moldova	12 months	5%	5%	5%
India	90 days	10%	10%	10%
The Kingdom of Saudi Arabia	6 months	5%-0%	5%-0%	5%-8%
Hong Kong	6 months	5%	5%	5%

## BDO WORLDWIDE

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Anguilla	India	Panama
Antigua & Barbuda	Costa Rica	Paraguay
Argentina	Curacao	Peru
Aruba	Dominica & Grenada	Puerto Rico
Bahamas	Dominican Republic	St. Kitts & Nevis
Barbados	Eastern Caribbean	St. Lucia
Bolivia	Ecuador	St. Maarten
Bonaire	El Salvador	St. Vincent & Grenadines
Brazil	Guatemala	Suriname
British Virgin Islands	Guyana	Trinidad & Tobago
Canada	Honduras	Turks & Caicos
Cayman Islands	Jamaica	United States of America
Chile	Mexico	Uruguay
Colombia	Montserrat	Venezuela
Albania	Nicaragua	Norway
Algeria	Iceland	Oman
Andorra	Ireland	Poland
Angola	Isle of Man	Portugal
Armenia	Israel	Qatar
Austria	Italy	Republic of Srpska (Bosnia and Herzegovina)
Azerbaijan	Ivory Coast	Romania
Bahrain	Jersey	Rwanda
Belgium	Jordan	San Marino
Botswana	Kenya	Saudi Arabia
Bulgaria	Kosovo	Serbia
Burundi	Kuwait	Seychelles
Cape Verde	Latvia	Sierra Leone
Comoros	Lebanon	Slovak Republic
Croatia	Liechtenstein	Slovenia
Cyprus	Lithuania	South Africa
Czech Republic	Luxembourg	Spain
Denmark & Faroe Islands	Macedonia	Sweden
Egypt	Madagascar	Switzerland
Estonia	Malawi	Tanzania
Ethiopia	Malta	Togo
Finland	Mauritius	Tunisia
France	Moldova	Turkey
Francophone West Africa	Mongolia	Turkmenistan
French Guiana	Montenegro	UAE
Georgia	Morocco	Uganda
Germany	Mozambique	Ukraine
Gibraltar	Namibia	United Kingdom
Greece	Netherlands	West Bank & Gaza
Greenland	Niger	Zambia
Guernsey	Nigeria	Zimbabwe
Hungary	Northern Ireland	New Zealand
Afghanistan	Indonesia	Pakistan
Australia	Japan	Papua New Guinea
Bangladesh	Kazakhstan	Samoa
Brunei Darussalam	Korea	Singapore
Cambodia	Laos	Sri Lanka & Maldives
China	Malaysia	Taiwan
Fiji	Myanmar	Thailand
French Polynesia	Nepal	Vietnam
Hong Kong & Macao	New Caledonia and Wallis & Futuna	

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