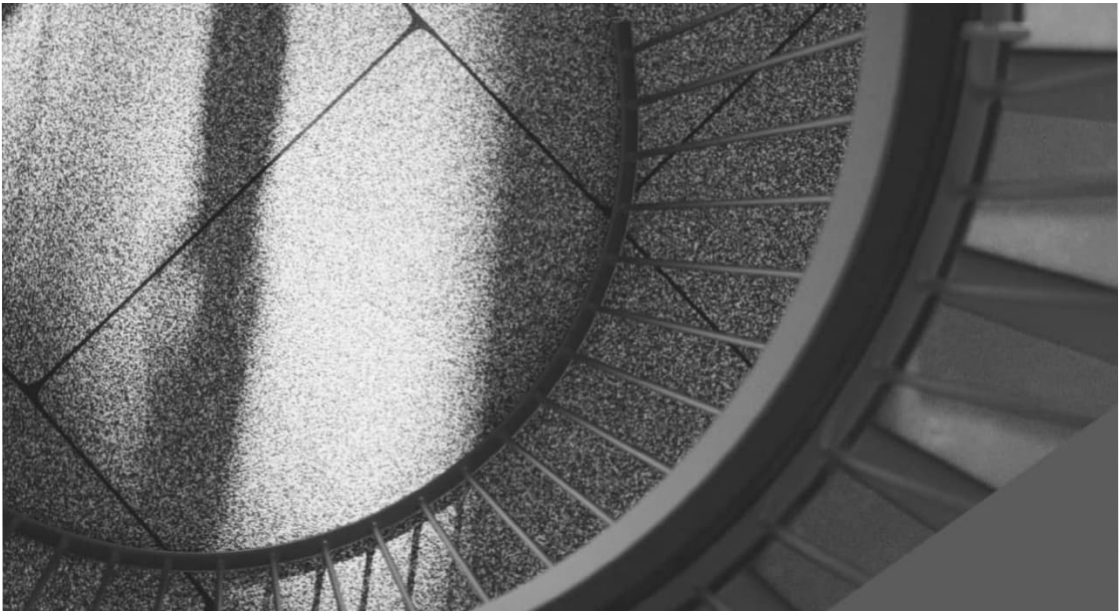




Georgia Tax Facts

2023



CONTENTS

<i>Taxes on income</i>	3
<i>Calculating the tax base</i>	5
<i>Taxes on capital</i>	9
<i>Other taxes</i>	10
<i>Deadlines to remember</i>	15

▼ TAXES ON INCOME

Personal income tax

Personal income tax rates (residents)	2022	2023
Income from employment	20%	20% ¹
Income from a business	20% ¹	20% ¹
Dividends	5%	5% ²
Interest	5%	5%
Royalty	20%	20%
Non-Georgian-source income of residents	exempt	exempt
Gain realized by a resident from the sale of tangible assets	20%/0% ³	20%/0% ³
Income of a sole trader with the status of Micro Business	exempt	exempt
Income of a sole trader with the status of Small Business	5%/3%	5%/3%
Income of a sole trader with no employees and carrying on one of the particular activities listed in the order of the Ministry of Finance	exempt	exempt
Income from selling securities issued by an international finance company	exempt	exempt
Income from selling free floating securities	exempt	exempt
Income gained from Government and National Bank securities in the form of interest	exempt	exempt
Gains from selling securities issued by the Government and the National Bank	exempt	Exempt
The amount withdrawn from the system-electronic gambling account	-	2%

¹ There is exception for companies that have status of an international company (engaged in IT and Marine services). Income from hiring in an international company is taxed at 5%. The income received by an individual from transferring premises under lease for residential purposes to individuals and legal entities as well as to organizations is taxed at a 5% rate.

² Dividends paid by the banking institutions, credit unions, microfinance organizations and loan providers from the profits of 2023 and subsequent periods will not be taxed at source at the rate of 5% of the amount payable and the dividend in this way shall not be included in gross income by the person earning the dividends.

