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Amendment to the order

Application of Preferential Taxation Regimes

On February 6, 2026, the Ministry of Finance of Georgia issued Order №38, introducing amendments to Order №999 of December 31, 2010, titled "On Preferential Taxation Regimes". As a result of the amendment, the procedure for granting/canceling the respective status to micro and small businesses, as well as to fixed tax payers, and the relevant tax administration procedures were updated.

The amendment affected the obligations of an individual with the status of Micro Business. In particular, the person is obliged to retain tax documents for 3 years instead of 6 years (the period shall be calculated from the end of the relevant tax year). The amendment also defined the cases of cancellation of the status and the specific features of taxation of income received in connection therewith. In particular, pursuant to paragraph 2 of the updated Article 8 of Order №999, an individual shall have micro business status canceled if, during the current tax year, the total income of such person:

- exceeds GEL 30,000 or the person begins to use hired labor and, within 15 days from the occurrence of such moment, applies to the tax authority for obtaining Small Business status. In this case, the income received during the period prior to the granting of Small Business status shall be subject to taxation in accordance with the rules established for Micro Business, and the person shall be granted Small Business status from the date of occurrence of the violation. Under the version prior to the amendment, if the person did not use this right, the Micro Business status would be automatically canceled and, accordingly, the person would exit from the preferential taxation regime.
- exceeds GEL 30,000 or the person begins to use hired labor and applies to the tax authority for obtaining Small Business status after the expiration of 15 days from the occurrence of such moment. In this case, the income received during the period prior to the granting of Small Business status shall be subject to income tax under the general rule, and the person shall be granted Small Business status from the date of applying.
- does not exceed GEL 30,000 and applies to the tax authority for obtaining Small Business status. In this case, the income received during the period prior to the granting of Small Business status shall be subject to taxation in accordance with the rules established for Micro Business, and the person shall be granted Small Business status from the date of applying.

Accordingly, the timeframes for granting Small Business status have been amended. In particular, pursuant to paragraph 4 of the updated Article 12 of Order №999, a person shall be deemed to have Small Business status from the date of submitting the application to the tax authority, instead of from the first day of the month following the month of application. The only exception is the first case mentioned above regarding the violation of the requirements established for Micro Business.

Based on the updated Example 2 provided in the Instruction, the tax rates and declaration procedure for certain types of income were also defined. In particular, the surplus income earned from the sale of property by a small business shall be taxed at a rate of 5% and shall be subject to recording in the monthly income tax declaration for the supply of property/asset by an individual, instead of in the annual income tax declaration.

The amendment also defined the obligations of a person with Small Business status when applying to the tax authority for cancellation of such status. In particular, in this case, the person is obliged, with

respect to income received during the incomplete tax period (from the month of cancellation of the status until the end of the relevant calendar year), to submit an annual income tax declaration no later than 1 April of the year following the reporting year. At the same time, after the cancellation of small business status, for the purpose of re-granting the status, the person may apply to the tax authority only from the tax year following the year in which the status was canceled.

The amendment also stipulates that, for a person with Small Business status, a monthly income tax declaration that has not been submitted shall no longer be deemed, under the general rule, as a submitted declaration with a tax amount equal to zero. Accordingly, in such case, the person is obliged to submit a so-called zero tax declaration.

As for a Fixed Tax Payer, according to the updated Instruction, for the purpose of granting such status, in the case of an individual, registration as an individual entrepreneur becomes mandatory. Accordingly, cancellation of registration as an individual entrepreneur shall, in turn, result in the cancellation of Fixed Tax Payer status.

The amendment came into force from March 7, 2026.

International Controlled Transactions

On 25 February 2026, Order №52 of the Minister of Finance of Georgia was published, introducing amendments to Order №996 of 31 December 2010 of the Minister of Finance of Georgia on “Tax Administration.” As a result of the amendment, the forms of both the annual and monthly profit tax returns were updated, and new annexes were introduced relating to the information to be submitted in connection with International Controlled Transactions as provided under the Articles 126-129¹ of the Tax Code of Georgia.

