

TAX NEWSLETTER

OBLIGATION TO USE
CASH-REGISTER

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AMENDMENT TO THE LAW

EXEMPTION FROM THE OBLIGATION TO USE CASH-REGISTERS

According to the law of Georgia (28.12.2021) the amendment was made to the Tax Code of Georgia (hereinafter "GTC"). The amendment affected the article 309 of GTC about transitional provisions. By the amendment the obligation of using cash-registers was deferred until 1 January 2023 for natural persons who do not use hired labor and carry out economic activity from a movable point of sale, including a counter, located on the territory of a market (bazaar). The following deferral does not apply to a natural person who has been granted the status of a small business, is registered or is obliged to register as a VAT payer in accordance with GTC.

Here are the obligations also deferred until 1 January 2023 for the following persons:

- ▶ The obligation to provide mobile trading places located within the market territory with cash registers for persons who organized the market before 1 January 2018 (except for organization of an agricultural market)
- ▶ The obligation of the person having status of market organizer to submit information to the tax authority about the persons conducting economic activities within the territory of the market
- ▶ The obligation of the person having status of market organizer to rent out a trade outlet to a person registered with the Registry of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal persons.

Article 290² of GTC determining the sanctions for non-compliance with requirements established by Georgian tax legislation by the person with the status of market organizer will become effective from 1 January 2023 instead of previously established 1 January 2022.

The amendment came into the force on 29 December 2021.

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SUPPLY OF IMMOVABLE PROPERTY EXEMPT FROM VAT WITH THE RIGHT OF DEDUCTION

According to the law of Georgia (17.12.2021) the amendment was made to the Tax Code of Georgia affecting the article 309 of GTC (the transitional provisions). According to the amendment supply of immovable property envisaged by the construction permit which was valid on 8 August 2008 and also, installation services related to the supplied property by the property supplier, are exempted from VAT with the right of deduction even if the project documentation (architectural project) was changed after 8 August 2008 or the existing building was dismantled and a new construction permit was issued.

The amendment came into force on 18 December 2021.

INCOME RECEIVED THROUGH GAMBLING

On 28 December 2021 Georgian law was published which led to changes in tax code of Georgia. As a result of this amendment, two new taxable objects were added to the list of objects taxable by income tax (Article 80 of GTC):

► The income earned by a natural person from organizing gambling in a systemic-electronic form. Specifically, organizer of gambling games shall tax the difference between accepted bets and winnings paid to the players by income tax. The tax rate was determined for

taxable income with 10%, whereas deadline for filling in the income tax return was determined as no later than the 15th day of the month following the accounting month.

► Amount withdrawn from the gaming account by the person participating in the gambling games organized in a systemic-electronic form. In this case the person organizing gambling games and games of chance in a systemic-electronic form (except for the promotional games) has the obligation of Tax agent (Article 154, paragraph 1, e¹).

Due to those amendments, new taxable object was also created for the legal persons engaged in organizing gambling games in a systemic-electronic form. Specifically, the object of taxation for profit tax purposes is the difference between the accepted bets and winnings paid to the players.

For the identification of the profit sum, it shall be deemed that at the time of distribution of dividends this sum will be paid out first. Tax rate was determined as 10% for the profits received by this form, whereas accounting period – calendar month. At the same time, it was also defined that the dividends, which were paid out from the net profits received till 1 January 2022, will be treated as part of distribution of profits and will be taxed according to the manner determined by the tax code, in particular, by dividing the amount on 0.85.

The amendment came into force on 1 January 2022.

AMENDMENT TO THE ORDER

TAX RELIEVES UNDER THE DOUBLE TAXATION AVOIDANCE TREATY

On 7 December 2021 by the Minister of Finance of Georgia the order №323 was issued that made amendment to the order №633 issued by the Minister of Finance on 28 December 2011 about "Approval of rules for granting tax privileges under the international agreements on avoidance of double taxation and for refunding the taxes paid for the non-resident in Georgia". The article 1¹ was added to the following order which explains the meaning of Beneficial Owner. According to the article income recipient is beneficial owner of income only in case of having full right to use and enjoy the following income unconstrained by a contractual or legal obligation that implies the transfer of received income to another person

The following article applies to dividend, interest and royalty and is used in those parts that complies with the regulations of particular international agreements.

The amendment came into force on 8 December 2021.

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 amendments concerning obligation of using cash registers, supply of VAT exempt goods, income through gambling and corresponding changes.

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

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