LAW OF GEORGIA

TAX CODE OF GEORGIA

SECTION I

GENERAL PROVISIONS

Chapter I – Georgian Tax System

Article 1 – Scope of regulation

In accordance with the Constitution of Georgia, this Code sets forth the general principles of formation and operation of the tax system of Georgia, governs the legal relations involved in the movement of passengers, goods and vehicles across the customs border of Georgia, determines the legal status of persons, tax payers and competent authorities involved in legal relations, determines the types of tax offences, the liability for violating the tax legislation of Georgia, the terms and conditions for appealing wrongful acts of competent authorities and of their officials, lays down procedures for settling tax disputes, and governs the legal relations connected with the fulfilment of tax liabilities.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 2 – Tax legislation of Georgia

1. The tax legislation of Georgia comprises the Constitution of Georgia, international treaties and agreements, this Code and subordinate normative acts adopted in compliance with them.

2. The tax legislation of Georgia in effect at the moment when tax liability arises shall be used for taxation.

3. The Government of Georgia or the Minister of Finance of Georgia shall adopt/issue subordinate normative acts for enforcing this Code.

4. (Deleted – 26.12.2013, No 1886).

5. To enforce the tax legislation of Georgia, the head of the Legal Entity under Public Law (LEPL) within the Ministry of Finance of Georgia – the Revenue Service ('the Revenue Service') shall issue orders, internal instructions and guidelines on application of the tax legislation of Georgia by tax authorities.

6. When regulating tax matters, the terms and concepts of the legislation of Georgia used in this Code shall have the same meanings as they have in the respective legislation, unless otherwise provided for by this Code.

7. Any international tax-related treaty that has been ratified by the Parliament of Georgia and that has entered into force shall prevail over this Code.

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Article 3 – Setting timeframes

1. The timeframes set by this Code shall be determined by a specific calendar date or a period calculated in years, months or days

and/or by reference to the appropriate circumstance.

2. The timeframe set by this Code shall commence on the day following the performance of the relevant action. A day may be a business day or a calendar day. If not specified, a day shall be a calendar day. Unless otherwise provided for by the tax legislation of Georgia, a business day shall coincide with a calendar day, except for a Saturday, Sunday and the holidays determined by the Organic Law of Georgia on the Labour Code of Georgia.

3. The timeframe calculated in years shall end in the respective month and day of the last year of the timeframe.

4. The time frame calculated in months shall end on the respective day of the last month of the timeframe.

5. An action for which a timeframe is set may be performed by the end of the last business day of the timeframe, and if the action is performed through a bank transfer, mail and/or electronic means, the action may be performed by 24:00 of the last day of the timeframe.

6. If the last day of the performance of the action coincides with a non-business day, the timeframe for the action shall be extended to the end of the next business day, and where the action is performed through a bank transfer, mail and/or electronic means, the action may be performed by 24:00 of the next business day.

7. A calendar year shall be the period from 1 January through 31 December of any year; for a newly registered taxpayer a calendar year shall be the period from the registration date through 31 December of the same year, unless otherwise provided for by this Code.

8. A year (other than a calendar year) is a period consisting of any consecutive 12 calendar months.

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Article 4 – Period of limitation

1. The period of limitation for assessing taxes to a taxpayer and for submitting a notice of tax liability to the taxpayer shall be three years, unless otherwise provided for by this Code.

2. The period referred to in the first paragraph of this article shall commence from the end of the calendar year in which the respective tax liability arose.

3. The period of limitation for imposing sanctions (other than a penalty) under this Code on a taxpayer and for submitting a relevant tax notice to a taxpayer shall be three years, unless otherwise provided for by this Code.

4. The period referred to in the third paragraph of this article shall commence:

a) from the end of the calendar year in which the tax offence was committed, except as provided for by subparagraph (b) of this paragraph;

b) from the end of the calendar year in which the tax liability arose, if the calculation of the amount of the sanction provided for in this Code is related to the amount of the tax liability.

5. The period of limitation for a tax audit of taxpayers shall be three years, unless otherwise provided for by this Code.

6. The period referred to in the fifth paragraph of this article shall commence from the end of the calendar year in which the audit takes place.

7. The period of limitation referred to in the first, third and fifth paragraphs of this article shall be extended for one year if less than a year remains before the expiry of the period and the taxpayer has filed with a tax authority a taxpayer's claim or a tax return (including an adjusted tax return) for the relevant period.

8. The period of limitation for a taxpayer to file a taxpayer claim with a tax authority shall be three years, commencing from the end of the calendar year in which the right to obtain a refund for any overpaid tax and/or sanction arose.

9. The period of limitation for serving an individual administrative-legal act on tax enforcement measures as provided for in this

Code to a taxpayer, registration authority or banking institution shall be three years, commencing from the end of the calendar year in which the tax arrears were incurred.

10. In the cases provided for in the ninth paragraph of this article, the period of limitation for serving an individual administrative legal act shall be suspended:

a) from the moment of entry into force of a court decision on admitting a person's application for insolvency, or on initiating bankruptcy proceedings, or from the moment of entry into force of a court decision/ruling on rehabilitation up to the end of the relevant regime;

b) during the period of restructuring a person's tax arrears in accordance with the procedure laid down by the Law of Georgia on Restructuring Tax Arrears and State Loans;

c) during a tax dispute.

11. The periods of limitation under this article shall not apply where court/dispute resolution body decisions are enforced by a tax authority.

12. When the loss is carried forward for 3 years or more, the period of limitation under paragraphs 1, 3 and 5 of this article in relation to the tax liabilities of a calendar year the loss was incurred, the amount of which is affected by such loss shall be extende and it shall exceed the loss carry forward period by one year. In such a case, the period of limitation shall be counted from the end of the calendar year the loss was incurred.

13. The period of limitation under paragraphs 3 and 5 of this article for submitting a tax notice to a tax payer shall not be considered laches if a tax authority has posted the tax notice on the tax payer's authorised user web page before expiry of the period of limitation.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 3581 of 1 May 2013 – website, 15.5.2015

Law of Georgia No 3583 of 1 May 2013 – website, 15.5.2015

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Article 5 – Principles of the tax legislation of Georgia

1. A person shall pay national and local taxes established under this Code.

2. No tax obligation introduced in violation of this Code or not provided for in this Code may be imposed on a person. No person may be forced to pay taxes earlier than required by this Code.

3. Local self-government representative authorities may introduce only the local taxes provided for in this Code.

Article 6 – Concept and types of taxes

1. A tax is a mandatory, unconditional monetary payment to the budget made by a taxpayer in accordance with this Code, based on the necessary, non-equivalent and gratuitous character of the payment.

2. Taxes shall be national and local.

3. National taxes shall be the taxes provided for under this Code, the payment of which is mandatory across the whole territory of Georgia.