³ Gain from the sale of the individual's residence and any pertaining land are exempt if the residence has been in the taxpayer's ownership for over two years; gains on the sale of private motor cars are exempt if the car has been owned for more than six months. Gain from sale of the individual's residence with attaches land also from sale of vehicles is taxed at a 5% rate.

Tax rates (non-residents) ⁴	2022	2023
Income from employment	20%	20%
Dividends	5%	5% ⁵
Interest	5%	5%
Risk insurance and re-insurance, leasing	exempt	exempt
Royalty	5%	5%
Income from employment when the period of employment does not exceed 30 days and the payer of salary is nonresident	exempt	exempt
Income from international communications and transportation	10%	10%
Income from oil and gas exploration and extraction	4%	4%
Other income from Georgian sources of payment	10%	10%
Income received by non-resident individual from rental services	20%	20%
Income earned by a person registered in a country with a preferential tax treatment/offshore country from interest and other income	15%	15%

⁴ According to the Tax Code every individual who is present in the territory of Georgia for 183 days or more in any continuous 12-calendar month period ending in the tax year is considered to be resident of Georgia for tax purposes in that tax year

⁵ Dividends paid by the banking institutions, credit unions, microfinance organizations and loan providers from the profits of 2023 and subsequent periods will not be taxed at source at the rate of 5% of the amount payable and the dividend in this way shall not be included in gross income by the person earning the dividends.

Corporate income tax

Corporate income tax rates	2022	2023
General rate for resident companies	15%/20% ¹	15%/20% ¹
All taxable profits of permanent establishments of foreign companies received from Georgian source of payment	15%	15%
Partnerships and other similar entities carrying out activities in Georgia	15%/20%	15%/20%
Dividends ²	5% ²	5% ²
Interest income	5% ²	5% ²
Income of a non-resident company carrying out activity without permanent establishment	4%/10% ³	4%/10% ³

¹ From 1 January 2017 new model of Corporate Income Tax came into force. This model applies to some of the entities while others are on the old model. According to new model tax rate is the same, but administration and moment of taxation has been changed (see below). From 2020 the 5% rate applies to International company. From 2023 Taxable profit of a banking institution, credit union, microfinance organization and loan provider shall be taxed at the rate of 20%

² Lower or zero rates may apply under the terms of a double tax treaty.

³ From 2011 the 4% rate applies to income from implementation of the oil and gas transactions determined under the law of Georgia on Oil and Gas, and the 10% rate applies to other activities.

Withholding taxes

Dividends distributed by Georgian companies (to a natural person or a foreign legal person) are subject to 5%-Withholding tax at source. In addition, dividends paid by the banking institutions, credit unions, microfinance organizations and loan providers from the profits of 2023 and subsequent periods will not be taxed at source at the rate of 5% of the amount payable and the dividend in this way shall not be included in gross income by the person earning the dividends.

Interest payments are subject to a 5% withholding tax if the source of payments is in Georgia.

Income received by non-residents and not related to the non-resident's permanent establishment is subject to tax at the source by the rate of 10% or 4% (see above) if income is received from the source in Georgia. In each case, these rates may be subject to reduction under the provisions of a relevant tax treaty. Income earned by a person registered in a country with a preferential tax treatment in cases provided for interests, royalty and other paid amounts shall be taxed at source without deductions, at 15%.

Tax rates	2022	2023
Dividends	5%	5%
Interest	5%	5%
Royalty	5%	5%
Income from international communication and transportation	10%	10%
Income from oil and gas exploration and extraction	4%	4%
Other income from Georgian source of payment	10%	10%

Gross income =

Income from employment ¹	+
Income earned from economic activity not related to employment	+
Income earned from other sources	

CALCULATING THE TAX BASE

Resident individuals

The tax base for a resident individual is the difference between gross income for a calendar year and the amount of deductions allowed by the Tax Code for this period.

Non-resident individuals

Gross income of a non-resident taxpayer consists of income generated from Georgian sources.

Tax base =

Income received by a non-resident individual not related to a permanent establishment is subject to personal income tax at source, without any deductions

As respects revenue from the sale of property, the tax base is the gross revenue of the calendar year reduced by deductible expenses

In the case of non-resident carrying out activities in Georgia through a permanent establishment, taxable income is defined as the difference between the gross income for the calendar year from Georgian sources connected to that permanent establishment and the amount of deductions allowed by the Tax Code for this period

Companies and partnerships

Corporate income tax is charged on taxable profit. The taxable profit is calculated by deducting relevant expenses from gross income.