The amendment revised Articles 40¹ and 41 of Order №996 and added new paragraphs establishing the procedure for completing the new annexes to the monthly/annual profit tax returns (“Information on International Controlled Transactions Provided under the Articles 126-129¹ of the Tax Code of Georgia”).

The relevant annex to the monthly profit tax return shall be completed only in the return submitted for the March reporting period, and solely in cases where the aggregate amount of International Controlled Transactions carried out by the taxpayer during the previous calendar year exceeds GEL 500,000. It is important to note that, for purposes of determining the aggregate threshold, the total amount of such transactions shall include fair market value of controlled transactions performed on a gratuitous basis and the outstanding balance of accounts payable and/or accounts receivable arising from such controlled transactions.

An analogous reporting obligation applies to entity submitting the annual profit tax return, provided that the same conditions are met. In such cases, completion of the annex is mandatory and must be carried out annually based on the data of the relevant reporting calendar year.

The taxpayer is required to disclose the following information in the respective annexes:

- the name (legal designation), tax identification number, and tax residency of the related party (associated enterprise)
- the type/nature of the transaction carried out
- the volume (value) of the International Controlled Transaction, both in the currency in which the transaction was executed (total consideration of the transaction) and in the national currency (GEL)
- the outstanding balance of accounts payable and/or accounts receivable as at the end of the reporting year, stated in the currency of the transaction
- the commencement date of the International Controlled Transaction
- information regarding the possession of transfer pricing documentation related to the valuation of the transaction (available / not available / under preparation / intended to be prepared).

Order №996 also provides relevant illustrative examples concerning the procedure for completing the new annexes to both the monthly and annual profit tax returns, as well as guidance on the information to be reported therein.

It should be emphasized that the above reporting requirements apply to information to be submitted in respect of the 2025 and subsequent reporting periods.

For reference, pursuant to Articles 126-129¹ of GTC, transactions shall be regarded as International Controlled Transactions where:

- a Georgian enterprise enters into one or more financial or commercial transactions with a related enterprise that is not a Georgian enterprise; or

- a Georgian enterprise carries out one or more financial or commercial transactions with a resident of a preferential tax treatment (offshore entity), irrespective of whether the parties qualify as related persons for tax purposes.

The amendment came into force from February 26, 2026.

Procedure for Write-Off of Excise Goods Marked with an Excise Stamp and Produced in Georgia

On 5 February 2026, Order №34 of the Minister of Finance of Georgia was published, introducing amendments to Order №994 of the Minister of Finance of Georgia of 31 December 2010 “On the Approval of the procedure for conducting current control procedures, write-off of Inventory, repayment of recognized tax debts, measures for ensuring tax debts, and tax offence cases”. As a result of the amendment, the procedures for writing off excise goods marked with an excise stamp and produced in Georgia were defined, and the forms of the document for writing off inventory and material assets, as well as the application form for confirmation of the write-off of inventory and material assets, were updated.

As a result of the amendment, new paragraphs 6 and 7 were added to Article 32 of Order №994, according to which the write-off of excise goods marked with an excise stamp and produced in Georgia shall be carried out through an on-site visit and shall be completed by full destruction. In this case, during the write-off of excise goods produced in Georgia, at least 2% of the total quantity of excise goods indicated in the document for write-off of inventory and material assets shall be subject to on-site inspection by an authorized person of the tax authority on a selective basis. Additionally, upon the write-off by the producer of excise goods marked with an excise stamp and produced in Georgia, the excise stamps shall be deemed utilized and shall not be subject to excise taxation.

The amendment came into force from February 7 2026.

Rate of Loss of Excise Stamps Intended for Tobacco and Tobacco Products

On 6 February 2026, Order №28828 of the Head of the Revenue Service was published, “On Approval of Annex №1 Rate of loss of Excise Stamps Intended for Tobacco and Tobacco Products.” As a result, the maximum limit of loss of excise stamps for each tobacco product (hereinafter - loss) and the cases of recalculation of the loss were determined.