4. Local taxes shall be the taxes provided for under this Code, introduced by normative acts of local self-government representative authorities (within marginal rates), the payment of which is mandatory within the territory of the relevant self-governing unit.

5. National taxes shall be:

a) income tax;

b) profit tax;

c) value added tax (VAT);

d) excise tax;

e) import duty;

6. A property tax shall be a local tax.

Article 7 – Introducing and imposing local taxes; changing conditions for their payment; abolishing local taxes

1. A local self-government representative authority may introduce a local tax imposed under this Code as a flat rate tax across the whole territory of the local self-governing unit and/or according to individual industries and/or types of businesses within the territory of the unit, within the marginal rates set by this Code.

2. Local self-government representative authorities shall forward information on the introduction of a local tax, on changing the payment conditions or on the abolishing the local tax and a copy of the relevant normative act to the Revenue Service of Georgia and to relevant tax authorities upon the publication of the normative act.

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Chapter II – Terms and Concepts Used in This Code

Article 8 – Definition of terms

1. Non-depreciable fixed asset – a fixed asset not losing its value during the process of operation.

2. Intangible asset – an identifiable non-monetary asset without physical substance used by a person for manufacturing goods, supplying goods/rendering services, leasing it to others and/or for administrative purposes. Intangible assets include: copyright, patent, trademark, goodwill, software, licence, leasehold, franchise, mining rights, special import and export rights and other similar intangible assets.

3. Indirect tax – a tax (value added tax, excise tax, import duty) imposed as an addition to the price of goods supplied (imported) and/or services rendered and that is paid by a consumer (importer) when purchasing (importing) goods and/or services at the price increased by such tax. The obligation to pay an indirect tax to the budget is imposed upon the supplier (importer) of goods and/or services who is referred to as a taxpayer for the purposes of this Code.

4. Non-resident – a person who is not a resident.

5. Acknowledged tax arrears – tax arrears, if:

a) the basis of tax assessment is a tax return/customs declaration;

b) a person has failed to appeal a tax notice issued by a tax authority, or the decision of a dispute resolution authority, within the timeframe set by this Code;

c) the Revenue Service and a taxpayer have signed an agreement to reduce tax arrears;

d) a court decision on the lawfulness of the tax assessment has taken effect;

e) a person, by a written/electronic application, has refused to appeal against the decision of a tax dispute resolution body.

6. Biological asset – an animal or a plant.

6^1. Agricultural activity –activity under International Accounting Standards 41.

6^2. Agricultural produce – produce obtained from agricultural activity. At the same time, changing of a commodity classification code as a result of biological transformation or harvesting product from a biological asset (detachment of produce or the cessation of the life process of a biological asset) shall not be considered as industrial processing (changing commodity classification code) of agricultural produce.

6^3. Agricultural cooperative – a legal person that has been granted the status of an agricultural cooperative under the Law of Georgia on Agricultural Cooperatives.

7. International Accounting Standards ('IAS') – the standards approved by the International Accounting Standards Committee and introduced for application under the resolution of the Commission of Accounting Standards of the Parliament of Georgia.

8. Administration of taxes – a set of forms, methods and rules employed by tax authorities when enforcing the tax legislation of Georgia to ensure the computation, payment and declaration of taxes, as well as tax control, registration and notification of taxpayers, and the fulfilment of tax liabilities.

9. Taxpayer identification number – a number allocated to a taxpayer under the tax legislation of Georgia.

10. Long-term contract – a contract that is not completed in the same calendar year in which the services under the contract commence and when it contracts for the manufacture, installation, construction or delivery of services related to those activities, except for a contract that expires within six months after the commencement of the services under the contract.

11. Shortage – shortage of inventory and/or fixed assets identified during the comparison (including by means of stock-taking) of inventory and/or fixed assets with a taxpayer's accounting records. Shortage in connection with inventory that cannot be physically warehoused (electric and thermal energy, gas and water) shall be the difference between the purchased (according to proof of purchase documents) and the sold (actually released from a taxpayer) inventory, provided that the customer (payer) and/or the person misappropriating the inventory and/or fixed assets cannot be identified. At the same time, a competent authority may set a maximum amount of loss. In such case, the loss in excess of that amount shall be deemed as shortage. In the case of stamping/marking of the goods in immaterial form in accordance with procedures determined by the tax legislation of Georgia, the loss identified by the manufacturer in the process of manufacturing shall not be deemed as shortage.

12. Dividend – any income (including interest from preference shares) earned by a shareholder/interest-holder from shares or rights (interests) as a result of a distribution of profits made by a legal person to its shareholders/interest-holders in proportion, or not in proportion, to their shares/rights in the capital. Dividends shall not include:

a) payments (disbursements) made in cash or in kind at the time of liquidation of a legal person or at the time of buying out shares/interest, which does not exceed the amount of the contribution made by a shareholder/interest-holder to the capital (authorised and additional paid-in capital);

b) payment made to a shareholder/interest-holder of a legal person by transferring the shares/interest of the same legal person into ownership, except for transferring by a resident legal person the equity securities issued through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia.

13. (Deleted – 23.12.2017, No 1935).

14. Compensation – property and/or benefit received by a person in compensation for the supply of goods, rendering of services, costs, loss or shortage.

15. Tangible asset – any asset that is not an intangible asset.

16. Family – a person, his/her spouse, minor children and step-children, as well as parents, children and step-children, sisters, brothers, grandmothers, grandfathers, grandchildren permanently living with the person while maintaining a common household. For the purposes of this Code, a taxpayer shall unconditionally define the circle of persons (from the above ones) who live with him/her permanently and maintain a common household.

17. Partner – a partner, a shareholder, a limited partner, a general partner, a member of a cooperative under the Law of Georgia on Entrepreneurs.

18. Person – a natural or legal person under the Civil Code of Georgia, an enterprise, or an organisation under the Tax Code of Georgia.

19. Interest – any pre-declared (established) income (including that received as a discount) from any debt claim related to cash investments or debt obligations (whether backed by mortgage or securitised in any other way). At the same time, for the purposes of this paragraph:

a) debt obligations shall not include debt obligations arising from the supply of goods and/or rendering of services, or obligations arising from guarantee and/or surety and/or other similar transactions;

b) the following shall be regarded as interest:

b.a) insurance compensation (amount) paid by the insurer to the insured under a pension insurance contract minus the insurance premiums paid for receiving such compensation;

b.b) an amount payable in respect of a credit (loan), deposit, bond;

b.c) income from government securities and bonds, including the premiums and profits accrued on them.

c) a penalty for delayed payment or delayed delivery shall not be regarded as interest.

