



Amendment to the law

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Taxation of gambling business

On 25 December 2023, Law of Georgia 3902-XIIIms-Xmp on Amendments to the Tax Code of Georgia (hereinafter “GTC”) was published. Amendments were made to several articles of GTC, defining the issues of taxation by profit tax of the persons organising slot clubs and the persons organising games of chance in the systemic and electronic form, as well as the money withdrawn by the player from the gambling account or the cash desk.

In particular, the changes were made to the 7th and 8th parts of the Article 80 of GTC and in the 9¹ part of the Article 97, which refer to the objects of taxation with income and profit tax. As a result of the changes, the object of taxation with the income and profit tax was defined for natural and legal persons organizing slot clubs, according to which the taxable profit was determined as the difference between the bets received from players and the winnings paid out to the players. Also, the subject of income tax of a natural person participating in gambling organized through slot machines has been determined, which is the amount withdrawn by this person from the person organizing the game.

According to the amendment of sub-paragraph "e1" of the first part of Article 154 of GTC, it was determined that, like the persons who organise a gambling and/or game of chance in a systemic and electronic form (except for a promotional game), the persons who organize the slot club also has the same obligation of a tax agent in case of payment of money to the player.

The amendment was also made to the parts 3¹ and 3² of the Article 81 and parts 1 and 3 of the Article 97 of GTC, relating to income and profit tax rates. As a result of the change, it was determined that:

- The tax rate in the part of income and profit tax for natural and legal persons organizing slot clubs is 15 percent. Also, according to the amendment, the income and profit tax rates for the persons who organise gambling in the systemic and electronic form were set at 15 percent, instead of 10 percent
- In games of slot machines (which are not organised in a system-electronic form), the amount withdrawn by the participant as a result of participation in the game is taxed at the source of payment at a rate of 5 percent. Also, the income tax rate for persons participating in gambling and/or games of chance s organised in a systemic and electronic form (except for a promotional draw organised in a systemic and electronic form) was changed, and instead of 2 percent, it was set at 5 percent.

According to the amendment of Part 4 of Article 135 of GTC, a calendar month was defined as the accounting period for the person who organizes the slot club, as it is for the person organising a gambling in a systemic and electronic form.

The amendment came into force from 1 January 2024.



Benefits received by the students with financial indebtedness/with the suspension of the status based on financial indebtedness

On December 25, 2023, Law of Georgia 3958-XIIIms-Xmp on Amendments to the Tax Code of Georgia was published. The amendment was made to Article 309 (transitional provisions) of GTC to which new section 87¹ was added.

According to the new section, it was determined that the amount paid by the Ministry of Education, Science and Youth of Georgia for the redemption of tuition fees to be paid by students with financial debt/suspended status on the basis of financial debt as of August 1, 2023 to higher educational institutions operating in Georgia as a legal entity of private law, shall be exempt from taxation by Personal Income Tax. The exemption also applies to benefits received by a student whose status has been suspended due to financial indebtedness if he or she received those benefits by writing off existing tuition fee due as of August 1, 2023.

The amendment came into force from 1 January 2024.



The participant of wine tourism activity and the participant of agro-tourism activity

On December 27, 2023, Law of Georgia 3922-XIIIms-Xmp on amendments to the Tax Code of Georgia was published.

The amendment was made to Article 8 of GTC, which defines the terms. As a result of the change, new parts 37¹ and 37² were added to the mentioned article and the following terms were defined:

- The participant of agro-tourism activity - A person who has been granted the status of a participant of agro-tourism activity in accordance with an ordinance of the Government of Georgia
- The participant of wine tourism activity - A person who has been granted the status of a participant of wine tourism activity in accordance with an ordinance of the Government of Georgia.

In accordance with the Law of Georgia on Tourism, the Government of Georgia will approve the principles of the agricultural and wine tourism activities, the rules and conditions for obtaining and/or canceling the status of business entities by January 1, 2025.

The amendment was also made to the Article 89 of GTC, relating to the granting the status of small business. As a result of the change, it was additionally determined that in the case of a participant of wine tourism activity and a participant of agro-tourism activity, the status of small business shall be canceled if the gross income received from the economic activities of a person according to two calendar years exceeds GEL 700 000 during each calendar year.