According to the given Annex, the concept of loss of excise stamps intended for tobacco and tobacco products was defined, which implies the total number of stamps damaged by the taxpayer in the process of marking (affixing) the respective goods, the amount of which does not exceed, during the previous calendar year, the stamps activated by the same person in relation to the same goods:

- 0.1% - in the case of manual marking (self-adhesive stamps)
- 0.5% - in the case of marking by automated/mechanical equipment (dry stamps)
- 1% - regardless of the form of marking, if the respective goods are classified under code 2402 20 or 2404 11 000 00 of the National Commodity Nomenclature of Foreign Economic Activities.

The Annex also defined the grounds for recalculation of the loss, namely, if during the current calendar year the quantity of activated stamps intended for the respective goods has changed by 10% or more compared to the same data of the previous calendar year, the loss shall be subject to recalculation after the end of the current year.

Furthermore, if during the current year the quantity of activated stamps in relation to the respective goods has increased by 10% or more compared to the same data of the previous calendar year and there are taxed shortages, they shall be subject to reduction through the adjustment of excise tax declarations. Whereas, if the data has decreased by 10% or more, the shortages shall be reflected (taxed) in the excise tax declaration for the December reporting period of the current year.

The appendix also establishes the rule for determining losses in cases where there are no data from the previous calendar year regarding the quantity of activated stamps for the respective goods. In addition, it is emphasized that the loss does not apply to defective (improperly printed) physical excise stamps, and at the same time, the taxpayer is not obliged to retain stamps that are damaged during the process of marking (stamping) the goods.

The amendment came into force from January 7 2026.

Procedure for the Refund of Withholding Tax Amounts for Persons Benefiting from a Tax Incentive

On February 6, 2026, the Minister of Finance of Georgia issued Order №37, introducing amendments to the Order №996 of December 31, 2010, titled “On Tax Administration”. As a result of the amendment, the procedure for the refund of withholding tax amounts for persons benefiting from a tax incentive was established.

AUTHOR'S COLUMN

This publication covers important new tax changes that business should take into consideration for their daily operations and governance.

The publication reviews recent developments related to current issues in the tax field, including special taxation regimes, international controlled transactions, regulations concerning excisable goods, and the application of tax incentives.

Please contact BDO to discuss these matters in the context of your particular circumstances.

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With the implemented amendment, a new Article 39⁶ has been added to Order №996, which establishes the procedure for the refund of personal income tax withheld for persons benefiting from the tax incentive as defined in Article 82 part 2 of the Tax Code (excluding persons who are either a parent of three or more children permanently residing in a high-mountain settlement or a person with the status of permanently residing in a high-mountain settlement). It is emphasized that if a person in the withholding tax declaration submitted by the tax agent, benefiting from the tax incentive is not registered as a taxpayer, they are obliged, for the purpose of refunding the withheld tax, to register as a taxpayer individual.

As for the procedures, the person is obliged, for the purpose of refunding the amount of tax withheld at the source, to submit to the tax authority an application titled “On the Procedure for the Refund of the Amount of Tax Withheld at the Source for Persons Benefiting from a Tax Incentive,” in which the bank account for settlement to which the refund is to be made must be specified.

The tax authority ensures the refund of the amount starting from the reporting period following the month of submission of the application. The amount is subject to refund on the 20th of each month to the bank account specified by the person in the tax authority, within the credited excess of the taxpayer’s personal registration card.

At the same time, it should be emphasized that for the entire period of use of this procedure, the person cannot benefit from the certificate issued to the hired individual for the purpose of applying the benefit to income received from the payment source. Moreover, after the refund of the amount of tax withheld at the source to the person, the submission by the employer (tax agent) of a corrected declaration of the tax withheld at the source serves as the basis for the recalculation of the refunded amount.

In the event that a person wishes to terminate the use of this procedure, they must submit an application to the tax authority titled “On Termination of Use of the Procedure for the Refund of Tax Withheld at Source.” The use of the procedure for the refund of tax ends on January 1 of the year following the year in which the application is submitted. The procedures related to the refund of the tax withheld at the source to the person are to be prescribed by the order of the Head of Revenue Service.

The amendment came into force from July 1, 2026.