All expenses incurred in earning taxable income are in principle deductible for the purposes of corporate income tax. Expenses are considered non-deductible if they are not related to economic activity or are incurred in deriving exempt income. Deductions for entertaining expenses are limited unless the provision of entertainment is the taxpayer's business activity.

Special treatment is accorded to the following expenses:

Payable interest	Interest is not deductible to the extent that the rate exceeds the annual rate stipulated by the Minister of Finance of Georgia
Bad debts	May be deducted if the corresponding amount was included in the company's gross income in a previous period
Reserves	Transfers to reserves and provisions against potential losses (doubtful-debt reserves) are permitted as prescribed in the Tax Code for insurance companies and credit institutions
Depreciation charges	See below
100% depreciation	Taxpayers may opt to write off the cost of purchased or manufactured fixed assets fully in the year in which they are first put to use. If a taxpayer fully deducts the value of fixed assets, the taxpayer may not alter the chosen deduction rate for the next five years. In the case of leased assets, the deductible amount is the discounted value of lease payments
Repairs to fixed assets	Deductible up to 5% of the book value of the asset at the end of previous year. In the case of leased assets, if the cost of repairs is not allowed in the lease as a reduction of lease rentals, it is subject to capitalization as a fixed asset, from which depreciation in a separate category at 15% may be deducted
Entertaining expenses	Limited to 1% of gross income
Charitable donations	Limited to 10% of net taxable income
Insurance premium	Deductible from gross income except insurance premiums under pension insurance contracts

Geological research and services preparatory to natural resources extraction	Depreciable, the depreciation rate of 20%
Intangible assets	Depreciable (But see below)
Taxes	Penalties, fixed profit and personal income tax are not-deductible

Losses

Maximum carry-forward period: 5 years

Above-mentioned period is extendible to 10 years on application from 2010.

Tax depreciation

Tangible fixed assets are depreciated for tax purposes by applying the reducing-balance method. Intangible assets, where depreciable, use the straight-line method over their useful life (if known).

Excluded from depreciation are, inter alia, land, works of art, museum items, historical objects (except for buildings), stock-in-trade and livestock. Fixed assets with a cost of no more than GEL1,000 may be fully written off in the year of acquisition or production.

Fixed assets are depreciated at the rates shown below:

Number	Fixed assets	Depreciation rate, %
1	Passenger cars, tractor equipment for use on roads; office furniture, automotive transport rolling stock; trucks, buses, special automobiles and trailers; machinery and equipment for all sectors of industry and the foundry 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

Tax amortization

Intangible assets are amortized during the period of their useful life, proportionally with the reporting period. Intangible asset with the value up to GEL 1,000 may be fully deducted in a reporting year when relevant costs were incurred. If the useful life of intangible assets cannot be determined, the depreciation rate shall be 15%.

Transfer pricing rules

From 1 January 2014 new rule approved by the Minister of Finance entered into force - transfer pricing for international controlled transactions. 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.

Capital gains

Capital gains are taxable as income, except for those gains that are exempt (see table under Personal income tax).

New Model of Corporate Income Tax

New model of Corporate Income Tax came into force from 1 January 2017, which applied to all types of businesses having legal form, excluding commercial banks, insurance companies and micro-finance organizations, credit unions, pawn brokers, as well as the companies receiving income from Oil and Gas Operations and bookmakers operating with systematic-electronic forms which will be on the old model of CIT.

The main amendment under the new model of Corporate Income Tax is postponing taxation of corporate income until distribution of net income.

Corporate Income Tax rate remains the same as before - 15%, technically, the 15%/85% rate will be applied to the amount of taxable objects, which are following transactions/actual payments:

- Payment of dividends^{1,2}*
 - Differences between contract price and market price Expenses not*
 - related to economic activity*
 - Payments not related to economic activity*
 - Free of charge supply and gifts*
 - Representative expenses above limits.*
-

Like dividends, the remaining transactions/payments shall be taxed according to the actual date of 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.