20. Resident – a resident natural or legal person (a Georgian enterprise or a Georgian organisation).

21. Royalty:

a) a fee for the right to use subsoil in the course of extracting minerals and processing anthropogenic formations;

b) income received for the right to use copyrights, software, patents, drawings, models, trademarks or other intellectual property or for transferring the right to another person;

c) income received for the right to use industrial, trade or research equipment or for transferring the right to another person;

d) income received for the use of know-how;

e) income received for the right to use cinematograph films, video films, audio records or other recording devices or for transferring the right to another person;

f) income received for the right to use a secret formula or process, as well as information containing industrial, commercial or scientific experience or for transferring the right to another person;

g) income received for providing technical assistance in connection with the rights provided for in this paragraph or from the waiver of these rights.

22. Accounting documents – source documents (including tax source documents), ledgers and other documents on the basis of which objects of taxation and objects related to taxation are determined and tax liabilities are established.

23. Tax arrears – the difference between the amount of taxes and/or sanctions not paid on time by a taxpayer and the overpaid amount of taxes and/or sanctions.

24. Foreign Economic Activity Commodity Nomenclature – a system of commodity classification codes, adopted under the

International Convention on Harmonization of Commodity Description and Coding System.

25. International carriage – any carriage of passengers, goods (including mail), by road, rail, sea, river or air, between two points located in different States, one of which is Georgia. At the same time, international carriage shall not include:

a) carriage performed only between the points outside the territory of Georgia or only between the points within the territory of Georgia;

b) transportation of goods through pipelines or power transmission lines.

26. additional paid-in capital – the difference between the amount received or receivable by an enterprise from an initial public offering of shares and the total nominal value of those shares, as well as the excess of the value of non-cash contributions made at the moment of founding of an entrepreneurial company over the agreed upon amount.

27. Profit received from a person engaged in a gambling business – income that is a positive difference between the amount received by a natural person (player) from one ticket, counter, coin and/or other means of gambling and games of chance and the amount of the stake and/or the cost of the item.

28. Inventory – raw materials, materials, semi-finished goods, spare parts, containers and finished products (goods) used by a person in the ordinary course of business under International Accounting Standards.

29. Bad debt – claim or part of it recognised by a taxpayer as a result of the sale of goods and/or services or as a result of the prepayment made in respect of such sale, the due date of which has expired and which has not been paid by the end of the current tax year, and at the same time one of the following documents are available:

a) a legally effective court/arbitration decision on refusal to satisfy the claim;

b) a notice issued by an enforcement agency regarding the non-receipt or partial receipt by a creditor of the amount payable to him/her as a result of the enforcement of a writ of execution;

c) a court's legally effective ruling on admitting an application for insolvency proceedings, initiating bankruptcy proceedings and/or rehabilitation in relation to the relevant person, unless the judge has recognised the creditor's claim;

d) a notice of revocation of registration issued by the Register of Entrepreneurial and Non-entrepreneurial (Non-commercial) Legal Entities or a death certificate.

30. Property – assets of every kind both tangible and intangible, which can be purchased, possessed, managed and used by persons without limitation.

31. Fixed asset – a tangible asset that a person uses for manufacturing goods, supplying goods/rendering services, for renting out (including leasing out) and/or for administrative purposes, the useful life of which is longer than a year.

32. Fixed asset repair costs – costs, which increase the initial (original, standard) efficiency of fixed assets (including, modification (reconstruction) of the elements of buildings and structures to prolong their useful life and increase their efficiency; improvement of the parts of equipment and machinery to increase their efficiency, and introduction of new production processes), other than current maintenance costs, which are incurred in relation to restoring and maintaining the initial efficiency of the fixed assets.

33. Entertainment expenses –expenses incurred by a person within the scope of economic activity, which include:

a) expenses (for juices, mineral waters, soft drinks, tea, coffee, breakfast, lunch, dinner, banquet) related to events (presentations, receptions) arranged on behalf of a person;

b) expenses for excursions and cultural and entertainment events;

c) souvenir costs;

d) guest service costs, including:

d.a) consular service (visa processing and extension) costs;

d.b) costs of meeting and departure at an airport (VIP Hall service);

d.c) transportation costs;

d.d) hotel service (reservation, accommodation) costs;

d.e) costs related to receptions and parties (juices, mineral waters, soft drinks, tea, coffee, breakfast, lunch, dinner, and banquets).

34. Net assets –difference between a person's assets and liabilities.

35. A virtual zone person – a legal person engaged in IT activities and holding an appropriate status.

36. Information Technologies (IT) – studying, supporting, developing, designing, producing and introducing computer information systems, as a result of which software products are obtained.

37. Tourist zone entrepreneur – a person (entrepreneurial entity) who builds a hotel and ensures its operation under the Law of Georgia on Promoting the Development of Free Tourist Zones.

38. Leasing – leasing within the meaning of the Civil Code of Georgia, if the leased item is a depreciable asset.

39. Leasing Company – an enterprise whose income from leased out property during a calendar year is at least 70% of its income.

40. Donation – goods/services, including funds received by an organisation as gifts.

41. High-mountain settlement – a high-altitude settlement as defined by the Law of Georgia on the Development of High-mountain Areas.

42. High-mountain settlement enterprise – an enterprise/individual entrepreneur that carries on business in a high-mountain settlement and enjoys the status of a high-mountain settlement enterprise under the Law of Georgia on the Development of High-mountain Areas.

43. Net profit – any profit that can be distributed as dividend, under the procedure established by the legislation of Georgia.

44. Income – any income according to the international accounting standards.

45. Pawnshop – an entity whose major activity is granting secured loans (credits) and whose income received from this activity is at least 70% of its revenue.

46. Taxation year – a calendar year.

Law of Georgia No 4061 of 15 December 2010 – LHG III, No 75, 27.12.2010, Art. 469

Law of Georgia No 4705 of 20 May 2011 – website, 1.6.2011

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5118 of 13 October 2011 – website, 31.10.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5452 of 9 December 2011 – website, 22.12.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 817 of 12 July 2013 – website, 5.8.2013

Law of Georgia No 906 of 30 July 2013 – website, 20.8.2013

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 3581 of 1 May 2015 – website, 15.5.2015

Law of Georgia No 4037 of 16 July 2015 – website, 28.7.2015

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Article 9 – Economic activity

1. Economic activity shall be any activity undertaken to gain profit, income or compensation, irrespective of the results of such activity, unless otherwise provided for in this article.

2. The following shall not be economic activity:

a) activity of public authorities, national regulatory and local self-government authorities that is directly related to the performance of the functions assigned to them under the legislation of Georgia, other than the delivery of paid services under a contract;

b) charitable activity;

c) religious activity;

d) hired work;

e) placement of funds by natural persons into deposit accounts with banks and other credit institutions;

f) types of activities and/or operations and/or a set of operations defined by order of the Minister of Finance of Georgia, in agreement with the Financial-Budget Committee of the Parliament of Georgia.

