



## Amendment to the order

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### Making Pension Contributions Through the Income Tax Declaration

On July 12, 2024, Law №4312-XIV86-X83 on amendments to the Law of Georgia “On Funded Pension” was published. As a result, the rule for administering the funded pension scheme was updated and in connection with this, on 7-8 May 2025, the General Director of the Pension Agency of Georgia issued rules and instructions, specifically Orders №01, №02, №03, №04, №05, and №06/№01, those regulate the rules related to leaving the pension scheme, rejoining it, making pension contributions, choosing an investment portfolio by a pension scheme participant, and other rules.

As a result of the amendment, the employer/self-employed person will be able to make pension contributions related to payments originating after 1 May 2025 only through the income tax declaration, while in regard to obligations originated before 1 May 2025, making pension contributions will be possible only by submitting annual corrective declarations in the electronic system for the administration of pension contributions.

### Making Pension Contributions for Payments Originating After 1 May 2025

As a result of the amendment, for payments originating after 1 May 2025, the employer/self-employed person will be able to make pension contributions only through the income tax declaration. Based on the income tax declaration, prior to the submission of the pension declaration and for its submission, the employer/self-employed person is obligated, no later than 24:00 on the last day of the deadline set by the Tax Code of Georgia for submitting the income tax declaration (no later than the 15th day of the month following the accounting month), to deposit the relevant amount of the pension contribution into the nominee ownership account in the amount of 2%+2% of the taxable salary paid during the reporting period. Upon placing the relevant amount of funds, in the event of submission of the income tax declaration on any date prior to the deadline, the pension declaration generated by the electronic system will be automatically closed through the electronic system. Hence, the pension contributions made by the employer will be reflected on the employee’s pension page no later than the next working day following the automatic submission of the pension declaration.

In the absence of a corresponding balance amount, it won’t be possible to allocate the pension contribution(s) to the employee or the self-employed person and the obligation of the employer/self-employed person to make the pension contribution will remain unfulfilled. As a result, the breach of this obligation to make the pension contribution generates administrative liability for the employer / self-employed person in the form of an automatic fine and penalty. In addition, the submission of the income tax declaration does not mean the closure of the pension declaration and the automatic execution of the pension contribution, unless the above-mentioned condition regarding the deposit of the relevant amount to the Pension Fund’s account is fulfilled.

The fine is defined by Article 165<sup>11</sup> of the Code of Administrative Offenses of Georgia and implies the imposition of a fine in the amount of 500 GEL for a person's violation of the obligation to make a pension contribution. Repeating this action within one year will result in the imposition of a 1,000 GEL fine.

The penalty interest is defined by the Law of Georgia on Funded Pension. According to subparagraph "c" of paragraph 3 of Article 6 of this law, the principle of calculating the penalty interest is explained. The calculation is performed on the amount of the pension contribution which was either not made or made in violation of the respective deadline. The rule for calculating the penalty interest is defined based on the monetary policy rate set by the National Bank as of the date of the occurrence of the obligation to make the pension contribution.

In addition, the following cases do not constitute grounds for the imposition of a fine and/or penalty interest:

- Any change made by the employer in the income tax declaration, which results in the need for a corresponding change in the pension contribution, provided that such change is fully and properly made on the basis of this instruction and the joint normative act before the set deadline for submission of the income tax declaration.
- If it is duly confirmed that the employer transferred/deposited the balance amount to the nominee ownership account of the Pension Fund within the prescribed deadline, but it was not reflected on the employer's electronic page due to the fault of the relevant commercial bank and/or due to a failure in technical support between the commercial bank and the Pension Fund.
- If the employer submitted the declaration of tax withheld at source within the deadline set by the instruction, but the respective declaration was not reflected in the Pension Fund's electronic system within the set deadline due to a technical support malfunction in the Revenue Service's and Pension Fund's systems.

It is noteworthy that the obligation to submit the pension declaration is automatically identified in the system of the Revenue Service upon filling out of the relevant declaration, using the technical support and the electronic system of the Revenue Service's system, taking into account the employee's age, citizenship status, status of participation in the pension scheme and the type of the respective payment. The employer is obligated, when filling out the declaration on the tax withheld at source, to indicate in that declaration each employee to whom salary was paid during the reporting period. For the purposes of fulfilling the obligation to make the pension contribution, incomplete indication of employees by the employer with respect to salaries paid during the reporting period (including declaration of a payment made to more than one employee under only one person) shall constitute a violation of the obligation to make the pension contribution and shall be subject to the measures defined by law and the monitoring rule.

It is also important that each correction of the income tax declaration after 1 May 2025, concerning payments made during this same period, in the case of an increase in the taxable base, after the 15<sup>th</sup> day of the month following the reporting month, will result in the imposition of a fine and penalty interest on the employer (in the same amounts as explained above).

## Making Pension Contributions for Payments Originated Before 1 May 2025

As a result of the amendment, in connection with obligations originated before 1 May 2025, making pension contributions will be possible only by submitting annual corrective declarations in the electronic system for the administration of pension contributions. The annual corrective declaration is a reporting form developed by the Pension Fund, which was created for the purpose of eliminating cases of a pension contribution deficit or



overpayment. Mentioned declaration is automatically generated as a result of comparing the data in the electronic system received from the Revenue Service, which also involves manual intervention and the presence of a sufficient balance for final submission.

**The orders (except for Order №06/№01) came into force from 8 May 2025, while Order №06/№01 came into force from 9 May 2025.**

## Public Decision

### Tax Reliefs for the Provision of Food and/or Transportation Services by an Educational Institution to Pupils

On May 30, 2025, Public Decision №133 of the Minister of Finance of Georgia was published regarding the application of subparagraph “e” of the first paragraph of Article 170 of the Tax Code of Georgia.

The public decision clarifies the issue of the application of the tax relief provided by a subparagraph “e” of the first paragraph of Article 170 of the Tax Code of Georgia when an educational institution provides food and/or transportation services to pupils.

We remind you, that Article 170 of the Tax Code establishes tax reliefs in the fields of healthcare, education, culture, sports, and social services. According to subparagraph “e” of the first paragraph of the same article, the provision of educational services by an educational institution, as well as directly related and/or auxiliary services/supply of goods, is exempt from value-added tax (hereinafter - VAT) without the right of deduction. As for auxiliary services, in accordance with subparagraph “m” of Article 157 of the Tax Code of Georgia, auxiliary services/goods are those which are not the main objective of the consumer’s purchase but are intended to improve the conditions for the provision of the main service/supply of goods and/or to ensure better use thereof.

According to the public decision, in cases where the parties to the respective transaction are the educational institution and the pupil, both during transportation and food provision and at the same time, the said additional service aims to improve the conditions of educational services and is important for providing such services, these services (transportation, food) are considered auxiliary services. As a result of the decision, in order to support and ensure the smooth conduct of the educational process, the provision of transportation and food services by the educational institution or on its behalf to pupils is considered an auxiliary service for the provision of educational services and accordingly, based on subparagraph “e” of the first paragraph of Article 170 of the Tax Code of Georgia, is exempt from VAT without the right of deduction.

**The public decision came into force from May 31, 2025.**

## AUTHOR’S COLUMN

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

The publication addresses issues related to pension contributions and tax benefits for educational institutions.

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

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