¹*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.*

²*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 - $AX B / (C-D)$, 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 1 January 2017.

▼ TAXES ON CAPITAL

Gift and inheritance taxes

Georgia has no gift and inheritance taxes.

Wealth tax

There is no wealth tax in Georgia but see under Property Tax below.

▼ OTHER TAXES

Property tax

Property tax is a local tax on immovable property, yachts, planes, helicopters, motor cars specified under Code 8703 of the National Commodity Nomenclature of Foreign Economic Activities that are owned by him/her, on property received by him/her from a non-resident under a lease agreement and also property used for business purposes (fixed assets, non-assembled equipment, unfinished capital investment, property leased out under a financial lease).

The tax is charged on both natural persons and legal persons, but in case of natural persons only when the family's annual income is GEL 40,000 or more.

Rates are set locally, but may not exceed the following parameters:

Tax payers	Rate
Legal person	1% of average residual value of assets

These values may, only in relation to real estate, be indexed as follows:

- By a factor of 3 for assets purchased before the year 2000
- By a factor of 2 for assets purchased in the years 2000, 2001, 2002 and 2003
- By a factor of 1.5 for assets purchased in the year 2004.

Tax payer	Rate
Natural person	0.05% — 0.2% (family income GEL40,000—100,000) 0.8% — 1.0% (family income > GEL100,000), of the market value of the property

Payers of property tax on land are natural and legal persons if as of 1 April of a tax year they:

- Own a plot of land
- Use a plot of land possessed by the state
- Have a state-owned plot of land under actual ownership.

Annual tax base for agricultural land is defined by the Georgian Government. The annual tax base per 1 hectare varies from GEL5 to GEL100.

The annual tax base for non-agricultural land is GEL0.24 per 1 square meter which is adjusted by the territorial coefficient up to 1.5 fixed by the local government.

Excise tax

In Georgia excise duties are imposed at various rates on certain goods such as alcohol and alcoholic beverages, tobacco, means of transport, petrol and diesel fuel, international call termination services in a mobile or fixed network in Georgia.

Export of excisable goods and supply of Georgian goods for sale in a duty-free zone are exempt with the right of input.

The amount of an excisable transaction, import of excisable goods and export of excisable goods shall be determined:

- For an alcoholic beverage – according to the volume of an alcoholic beverage or the volume of pure alcohol in an alcoholic beverage, or by percentage of alcohol content
- For tobacco products – according to the quantity or weight of a tobacco product and/or according to the retail price
- For raw tobacco or tobacco waste – according to the weight of raw tobacco or tobacco waste
- For a petroleum product – according to the weight (volume) of a petroleum product
- For a motor car (except for a sports car) and a motorcycle (including a motor bicycle) – according to the age and engine capacity
- For natural gas (in a gaseous state) – according to the volume of gas
- For a natural gas condensate and/or liquefied natural gas – according to the weight
- For the liquid of an electronic cigarette – according to the volume of the liquid.

Import tax

Tax rates	Applies to
0%	Import of goods defined in grant agreements, import of goods produced in a Free Industrial Zone, Import of child and diabetic food products, Import of goods in the framework of the Law of Georgia on Oil and Gas, Import of tobacco raw materials until 1 January 2026, Import of aviation fuel, lubricants, and other supplementary products to be provided on board for international flights and international sea voyages
12%	Foodstuffs, tobacco and industrial tobacco substitute products, salt, asphalt, cement, concrete and wooden materials, mineral waters, synthetic cotton, cloth, shoes, paper, stone
5%	Certain food products, office or school supplies
Various	Alcohol – depends on the content of alcohol
	Motor vehicles – depends on the age and engine capacity

Authorized Economic Operator

Authorized Economic Operator uses simplified customs control procedures on safety and protection and/or also simplified customs rules.