3. Free delivery of goods/services shall be deemed as economic activity if performed by:

a) an enterprise;

b) an entrepreneur natural person within the framework of the activity specified in Article 1(2) and (3) of the Law of Georgia on Entrepreneurs.

Law of Georgia No 1588 of 20 November 2013 – website, 3.12.2013

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Article 10 – Charitable activity

1. Charitable activity includes:

a) disinterested and voluntary assistance rendered directly or through a third person, to persons who need such assistance, including:

a.a) to natural persons in need of social protection, medical assistance, as well as low-income natural persons, including: persons with disabilities, the elderly, orphan children, those that have lost breadwinners, persons with international protection and

internally displaced persons – ill persons, large families and their members, victims of wars, armed conflicts, accidents, natural disasters, catastrophes, epidemics and/or epizooties.

a.b) to organisations providing services to children, the elderly and persons with disabilities, including fostering institutions, residential schools, boarding schools, early and preschool fostering and educational institutions and other children facilities, soup kitchens for serving the elderly, medical institutions, and rehabilitation centres;

a.c) to charitable organisations;

a.d) to religious organisations;

a.e) to specially gifted natural persons – to develop their talent;

a.f) to penitentiary institutions – to improve care and medical services of persons placed in these institutions;

a.g) to persons engaged in the activity provided for in paragraph 1(b) of this article;

b) the performance of socially beneficial activities by organisations in the following spheres: protection of human rights, protection of environment, development of democracy and civil society; culture, education, science, healthcare, social protection, physical education, amateur sports, and art.

2. Charity shall not include activities referred to in the first paragraph of this article if the activities are:

a) performed by state and local self-government bodies;

b) performed to support an enterprise, a political party or any other person participating in elections;

c) performed by a natural person for his/her own relatives or by a legal person for the heads of its management bodies and their relatives;

d) regarded as sponsorship by the Law of Georgia on Advertising.

Law of Georgia No 5371 of 6 December 2011 – website, 20.12.2011

Law of Georgia No 3530 of 1 May 2015 – website, 18.5.2015

Law of Georgia No 5372 of 8 June 2016 – website, 24.6.2016

Law of Georgia No 57 of 1 December 2016 – website, 15.12.2016

Law of Georgia No 499 of 23 March 2017 – website, 27.3.2017

Article 11 – Religious activity

1. Religious activity shall be the activity of duly registered religious organisations (associations) aimed at disseminating religion and belief, including by means of:

a) organising and holding religious rites, ceremonies, prayers and other religious acts;

b) giving opportunity to believers to have or use buildings of worship or ceremonial structures to satisfy religious needs, both jointly and individually;

c) organising reception and departure of religious delegations, pilgrims, representatives of different confessions, organising national and international religious conferences, congresses and seminars, providing hotel (or other) accommodation, transport, food and cultural services to the participants during such events;

d) maintaining monasteries, monasterial churches, theological educational institutions, teaching students and listeners of those theological educational institutions, maintaining charitable organisations (hospitals, shelters, nursing homes for the elderly and

disabled), as well as other similar statutory activities under canonical rules.

2. The activity of the enterprises of those religious organisations (associations) that publish religious (religious service) literature or produce objects of religious significance shall be treated as religious activity; the activity of these organisations (associations) or of their enterprises that is related to the sale (dissemination) of religious (religious service) literature or objects of religious significance; as well as the use of funds derived from such activity to perform religious activity.

Article 12 – Hired work

1. Hired work means:

a) performance of obligations by a natural person within the scope of the relations governed by the labour legislation of Georgia and/or of a foreign country;

b) performance of the obligations by a natural person that are related to his/her service in the armed forces or law-enforcement bodies of Georgia or in other equivalent bodies;

c) holding the position the head (director) of an enterprise (organisation) by a natural person or carrying out the duties of the head (director) of an enterprise or an organisation;

2. For the purposes of this Code, a hired natural person shall be referred to as an employee, the person paying compensation for the work performed by such natural person shall be referred to as an employer and such compensation shall be referred to as wages or salaries.

Article 13 – Goods

1. Goods shall be a tangible or an intangible property, including electric and thermal energy, gas and water.

2. For the purposes of VAT, goods shall not include money.

Article 14 – Service

1. Activity that is not a supply of goods shall be regarded as service. Unless otherwise provided for by the tax legislation of Georgia service shall include:

a) construction and installation;

b) repair;

c) restoration;

d) development;

e) geological and exploratory activities;

f) transportation, including transportation of gas, oil, oil products, electric and thermal energy;

g) property letting, renting or leasing;

h) intermediary's activities;

i) personnel selection;

j) transfer of the right to use patents, certificates, licenses, trademarks, service marks, intellectual property and other personal non-

property rights;

k) fulfilment of obligations – acting or refraining from action;

l) communication service, household and public utility services;

m) advertising services;

n) innovative services;

o) financial transactions and/or financial service;

p) insurance service;

q) consulting, legal, accounting, audit and marketing services;

r) data processing and information support services;

s) service for preparing goods for sale, including breaking down of a consignment, forming for shipment, sorting, packing, repacking, bottling;

t) service for storing goods or other property;

u) security service;

v) production of goods or other property with the client's raw materials (materials);

w) cargo-handling service, including forwarding, loading, unloading and transhipment services;

x) service for seagoing ships, including port service, port vessels service;

y) service for aircraft, including air navigation services provided in Georgian airports, airspace and cosmic space;

z) other services.

2. Production of goods with the client's raw materials (materials) shall be any production of goods, including preparation, processing, treatment of goods or other transformation of the raw materials (materials), in the process of which the owner of both the raw materials (materials) and of the final product is the person who supplied the raw materials (materials) and paid, in cash or in kind, the cost of the service related to the production of goods with such raw materials (materials) (irrespective of whether in the production of such goods the producer used its own raw materials (materials), component or other parts, the cost of which was included in the cost of the service related to such production).

Law of Georgia No 5118 of 13 October 2011 – website, 31.10.2011

Law of Georgia No 5503 of 22 June 2016 – website, 12.7.2016

Article 15 – Financial instruments, financial transactions, financial services

1. A financial instrument is an agreement (contract) that gives rise to both a financial asset of one person and a financial liability of another person. It includes: funds (cash or non-cash), loans (credits), loan obligations, promissory notes and securities, shares in capital, shares, bonds and such derivatives as: options, futures, forwards, swaps, etc. Financial instruments also include any agreement between two entities (contracting parties) that is denominated in money and permitted by the legislation of Georgia. At the same time, if goods and/or services, except for financial transactions and supply of services, are supplied under that agreement or at any stage of the operation of that agreement, between the holders of that financial instrument and/or for/from third persons, the agreement shall no longer be considered a financial instrument after such supply.

