



## Methodical Reference

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- Insignificant losses of non-food items detected in selling areas



### Insignificant losses of non-food items detected in selling areas are not considered as shortage

On 17 October 2022 head of the Revenue Service published the order №26094 (13.10.2022) on the approval of methodological instructions on economic operations with insignificant economic impact for the purpose of determining tax liability.

The Order clarifies the concept of insignificant loss of non-food items for Selling Areas, which will not be considered as shortage for tax purposes. Insignificant losses of non-food items are the sum of the losses of non-food items detected at taxpayer's selling areas during the current calendar year, the market value of which (excluding VAT) does not exceed 0.5% of the total sales (excluding VAT) of non-food items sold (including the goods taxed as shortages) from taxpayer's selling areas during the previous calendar year.

Non-food items for the purposes of this methodical reference are any goods other than the following:

- a) Food
- b) Goods subject to excise
- c) Wine
- d) Beverages which are subject to marking
- e) Pharmaceutical product and/or nutritional supplements

f) Any household and/or construction and/or other purposes:

- f.a) Accessories
- f.b) Devices
- f.c) Inventory
- f.d) Furniture
- f.e) Textile

- g) Clothes and/or shoes and/or other clothing and related accessories
- h) Cosmetics and/or perfumery.

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On the other hand, Selling Area is a store (market, supermarket, or hypermarket) where the retail sale of goods (non-food items) is carried out on the basis of the “open warehouse” principle . An open warehouse is a Selling Area, where customer entry-exit is identified, the non-food items intended for sale are placed in an accessible place for the buyer - on shelves, counters and other storage facilities, a client independently and/or with the help of a cashier-consultant selects the desired non-food items and the purchase and sale of non-food items is recorded by bar-codes and software.

This document also provides information about how the taxpayer should be guided by this reference when, in relation to its economic activity, there is no previous calendar year or there is an incomplete previous calendar year. In such case, from the date of registration of the taxpayer to the end of the first full calendar year, insignificant losses will be determined for each calendar month of this period separately, as follows:

- During this period, in the case of a shortage detected for the first time in the year of registration, Insignificant losses are non-food items shortage, market value of which does not exceed 0.5% of the total sales of non-food items sold from taxpayer's selling areas from the date of registration as a taxpayer including the calendar month of detection of this shortage
- During this period, in the case of a shortage detected for the second time and every subsequent time, insignificant losses are non-food items shortage, market value of which does not exceed 0.5% of the total sales of non-food items sold from taxpayer's selling areas from the date of registration as a taxpayer including the calendar month of detection of this shortage, provided that, the mentioned amount should be reduced by Insignificant losses used in the previous calendar months.

## 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 methodical reference on how the insignificant losses of non-food items detected in selling areas are not considered as shortage.

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

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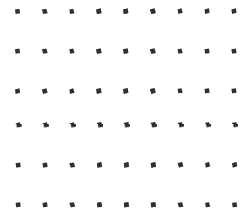
The amount of insignificant losses is subject to recalculation, if the total value (excluding VAT) of non-food items sold during the current year, including taxed losses, compared to similar data of the previous full calendar year:

- Increased by 10% or more, "taxed shortages" during the current calendar year will be subject to reduction through declarations of the same calendar months in which they were reflected
- Decreased by 10% or more, during the current calendar year, "non-taxable shortages" are subject to reflection in the corresponding declarations of the reporting period of December of the same year.

A newly registered taxpayer has the right to recalculate Insignificant losses, both at the end of the first incomplete calendar year and at the end of the first full calendar year.

This Methodical Reference is applicable only in case when:

- The person who committed the theft and/or illegal consumption of goods has not been identified
- No one has been required to reimburse the damages
- There is no any other evidence ruling out the loss.



When using this methodical reference, the taxpayer should take the following special rules into consideration:

- A taxable loss subject to reduction as a result of recalculation at the end of the calendar year is the same as an insignificant loss
- If the taxpayer wants to wholesale the goods from the same area (building) where the "open warehouse" is located, this sale must be carried out without placing the corresponding goods in the "open warehouse"
- If the identified shortage includes both VAT-taxable and VAT-exempt non-food items, in each shortage, first of all the shortage of VAT-taxable non-food items will be considered as an insignificant loss. In addition, in the case of annual recalculation, the mentioned sequence will be maintained again for each shortage.

This methodical reference is in force from 14 October 2022 and will be used for the inventory shortage in reporting periods from 1 January 2022.