There are following requirement to be met by a company in order to be granted the status of "Authorized Economic Operator":

- Its activity follows the requirement of Georgian tax legislation*
- It owns the management system of commercial and/or transportation accounting that provides appropriate custom control*
- It is solvent and financially stable*
- It owns appropriate standard of safety and protection.*

Golden List

There are several criteria to be met by a company in order to become "Golden List" member:

- Company must be an economic operator and registered as a VAT payer*
- Minimum 5 million GEL of customs value of imported/exported goods must be paid within a period of one year*
- Minimum of 900 000 GEL of paid customs duties and/or minimum of 100 declarations presented for import or export*
- There must be no serious customs offences for the last six months.*

The members of "Golden List" can deliver the goods to its warehouse and submit the customs declaration to the customs authority electronically through the automated data system "eCustoms".

Payment of Customs Duty, Import VAT and Import Excise on wheat indicated in the National Commodity Nomenclature of Foreign Economic Activities Code 1001 can be deferred for 45 days.

Social security contributions

Social security contributions were abolished on 1 January 2008.

Value added tax

	Rate	Applies to
Standard	18%	All taxable operations that are liable to tax

Taxable persons are persons who are registered for VAT, importers and non-resident persons. A person is required to register as VAT payer where he:

- Carries out an economic activity and the total amount of taxable transactions during the previous 12 consecutive calendar months exceeds GEL100,000
- Produces excisable goods.

Exemptions from VAT

These include in particular:

- Financial services
- Medical services, care services in children's homes, care of the sick, disabled, and elderly people and/or provision by public procurement of goods/services related to healthcare programs
The import of goods intended for the official use of foreign diplomatic and equivalent missions
- The supply or importation of baby foods and/or-child hygiene products
- Lotteries, casinos, games of chance and prize-games
The supply of goods/services among businesses in a free industrial zone and the supply of goods to a taxable person in a free warehouse
- Import and/or supply of electric bus (including electric microbus) indicated in the National Commodity Nomenclature of Foreign Economic Activities Code 8702 90 90.
- Provision of technical services to the aircrafts and to the ships conducting international sea passages
- Supply and/or importation of motorcars under the National Commodity Nomenclature of Foreign Economic Activities Code 8703.

VAT exempt transactions with the input VAT right

These include specified supplies of goods and service provisions, such as: supplies intended for the official use of diplomatic representative offices, provision of organized tours by tour operators and suppliers of tour packages where the tours bring foreign tourists into Georgia, international shipping activities

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



▼ DEADLINES TO REMEMBER

Important deadlines		Due dates
January	<ul style="list-style-type: none"> Submission of the Withholding tax return for December Submission of the VAT return and paying tax for December Submission of the Excise duty return and paying tax for December Submission of the Corporate Income tax return and paying tax for December 	15 January 15 January 15 January 15 January
February	<ul style="list-style-type: none"> Submission of the Withholding tax return for January Submission of the VAT return and paying tax for January Submission of the Excise duty return and paying tax for January Submission of the Corporate Income tax return and paying tax for January 	15 February 15 February 15 February 15 February
March	<ul style="list-style-type: none"> Submission of the Withholding tax return for February Submission of the VAT return and paying tax for February Submission of the Excise duty return and paying tax for February Submission of the Corporate Income tax return and paying tax for February Submission of the Income tax return by individuals and individual entrepreneurs for the preceding year Submission of the Income tax return by Micro and Small Businesses for the preceding year Submission of the program report, financial statement and financial documents defined by GTC (for charitable organizations only) Submission of the Corporate tax for the preceding year (by entities being on the old model of CIT only) Submission of the information on exemption or reducing of taxes subject of withholding according to non-residents by tax agent (form#1) 	15 March 15 March 15 March 15 March 31 March 31 March 31 March 31 March 31 March
April	<ul style="list-style-type: none"> Submission of the Property tax return by companies Submission of the Withholding tax return for March Submission of the VAT return and paying tax for March Submission of the Excise duty return and paying tax for March Submission of the Corporate Income tax return and paying tax for March 	1 April 15 April 15 April 15 April 15 April