2. The following shall be a financial transaction:

a) opening, managing, closing any type of account (including current, settlement, deposit, brokerage, etc. accounts), as well as

using any payment instrument, including processing/executing transfer orders in the payment system, as well as carrying out clearing and cash or non-cash settlements (including collection services);

b) circulation of financial instruments and cash or non-cash transactions relating to the circulation, as well as the use of any payment instrument;

c) obtaining/issuing/transferring, syndicating, structuring, managing and using a credit (loan), including actions taken to secure a credit (loan) (pledging property/assets, re-selling the credit risk to a third person in whole or in part, issuing/certifying/managing/using guarantees or similar financial instruments or acquiring/being the beneficiary of such instruments), as well as credit (loan) servicing (payment of interest and principal), factoring, and receiving interest and credit (principal) payments on a credit (loan);

d) transactions related to the issue, acquisition, circulation and supply (including in the future) of shares in capital, shares, bonds, certificates, promissory notes and other securities, including transactions carried out to ensure their circulation;

e) issue of funds, securities and/or other financial instruments, their management (including formation of pension and investment funds or other collective or individual savings plans, as well as accumulation of financial instruments in them), use, placement (including with the third persons on a guaranteed or non-guaranteed basis), receipt/transfer into nominal holding, lending/borrowing on a temporary (REPO) basis, administration, including registration (opening/maintenance of a register), transfer, blocking/unblocking, encumbering/releasing of encumbrance, other depositary (including of a special depositary) and custodian (safekeeping and recording) transactions, establishing their fair value, as well as issue/receipt/management of financial collaterals;

f) acting as a guarantor (including as a third party) for the transaction terms and settlements of financial instruments;

g) corporate transactions, in particular, splitting or consolidation of stocks and shares in capital, increase/reduction of capital (including issuing, acquiring/alienating and circulating the right of participation in the increase of capital), merger of two or more legal persons, division of a legal person into two or more legal entities, liquidation of a legal person, services related to accrual/accounting for and payment of dividends (in monetary or any other form allowed by law);

h) insurance and/or re-insurance.

3. Financial services shall include services related to financial instruments and/or financial transactions, including services of a payment service provider and of a payment system operator under the Law of Georgia on Payment Systems and Payment Services.

4. In the case of a joint ownership (partnership) provided for by this Code, an owner's interest in the joint ownership shall be treated as a financial instrument if no property is attached to it or if the property is not registered in the owner's name; also, if the right to a property is registered in advance, the right shall be a financial instrument.

Law of Georgia No 6312 of 25 May 2012 – website, 12.6.2012

Article 16 – Supplying goods, delivering services

1. Transfer of title to goods to another person for consideration or free of charge (including sale or exchange of goods, reimbursement by wages or in kind) shall be deemed as supply of goods.

2. An action that is not a supply of goods and that is performed voluntarily, for consideration or free of charge by a person for another person shall be deemed as delivery of services For VAT purposes, delivery of services shall not include services that involve transfer of title to money, or hired work.

Article 17 – (Deleted)

Law of Georgia No 5118 of 13 October 2011 – website, 31.10.2011

Article 18 – Principle of determining the price of goods/services

1. The actual price of goods/services in a transaction shall be used for taxation purposes, unless this Code provides for the application of a market price or any other price.

2. The market price of goods/services shall be the price formed as a result of interaction of demand for and supply of identical (in the absence of such – similar) goods/services on the market of goods/services and on the basis of a transaction between the persons on the relevant market who are not related parties under Article 19 of this Code. The transaction between related parties shall be taken into account only if the existence of related parties does not affect the results of the transaction.

3. The market price of goods/services shall be determined on the basis of information on transactions made on the market on identical (similar) goods/services at the moment of supply of these goods/services (in the absence of such, on the calendar day closest to the moment of sale that precedes or follows, the moment of sale of such goods/services by maximum 30 calendar days), including the information on the prices fixed at international and other exchanges.

4. The market of goods/services shall be the area of circulation of these goods/services that is determined by a seller's/buyer's ability to sell/buy, without significant costs, goods/services in the territory nearest to the seller/buyer within or outside the borders of Georgia.

5. If there is no transaction on identical (similar) goods/services on the market of goods/services or there is no supply of such goods/services on that market, the market price of goods/services shall be determined by the prices established on the basis of transactions concluded on identical (similar) goods/services on the calendar day closest to the moment of sale of goods/services. The calendar day must precede or follow the moment of sale of such goods/services by maximum 30 calendar days.

6. Where the provisions of paragraphs 1 through 5 of this article cannot apply, the market price of goods/services shall be established using methods for determining expenditure, possible sales price or receivable benefit.

7. Official sources of information on the market prices of goods/services, the database of the relevant government authorities, the information submitted to tax authorities by taxpayers, as well as other reliable information shall be used to calculate the market price of goods/services.

8. From 1 September 2007, when supplying natural gas under the Law of Georgia on Electricity and Natural Gas, the market price for tax purposes shall be the price determined (including under the concluded agreement) by the Government of Georgia.

9. Market price of goods/services may be wholesale or retail.

10. An exchange (barter) transaction on goods/services shall be regarded as the sale of goods/services at market price for each party supplying goods/services, and for each recipient of goods/services an exchange (barter) transaction on goods/services shall be regarded as the purchase of goods/services at the same market price.

11. A tax authority may apply a market price for taxation purposes, if:

a) a transaction is carried out between related parties except where the existence of related parties does not affect the results of such transaction;

b) a tax authority proves, in the manner prescribed by the Minister of Finance of Georgia, that the price stated between the parties to the transaction differs from the actual price;

c) a person delivers goods and/or services to a tourist zone entrepreneur.

12. Identical goods are various goods having similar characteristics, in including physical characteristics, quality, reputation on market, country of origin and/or manufacturer.

13. Similar goods are various goods, which are not identical but have like characteristics and like component materials, which enable them to perform the same functions and be commercially interchangeable.

14. For the purposes of paragraph 11(a) of this article, the Minister of Finance of Georgia may specify the cases, where the existence of related parties does not affect the results of a transaction concluded between them.

15. For the purposes of the eleventh paragraph of this article, the existence of related parties shall be deemed not to have affected the outcome of a transaction, if the supply of foreign goods between a special trading company and its related party was performed in a customs warehouse at customs value.

Law of Georgia No 4061 of 15 December 2010 – LHG III, No 75, 27.12.2010, Art. 469

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Article 19 – Related parties

1. Parties shall be regarded as related if the existence of a special relationship between them may affect the conditions or economic results of their activity or the activity of the persons that they represent.

