



Amendment to the law

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Taxable income received from the organization of a slot machine salon and/or the organization of games of chance in the systemic-electronic form

On December 29, 2024, Law „134-IMS-XIMP“ was enacted, introducing amendments to the Tax Code of Georgia. These amendments refer to the taxation of income received from the organization of a slot machine salon and/or the organization of games of chance in the systemic-electronic form, by personal income and corporate income taxes.

Paragraph 3¹ of Article 81 of the Tax Code of Georgia has been updated and a new sixth paragraph has been added to Article 98, establishing the rates for personal income tax and profit tax. In particular, under the revised provisions, received by an individual/legal entity from the organization of a slot machine salon and/or the organization of games of chance in the systemic-electronic form is taxed at a rate of 20%, except for taxable income received by organizers of systematic-electronic gambling as a result of participation of foreign citizens in such games. Prior to the amendment, taxable income from these activities was taxed at a rate of 15% for both personal income and profit taxes.

Based on the above-mentioned amendment, the first part of Article 130 of the GTC has been updated, and a new Part 9 has been added, those refer to the withholding of income tax on dividends at the source of payment. In particular, the updated Part 1 defines cases where the distribution of dividends is not subject to withholding tax at the source of payment. The newly added Part 9 explains one such case, in particular the dividends distributed from profits related to the year 2025 and subsequent periods are not subject to withholding tax at the source of payment and are not included in the recipient's gross income. This applies cases if the dividends are distributed by an organizer of a slot machine salon and/or the organization of games of chance in the systemic-electronic form, which is subject to profit tax at the rate of 20 percent provided for in Part 6 of Article 98 of this Code, from the profit attributable to this part of the activity.

Excise tax Rates for Excisable Goods

In accordance with the same amendment, the updated excise tax rates for excisable goods (excluding alcoholic beverages) were established. Under the revised version: Excise tax rates have increased for certain items within Groups 2402 and 2404 of the Georgian National Commodity Nomenclature (Nomenclature of Goods). These groups include cigars, cut-end cigars, cigarillos (small cigars), and cigarettes made from tobacco or its substitutes. For example, excise tax rates for specific categories within Group 2402 have increased by 20 tetri. Similarly, excise tax rates for certain categories within Group 2404 have also risen up to 20 tetri.

The amendment came into force from 1 January 2025.

Amendment to the Order

Utilization of Tax Benefits Under Double Taxation Agreement and Refund of Tax Paid in Georgia for Non-Residents

On December 6, 2024, the Ministry of Finance of Georgia issued Order №393, introducing amendments to Order №633 of December 28, 2011, titled “Approval of the Rule for Utilizing Tax Benefits Determined by International Agreements on Avoiding Double Taxation and for Refunding Tax Paid in Georgia for Non-Residents.”

According to the amendment, Form №3 “Request for certificate on taxes paid/withheld by non-resident in Georgia” of the Order №633 was updated. The form can now be applied electronically and also, by a tax agent concerning payment paid by that agent. Under the new version of the order, tax authority will issue the form stated above electronically upon request.

The updated Article 4 of Order №633 provides details on the request for a certificate regarding taxes paid/withheld in Georgia by non-residents (Form №3) and explains the issuance process according to the amendment. Specifically, the instructions for filling out Form №3 were revised, in particular, titles of its sections have been updated, now categorized as “Non-Resident’s Data,” “Income Payment,” and “Property Located in Georgia.”

We remind you, that the issuance of this certificate by the tax authority confirms the amount of tax paid on income received in Georgia and/or property located in Georgia by a non-resident. The non-resident subsequently presents this certificate in their country of residence to avoid double taxation.

The amendment came into force from December 21, 2024.

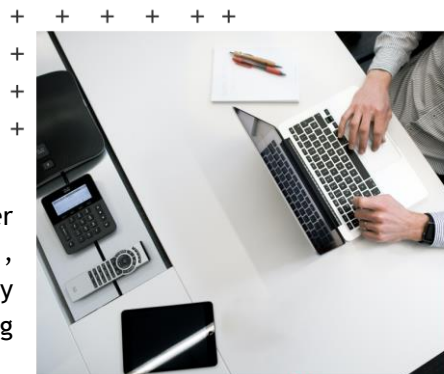
Cancellation of VAT-Taxable Transactions in Specific Cases

On December 26, 2024, the Ministry of Finance of Georgia issued Order №421, introducing amendments to Order №996 of December 31, 2010, titled “On Tax Administration”. The amendment added a new paragraph 9 to Article 66², titled “VAT Taxation in Specific Cases” of the instructions approved by Order №996.

The new paragraph 9 of Article 66² of order №996 clarifies that if the sale (supply) of goods through auction, direct sale, or other methods is subject to VAT under first part of Article 161¹ of the GTC and this transaction is subsequently canceled under the provisions of the law, the authorized person responsible for the sale must submit information about the cancellation of the transaction to the tax authority, which is also the basis for reducing the corresponding amount on the personal accounting card of the authorized person.

It is important to note that, according to the first part of Article 161¹ of the GTC, sales (supplies) of goods conducted through auction, direct sale, or other methods as part of measures ensuring the payment of tax debts or other monetary obligations (excluding penalties imposed under criminal or administrative law) are subject to VAT. The VAT amount calculated on such transactions must be paid into the state budget on behalf of the person (owner of the goods) by the authorized individual conducting the sale.

The amendment came into force from December 27, 2024.



Filling out the monthly income tax return of a person with small business status

On December 4, 2024, Order №390 of the Ministry of Finance of Georgia was published, that amended the Order №999 of the Minister of Finance of Georgia dated December 31, 2010, "On the Application of Preferential Taxation Regimes".

