

TAX NEWSLETTER

Applying corporate income tax to representative expenses

N382 Order (24 October 2017) by the Minister of Finance of Georgia stipulates amendment to the Order N996 on administration of taxes (31 December 2010) by the Minister of Finance.

The amendment was applied to the example N6 of corporate income tax (CIT) calculation. The mentioned example defines taxation of representative expenses incurred by the taxpayer above prescribed limit by CIT according to the first year of its activity.

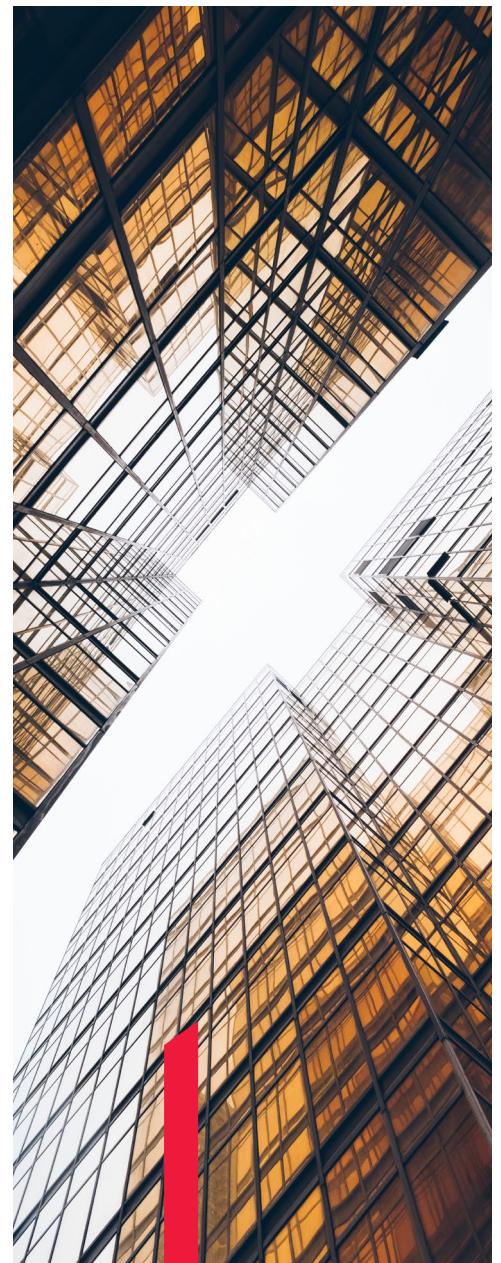
Before the amendment, in case if the amount of representative expenses incurred by taxpayer was higher than the limit allowed by the Tax Code of Georgia, the difference would become subject to taxation by CIT in the tax return, due for the period when such expenses exceeded the limit.

The limit of representative expense was defined by using the annual data.

Accordingly, after the end of the year the declared data could have been corrected. In such case the mentioned example determined that correction was necessary and it should have been done by submission of corrected tax return.

The amendment however suggests the refreshed approach: Since the taxpayer is unable to to define the limits of representative expenses until the end of the year, and cannot therefore be certain as to which month exactly exceeded the limits, the liability to apply CIT shall arise in the reporting month of December.

The amendment came into the force on 25 October 2017 and applies to the legal relations originated from 1 January 2017.



AUTHOR'S COLUMN

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

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