2. Special relationships shall be the relationships, where:

a) persons are the founders (participants) of one enterprise, provided their combined share is at least 20%;

b) one person has a direct or indirect interest in another person's enterprise, provided such participation is at least 20%;

c) a person controls the enterprise;

d) a natural person is subordinated to another natural person;

e) one person directly or indirectly controls another person;

f) the persons are controlled, directly or indirectly, by a third person;

g) the persons jointly control, directly or indirectly, a third person;

h) the persons are relatives;

i) the persons are members of a partnership.

3. For the purposes of the tax legislation of Georgia, a natural person's relatives shall be:

a) the first line of relatives: spouse, parent, child, sister, brother;

b) the second line of relatives: spouse, parent, child, sister, brother of each relative in the first line, except for the natural person who already belongs to the first line;

c) persons who are related to one other as parents and children as a result of long-term guardianship.

4. In determining kinship, step sisters (brothers) shall be treated as equal to full sisters (brothers) and adoptees shall be treated as equal to biological children. At the same time, guardianship relations shall be regarded as equal to a family unity (where persons are related to one another as parents and children) which, in turn, shall be deemed equal to kinship relationship. Termination of family unity between these persons shall not be taken into account if a parent-and-child relationship between them is maintained under paragraph 3(c) of this article.

5. For the purposes of this article, control shall mean: a supervisory board membership, directorship and the right to appoint persons to such offices; holding 20% of voting share or interest.

6. For the purposes of this article, a natural person shall be an indirect holder of the interest if his/her relative holds this interest.

SECTION II

TAXPAYERS, WITHHOLDING AGENTS, ENTERPRISES, ORGANISATIONS, NATURAL PERSONS

Chapter III – Natural Persons, Enterprises, Organisations

Article 20 – Taxpayers, withholding agents

1. A taxpayer shall be a person who is obligated to pay taxes provided for by this Code.

2. A withholding agent shall be a person who must fulfil a taxpayer's tax obligation in the cases and in the manner provided for by this Code.

3. For the purposes of this Code, a withholding agent shall be treated as equal to a taxpayer.

Article 21 – Enterprise

1. The following entities conducting or created to conduct economic activities shall be regarded as enterprises:

a) legal entities established under the legislation of Georgia;

b) corporations, companies, firms and similar entities established under the legislation of a foreign country, irrespective of whether they have legal entity status, as well as a permanent establishment of a foreign enterprise.

c) associations, partnerships and similar entities not provided for in subparagraphs (a) and (b) of this paragraph.

2. An individual entrepreneur shall not be regarded as an enterprise.

Article 22 – Georgian enterprises and foreign enterprises

1. A Georgian enterprise shall be an enterprise whose place of business and/or management is based in Georgia.

2. A foreign enterprise shall be an enterprise that is not a Georgian enterprise under this article.

Article 23 – International financial company

1. An international financial company is a financial institution that is granted the status of an international financial company and a certificate confirming that status for future calendar years, and in the case of state registration of such companies, for the current and for future calendar years, at the time of registration based on the application of its authorised representative. The status of an international financial company shall be cancelled for that calendar year which its authorised representative indicates in an application for cancellation of the status of an international financial company.

2. Income earned by an international financial company from a financial transaction performed and/or financial services delivered from a Georgian source must not exceed 10% of its income.

3. The status of an international financial company shall be granted by a tax authority. The procedure for granting the status shall be determined by an order of the Minister of Finance of Georgia.

4. An international financial company shall be established outside a Free Industrial Zone.

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Article 24 – (Deleted)

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Article 24^1 – Special trading company

1. A special trading company shall be a company that has been accorded the status of a special trading company under this article in order to exempt it from profit tax.

2. The status of a special trading company may be accorded at the time of registration only to a company that is set up for that purpose, for the current and following calendar years. When granting the status of a special trading company, a certificate confirming the status shall be issued. A foreign enterprise conducting economic activity through a permanent establishment in Georgia may additionally register a separate permanent establishment in order to acquire the status of a special trading company and to conduct only those activities that are permitted by this article.

3. The status of a special trading company shall be accorded to an enterprise by a tax authority. The procedure for according the status of a special trading company shall be determined by an order of the Minister of Finance of Georgia.

4. An enterprise having the status of a special trading company may:

a) re-export foreign goods from a customs warehouse;

b) supply foreign goods in a customs warehouse both to special trading companies and other enterprises that do not have the status of a special trading company;

c) purchase foreign goods from enterprises that do not have a special trading company status at not less than their customs value for subsequent re-export and/or supply in a customs warehouse;

d) in addition to the income earned from the activities referred to in subparagraphs (a) – (c) of this paragraph, earn other income, including:

d.a) income that is exempt from profit tax under this Code;

d.b) income from the supply of fixed assets used by the special trading company for economic activity for over two years;

d.c) income, other than that referred to in subparagraphs (d.a) and (d.b) of this paragraph, which from a Georgian source, according to a tax period (year) must not exceed GEL 1 000 000 and 5% of the customs value of the foreign goods brought by such company into Georgia.

5. An enterprise having the status of a special trading company may not:

a) import goods into Georgia, other than goods intended as fixed assets of the company;

b) buy Georgian goods within the territory of Georgia for subsequent supply;

c) deliver services to a Georgian enterprise/individual entrepreneur and/or permanent establishment of a foreign enterprise in Georgia;

d) have a customs warehouse.

6. If a taxpayer buys foreign goods from a special trading company, the costs deductible by the buyer from the total annual income shall not exceed the customs value of such goods. That restriction shall not apply to the costs incurred by the buyer, which under this Code are attributed to the value of the asset and are not related to the payments made to the special trading company.

7. The status of a special trading company shall be cancelled for that calendar year which the authorised representative of the company indicates in an application for cancellation of the status of a special trading company. The application has to be submitted

not later than five business days before commencement of the relevant year.

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

[Article 24^2 – A special enterprise

1. A special enterprise shall be a person who has been granted the status of special enterprise under this article.

2. A person having the status of special enterprise may, along with the activities permitted by the legislation of Georgia, with the special consent under Article 6(2) of the Law of Georgia on Occupied Territories, conduct the following activities:

a) supply of goods originated or produced in the occupied territory of Georgia from the occupied territory of Georgia to another territory of Georgia, and/or placement of goods under the export customs procedure from the territory of Georgia (except for the occupied territory of Georgia), according to the law. In cases under this subparagraph, supply of excise goods (except for alcoholic beverages and tobacco products) shall be prohibited;

b) supply of Georgian goods (except for goods originated or produced in the occupied territory of Georgia) to the occupied territory of Georgia;

c) production of goods in the occupied territory of Georgia solely for the purpose under subparagraph a) of this paragraph.