The amendment updated both the Instruction "On Preferential Taxation Regimes" approved by the order (Appendix №1), as well as the Instruction "On the Monthly Income Tax Declaration of an Individual with Small Business Status, the Procedure for Its Completion and Submission" (Appendix №5).

Specifically, the amendments updated Part Three of the monthly income tax declaration for individuals with small business status by adding new columns, which require recording of the following additional information:

- Income received through cash payments (cash register turnover)
- Income received through POS terminals
- Income received through non-cash payments
- Income received in other form (including the cost of services rendered that is not taxed at the source of payment) that is not reflected in the above lines (income received from barter transactions, income received from foreign exchange transactions, etc.)
- For taxpayers, who record income and expenses using the accrual method (such as VAT-paying small entrepreneurs), additional lines have been introduced in the declaration which reflect taxable income from the supply of goods or services for which the compensatory amount has not been reimbursed during the current reporting period, also reducible taxable income, which was taxed in prior reporting periods before the reimbursement of compensatory amounts. Additionally, advances received during the current reporting period are also reflected.

Based on the mentioned changes, two examples are discussed in the order. The first case provides a detailed discussion of filling the lines of the appendix when declaring income and expenses recorded using the cash method. The second one examines the procedure for submitting a declaration by an individual with small business status who is a VAT payer, using the accrual method to recognize income and expenses. By the second example it was confirmed that an individual with small business status registered as a VAT payer must report the taxable revenue in the income tax declaration excluding the VAT amount. This applies if the transaction is subject to VAT, and the value includes the VAT amount.

The amendments came into force from December 5, 2024, and apply to declarations to be submitted for the reporting periods of December 2024 and onward.

Rules for Filling out Updated Column 14 of Annex "A" in the Withholding Tax Declaration at the Source of Payment

On December 31, 2024, the Minister of Finance of Georgia issued Order №433, that amended the Order №996 of December 31, 2010, on "tax administration". As a result of the amendment, the rules for filling out column 14 of Annex "A" of the tax declaration withheld at the source of payment and granting the right to fill it in were determined.

We remind you that column 14 must include the following information from May 2024: the amount of tax paid in a foreign country that is subject to deduction under the double taxation avoidance agreement. The amendment of December 31, 2024, added an illustrative example that demonstrates a practical case where this information may be relevant.

A double taxation avoidance agreement concluded between the Government of Georgia and certain foreign countries may stipulate that a salary paid to a Georgian resident natural person in Georgia is subject to taxation both in Georgia and in the respective foreign country. It is precisely in such cases that Column 14 of the tax declaration related to tax withheld at the source of payment is used.

According to the example, the tax paid in the territory of a foreign country may be used by the Georgian resident (or a permanent establishment of a non-resident) to reduce payable tax accrued on the salary received in Georgia by a Georgian resident, however, this reduction may not exceed the amount of tax accrued in Georgia.

Additionally, a new Article 38¹ has been added to the instruction. Under this article, the procedure for granting the right to fill out Column 14 of Annex "A" of the tax declaration related to tax withheld at the source of payment has been determined. As a result, to obtain the aforementioned right of deduction, a person must apply to the tax authority and attach the relevant documentation to the application.

The amendment came into force from January 1, 2025.

Amendment to the Ordinance

Types of income are not taxed under the preferential taxation regime and are not considered part of the gross income received within the framework of conducting by a small business

On December 23, 2024, the Government of Georgia issued the ordinance №436, that amended Ordinance №415 of December 29, 2010, titled "Types of Income Excluded from the Preferential Taxation Regime and Not Considered as Gross Income Derived from Small Business Activities."

As a result of the amendment, paragraph 12 was added to Appendix №5, approved by the ordinance №415, entitled "Types of income that are not taxed under a preferential taxation regime and are not considered part of the gross income received within the framework of conducting a small business." According to the new paragraph, it was determined that income received from services provided by types of construction income, namely income received from the construction of residential and non-residential buildings under group 41.2 of the Georgian National Classifier of Economic Activities (NACE) 006-2016, income received from civil construction under section 42 of the NACE, and also income received from specialized construction works under section 43 will not be taxed under a preferential taxation regime and will not be considered as part of gross income received within the framework of small business, if the recipient of the said service is an enterprise, organization or an individual entrepreneur. Therefore, income received from the said activity(ies) by a person with the status of a small business will be taxed under the general rule, at a 20% income tax rate.

The amendment will come into force from February 1, 2025.

Agrotourism and Wine Tourism Activities

On December 30, 2024, the Government of Georgia issued the ordinance №465, that approved the instruction "on the Principles of Agrotourism and Wine Tourism Activities, as well as the Procedure and Conditions for Obtaining and Revoking the Status of Business Entities Engaged in these Activities". This instruction establishes the main principles

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 important amendments to the law, order and ordinance.

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

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of agrotourism and wine tourism activities, outlines the rights and obligations of relevant subjects and defines the procedures and conditions for acquiring, suspending, and revoking the status of agrotourism and wine tourism businesses.

We would like to remind you that from January 1, 2025, the income limit for individuals with small business status who are engaged in the above-mentioned activities during the calendar year will be set at 700,000 GEL, instead of 500,000 GEL. This means that the income received within the framework of the relevant activities will be taxed at a 1% rate up to 700,000 GEL and in case of exceeding this amount, at a 3% rate. At the same time, in the case of exceeding the 700,000 GEL threshold twice in a row, they will lose the status of a small entrepreneur and the corresponding tax benefits associated with this status.

The amendment came into force from December 31, 2024.