The amendment has also been made to the Article 90 of GTC, relating to taxable income of small business and tax rates. Part 2 of the mentioned article was formed with the updated edition. As a result of the change, it was additionally determined that in the case of a participant of wine tourism activity and a participant of agro-tourism activity, taxable income of a person having the status of a small business shall be taxed at 3% if his/her gross income received from the economic activities exceeds GEL 700 000.

The amendment came into force from 1 January 2025.

Distribution of dividend by the insurance organization

On 28 December 2023, Law of Georgia 4022-XIIIms-Xmp on Amendments to the Tax Code of Georgia was published.

As you are aware, insurance organisations shall be subject to CIT according to the new Estonian model from 1 January 2024. Therefore, the amendment was made to Article 309 (transitional provisions) of GTC. New sections 142 and 143 were added to the mentioned article, according to which it was determined that if the insurance organization distributes a dividend from a net profit gained during the reporting periods from 1 January 2015 to 1 January 2024, it is entitled to make set off the amount of profit tax assessed and paid based on the same reporting periods, but not more than a profit distributed by an enterprise to its partner as a dividend in a monetary or non-monetary form.

In this regard, order №517 of the Minister of Finance of Georgia was published on December 29, 2023, that amended the order №996 of the Minister of Finance of Georgia dated December 31, 2010 "On Tax Administration". According to the amendment, "Appendix 1" and "Appendix 1¹" of Part III of the monthly Corporate Income Tax (CIT) return №II-08⁶ were changed. Also, changes were made to the Article 40¹ of the mentioned order, that regulates the rules for submitting the monthly CIT tax return. As a result of the changes, the fields to be filled in by the insurance organization were additionally determined in the CIT return, that refers to the calculation of the amount to be set off at the distribution of the dividends received from 1 January 2015 to 1 January 2024 according to the amount of profit tax assessed and paid based on the same reporting periods.

The amendment came into force from 1 January 2024.

The amount of fees and related fines and penalty interests charged/imposed for the use of fresh groundwater for the purpose of bottling

On 27 December 2023, Law of Georgia 4014-XIIIms-Xmp on Amendments to the Tax Code of Georgia was published. The amendment was made to Article 309 (transitional provisions) of GTC and new sections 144 and 145 were added to this mentioned article. The new sections define the following:

The tax authority is entitled to write off the unpaid fee and related unpaid fines and penalty interest provided for the use of fresh groundwater for bottling purposes in accordance with Article 5 of the Law of Georgia "On Fees for the Use of Natural Resources" paid by a person who, by 1 December 2023 had not used the appropriate license (with or without a duly approved exploitation plan), in particular, had not bottled fresh groundwater. This section applies to a person if one of the following conditions is met:

- As of 1 December 2023, the relevant person no longer holds the license issued for bottling fresh groundwater
- Before 1 April 2024, the relevant person will apply to the body that issues license of bottling fresh groundwater, to cancel this license, and from 1 December 2023 to 1 April 2024, it will not use the said license in particular will not bottle fresh groundwater.

The section 145 of Article 309 defines that the Government of Georgia has the right to establish the rules provided for in the aforementioned section.

The amendment came into force from 28 December 2023.

Amendment to the order

Taxation of the surplus income gained by natural person from the sale of the property/asset within the framework of non-entrepreneurial activities

Order №497 of the Minister of Finance of Georgia was published on 28 December 2023, that amended order №996 of the Minister of Finance of Georgia dated 31 December 2010 "On Tax Administration".

From 1 January 2024, instead of the calendar year, the calendar month was defined as the accounting period for taxation of the surplus gained from the sale of the property/asset by an individual within the framework of non-entrepreneurial activities by income tax. Accordingly, the mentioned natural person is obliged to submit the income tax return no later than the 15th day of the month following the accounting month.

According to the amendment, Article 33³ and Appendix NII-04² have been added to the mentioned order, providing the form of income tax declaration that should be submitted in case of receiving surplus income from the sale of the property/asset by an individual within the framework of non-entrepreneurial activities, the deadline for its submission and the manner of filling. The following information shall be included in the said declaration:

- Identification data of property/asset
- Purchase price of property/asset
- Selling price of property/asset
- Amount of surplus income gained
- Amount of tax relief
- Tax rate
- Payable income tax.

The amendment came into force from 1 January 2024.

AUTHOR'S COLUMN

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

This issue provides information on Law of Georgia 4022-XIIIms-Xmp on amendments to the Tax Code of Georgia as well as amendment to the order "About Administration of Taxes".

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

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