3. The status of special enterprise shall be granted to a person by a tax authority.

4. A person having the status of special enterprise may supply the goods under paragraph 2(a) and (b) of this article only:

a) within/from the territory of the Autonomous Republic of Abkhazia – from/to Zugdidi municipality;

b) within/from the territory of Tskhinvali region (former Autonomous Region of South Ossetia) – from/to Gori municipality.

5. Procedures for granting the status of special enterprise to and revoking it for a person, for identifying the goods originated or produced in the occupied territory of Georgia, and the operating procedures for a person having this status shall be determined by the Government of Georgia. ***(Shall become effective from 1 January 2019)]***

Law of Georgia No 2476 of 6 June 2018 – website, 21.6.2018

Article 25 – Free Industrial Zone Enterprise

1. A Free Industrial Zone Enterprise ('FIZ Enterprise') shall be a company established under the Law of Georgia on Free Industrial Zones.

2. If a FIZ Enterprise supplies goods to a person (other than a FIZ Enterprise) registered under the legislation of Georgia, the FIZ Enterprise shall pay 4% of the revenue received/receivable from the supply of such goods (if the supply of goods is made free of charge – 4% of the market price of such goods) not later than the 15th day of the month following the month in which the goods are supplied.

3. If a person (other than a FIZ Enterprise) registered under the legislation of Georgia supplies goods (other than electricity, water and natural gas intended for local consumption and/or production) to a FIZ Enterprise, the FIZ Enterprise shall pay 4% of the market price of the supplied goods not later than the 15th day of the month following the month in which the goods are supplied.

4. If a person (other than a FIZ Enterprise) registered under the legislation of Georgia delivers goods to a FIZ Enterprise, the

market price of the supplied goods shall be used for taxation purposes.

5. A FIZ Enterprise may not:

a) purchase services from a person (other than a FIZ Company) registered under the legislation of Georgia, except for:

a.a) security services and/or services related to letting or leasing out property provided by an organiser and/or administration of the Free Industrial Zone;

a.b) transport, communication, sewage, audit and/or consulting services, execution of financial transactions and/or delivery of financial services by a licensed financial institutions, as well as services relating to installation, assembly and/or construction of fixed assets.

a.c) services as determined by the Government of Georgia.

b) delivering services to a person (other than a FIZ Enterprise) registered under the legislation of Georgia.

6. Tax reporting rules for FIZ Enterprises shall be determined by an order of the Minister of Finance of Georgia.

7. The Government of Georgia shall be entitled to determine the types of services to be provided to non-resident persons (except for permanent offices of non-resident persons in Georgia) by FIZ Enterprises, which, for the purposes of taxation, shall be deemed as permitted activities carried out by FIZ Enterprises in the free industrial zone.

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 6015 of 10 April 2012 – website, 30.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Law of Georgia No 4680 of 18 December 2015- website, 29.12.2015

Article 26 – The Special Trade Zone

1. The status of the Special Trade Zone ('STZ') may be granted on its own initiative to a legal person engaged in the organisation o the market (trade) in Georgia.

2. Renting out trade outlets and/or trading places located within the territory of a market and/or building owned/possessed by a person and/or group of persons shall not be regarded as the organisation of trade.

3. (Deleted – 10.4.2012, No 6015).

4. A person, if granted the status of the STZ, shall, from 1 January of a year following the year when the status of the STZ was granted, be obligated to:

a) ensure the inventory of the movement of goods intended for economic activity within the STZ area;

b) pay, as prescribed by Article 133^1 of this Code, income/profit taxes of the taxpayers renting trade outlets and/or trading places. These income/profit taxes shall be paid in respect of the activities carried out within the STZ;

c) mark each item of goods in the STZ with a security marking and ensure settlement with customers for the goods sold in the STZ through centrally managed cash registers.

5. (Deleted – 10.4.2012, No 6015).

6. A legal person renting a trade outlet in a STZ and selling goods through a fixed trade outlet, may carry out tax reporting and fulfil its tax obligations independently.

7. The rules of operation of the STZ shall be determined by resolution of the Government of Georgia.

8. (Deleted – 23.12.2017, No 1935).

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 6015 of 10 April 2012 – website, 30.4.2012

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Article 26^1 – Tourist Enterprise

1. A Tourist Enterprise is a legal person that builds a hotel, supplies hotel assets/part of the assets to another person (with or without the right to buy back the assets), and on the basis of a commutative contract (including on the basis of a lease, right of use right of administration, trusteeship, intermediary and/or other contract terms) concluded with the buyer of this property ensures that the hotel assets/ part of the assets are used as hotel rooms/apartments.

2. After the completion of the hotel construction, a Tourist Enterprise shall:

a) designate a fixed amount of space to be used for hotel rooms/apartments;

b) make sure that during a maximum of 10 calendar years after the acceptance of the building (hotel) for operation the total (including amounts additionally charged by the tax authority with respect to the given facility in the relevant period) VAT taxable turnover (other than transactions exempt from VAT) from a specific facility (hotel) declared by a Tourist Enterprise and/or by a person(s) invited under a relevant agreement for the functioning/operation of the facility/part of the facility as a hotel, is not less than the amount of the turnover exempt from VAT with the right of deduction under Article 168(4)(w) of this Code as a result of the supply of the hotel assets/part of the assets;

3. The status of a Tourist Enterprise shall be assigned to a person by the Revenue Service according to a specific facility (hotel). The Revenue Service may request the Tourist Enterprise to present guarantees, the value of which shall not exceed 18% of the turnover exempt from VAT with the right of deduction under Article 168(4)(w) of this Code.

4. The procedure for according the status of a Tourist Enterprise to a person, the procedure for its operation and cancellation, as well as the minimum amount of space from the total space of the building to be used as hotel rooms/apartments according to local self-government unitsshall be determined by the Government of Georgia.

Law of Georgia No 5791 of 13 March 2012 – website, 23.3.2012

Law of Georgia No 6446 of 12 June 2012 – website, 25.6.2012

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Article 26^2 – Organisation of a market

1. A person engaged in the organisation of a market (trade) in Georgia (except for the organisation of an agricultural market) shall apply to a tax authority for granting it the status of organiser of a market, except when this person has already been granted the status of the STZ under Article 26 of this Code.

2. Organisation of a market (trade) shall be the renting out of a trade outlet and/or trading place located within the territory of a market owned/possessed by a person and/or group of persons.

3. A market shall be a parcel of land on which permanent trade outlets and mobile trading places, or only mobile trading places (at least 10 mobile trading places) are located, which are designated for selling goods.

4. A mobile trading place (temporary building or structure) shall be a collapsible and/or mobile building system made of prefabricated units, which is connected to the ground with its own weight and/or dry nonsolid fixing and which has no

underground placements; also, a transportation vehicle used for this purpose.