▼ DEADLINES TO REMEMBER

Important deadlines		Due dates
May	<ul style="list-style-type: none"> • Making current payments (25%) by an entrepreneur natural person • Submission of the Withholding tax return for April • Submission of the VAT return and paying tax for April • Submission of the Excise duty return and paying tax for April • Submission of the Corporate Income tax return and paying tax for April 	15 May 15 May 15 May 15 May
June	<ul style="list-style-type: none"> • Submission of the Withholding tax return for May • Submission of the VAT return and paying tax for May • Submission of the Excise duty return and paying tax for May • Submission of the Corporate Income tax return and paying tax for May • Making current payments of Property tax by companies 	15 June 15 June 15 June 15 June 15 June
July	<ul style="list-style-type: none"> • Making current payments (25%) by an entrepreneur natural person • Submission of the Withholding tax return for June • Submission of the VAT return and paying tax for June • Submission of the Excise duty return and paying tax for June • Submission of the Corporate Income tax return and paying tax for June 	15 July 15 July 15 July 15 July
August	<ul style="list-style-type: none"> • Submission of the Withholding tax return for July • Submission of the VAT return and paying tax for July • Submission of the Excise duty return and paying tax for July • Submission of the Corporate Income tax return and paying tax for July 	15 August 15 August 15 August 15 August

▼ DEADLINES TO REMEMBER

Important deadlines		Due dates
September	• Making current payments (25%) by an entrepreneur natural person	15 September
	• Submission of the Withholding tax return for August	15 September
	• Submission of the VAT return and paying tax for August	15 September
	• Submission of the Excise duty return and paying tax for August	15 September
	• Submission of the Corporate Income tax return and paying tax for August	15 September
October	• Submission of the Withholding tax return for September	15 October
	• Submission of the VAT return and paying tax for September	15 October
	• Submission of the Excise duty return and paying tax for September	15 October
	• Submission of the Corporate Income tax return and paying tax for September	15 October
November	• Submission of Property tax return by individuals	1 November
	• Paying Property tax by individuals	15 November
	• Paying Property tax on land	15 November
	• Submission of the Withholding tax return for October	15 November
	• Submission of the VAT return and paying tax for October	15 November
	• Submission of the Excise duty return and paying tax for October	15 November
	• Submission of the Corporate Income tax return and paying tax for October	15 November
December	• Making current payments (25%) by an entrepreneur natural person	15 December
	• Submission of the Withholding tax return for November	15 December
	• Submission of the VAT return and paying tax for November	15 December
	• Submission of the Excise duty return and paying tax for November	15 December
	• Submission of the Corporate Income tax return and paying tax for November	15 December



CONTACT

BDO Georgia LLC
2 Tarkhnishvili street Vere
Business Centre 0179 Tbilisi
GEORGIA
T: +995 32 254 58 45
T: +995 32 218 81 88
www.bdo.ge

Tax Partner:
Mikheil Enukidze
menukidze@bdo.ge

This publication has been carefully prepared, but should be seen as general guidance only and cannot address the particular needs of any individual or entity. The information contained within it is based upon information available up to the dates mentioned at the heading of each chapter. While every reasonable effort has been taken by BDO to ensure the accuracy of the matter contained in this publication, you should not act upon it, or refrain from acting, without obtaining specific professional advice: the information contained herein should not be regarded as a substitute for such. Please contact BDO to discuss these matters in the context of your particular circumstances. BDO accept or assume no liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

'BDO', 'we', 'us', and 'our' refer to one or more of BDO International Limited, its network of independent member firms ('the BDO network'), and their related entities.

The BDO network is an international network of independent public accounting, tax and advisory firms which are members of BDO International Limited and perform professional services under the name and style of BDO (hereafter: 'BDO member firms'). BDO International Limited is a UK company limited by guarantee. It is the governing entity of the BDO network.

Service provision within the BDO network is coordinated by Brussels Worldwide Services BV, a limited liability company incorporated in Belgium.

Each of BDO International Limited, Brussels Worldwide Services BV and the BDO member firms is a separate legal entity and has no liability for another entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BV and/or the BDO member firms. Neither BDO International Limited nor any other central entities of the BDO network provide services to clients.

BDO is the brand name for the BDO network and for each of the BDO member firms.

www.bdo.global

© Brussels Worldwide Services BV, May 2023