5. A person having the status of organiser of a market shall:

a) under the procedure established by the Minister of Finance of Georgia, submit to a tax authority information about the persons conducting economic activities within the territory of the market;

b) only rent out a trade outlet and/or a trading place to a person registered with the Registry of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Persons;

c) provide a permanent trade outlet located within the territory of the market with a cash register;

[6. A tax authority shall, based on the information submitted by a person having the status of organiser of a market, grant a natural person renting a trade outlet and/or trading place located within the market territory the status of person conducting trade within the market territory.

7. The register of natural persons having the status of person conducting trade within the market territory shall be maintained by a tax authority.

8. The income gained by a natural person conducting trade within a market territory by selling goods within the market territory shall be taxed at 3%, excluding deductions. In this case, declaration and payment of the tax shall be made not later than the 15th day of the month following the accounting month, under the procedure established by the Minister of Finance of Georgia.

9. The income gained by a natural person conducting trade within a market territory by selling goods within the market territory shall not be included into the total income and shall not be subsequently subject to taxation.

10. A natural person conducting trade within a market territory shall:

a) use a cash register when supplying goods;

b) have the right to refuse to use the income taxation scheme provided for in paragraph 8 of this article, for which he/she must apply to a tax authority not later than 31 December of the year preceding the accounting year. In this case, the income of the person shall be taxed in accordance with Articles 79-81 and Article 82 of this Code. ***(Shall become effective from 1 January 2020)]***

11. A tax authority may, on its own initiative, grant a person engaged in the organisation of a market in Georgia the status of organiser of a market.

12. Procedures for the operation of a market and the performance of obligations under this Code by a natural person conducting trade within the market shall be defined by an order of the Minister of Finance of Georgia. *Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017*

Article 27 – Place of business of an enterprise

1. A place of business of an enterprise shall be the place of its state registration, and in the absence of such place, the legal address indicated in the founding documents (charter, agreement, regulations) of the enterprise.

2. If an enterprise conducts business without state registration and its founding documents do not specify a place of business of the enterprise, the place of business of the enterprise shall be its principal place of business. The principal place of business of an enterprise shall be determined by a tax authority on the basis of data submitted by the enterprise. If the enterprise fails to submit such data or presents questionable data, a tax authority shall determine the principal place of business of the enterprise on the basis of available information.

3. If no relevant information is available and the principal place of business of an enterprise cannot be determined, the place of business of an enterprise shall be the place of management of the enterprise.

4. The place of business of an enterprise provided for in Article 21(1)(c) of this Code shall be the place of business of the party to the agreement who is responsible for managing the business affairs under the joint activities agreement. If one of the parties to an agreement is a Georgian enterprise or a resident natural person, that party shall keep record of the results of the joint activities for taxation purposes, irrespective of who is responsible for managing the business affairs. If business affairs are not managed by one or

several parties to the joint activities agreement but rather jointly by all the parties to the agreement, the place of business of the enterprise shall be the place of business of the Georgian enterprise participating in the joint activities agreement. If the parties to the joint activities agreement are only resident natural persons who jointly run the business, the place of business of the enterprise shall be determined by a tax authority on the basis of data presented by the parties to the joint activities agreement. If the parties to the joint activities agreement do not submit such data or present questionable data, a tax authority shall determine the place of business on the basis of available information.

Article 28 – Place of management of an enterprise

1. The place of management of an enterprise shall be place of effective management of the enterprise, i.e. the place where, under the founding documents (charter, agreement, regulations) of the enterprise, the board of directors (or any other management body) of the enterprise exercises managerial functions irrespective of the place of business of the enterprise's top controlling bodies or the place of receipt of income from its activities, unless otherwise provided for in this article.

2. The place of management of an enterprise provided for in Article 21(1)(c) of this Code shall be the place of business of the enterprise.

3. If an enterprise is managed by a manager (another enterprise or natural person) who acts under an agreement or resolution of appointment, the place of management of the enterprise shall be the place of business of the managing enterprise or the place of residence of the managing natural person, respectively. The place of management of an enterprise shall be determined similarly if the enterprise is actually managed by another enterprise or natural person without a relevant agreement or resolution.

4. If an enterprise has no management body or the management body of an enterprise has no permanent place of business or if the manager does not directly manage the enterprise, the place of management of the enterprise shall be the place of business of the management body (administration, directorate, board of directors, central accounting office or other similar body) of the enterprise.

Article 29 – Permanent establishment

1. A permanent establishment of a foreign enterprise or of a non-resident natural person in Georgia is a fixed place of business through which the economic activity of the entity is wholly or partly carried on in Georgia, including the activity of an authorised agent, except as provided for by the sixth, ninth and twelfth paragraphs of this article.

2. The following shall be treated as equal to a permanent establishment:

a) a construction site, installation or construction project and the controlling activities related to them;

b) installation or constructions, drilling rig or vessels used for prospecting minerals, and the controlling activities related to them;

c) a permanent base where a non-resident natural person carries on economic activity;

d) a place of management, branch, representative office, department, bureau, office, agency, workshop, mine or quarry or any other place of extraction of natural resources, or any other subunit or any other place of business of a foreign enterprise.

3. The provisions of the first and second paragraphs of this article shall not apply to the services rendered by non-resident subcontractors in performing oil and gas operations under the Law of Georgia on Oil and Gas.

4. Notwithstanding the provisions of the first and second paragraphs of this article, a permanent establishment of a foreign enterprise in Georgia shall be the management of this enterprise by another person (another enterprise, subunit of this or of another enterprise or by a natural person who is not the person specified in the fifth paragraph of this article) on behalf and/or in the interest of the enterprise for over three months, except as provided for in the sixth and fifth paragraphs of this article.

5. If a foreign enterprise or a non-resident natural person carries on economic activity in Georgia through a professional intermediary, agent or broker as prescribed by law and if such intermediary, agent or broker is not authorised to conduct negotiations or sign agreements on behalf of the foreign enterprise or non-resident natural person, then the activity of the intermediary, agent or broker shall not constitute a permanent establishment of the foreign enterprise or non-resident natural person in Georgia.

6. Mere possession by a foreign enterprise or non-resident natural person of securities or shares in the capital of a Georgian enterprise or of any property on the territory of Georgia shall not constitute a permanent establishment of the foreign enterprise or non-resident natural person in Georgia if such possession does not have the characteristics of a permanent establishment set forth in the first and second paragraphs of this article.

7. The mere fact of secondment of staff by a foreign enterprise to another enterprise or organisation based in the territory of Georgia shall not constitute a permanent establishment of the foreign enterprise or non-resident natural person in Georgia, provided that the employees are under the control of the enterprise or organisation to which they were seconded.

8. The mere control by a foreign enterprise or non-resident natural person of a Georgian enterprise or a Georgian organisation shall not constitute a permanent establishment of the foreign enterprise or non-resident natural person in Georgia.

9. A permanent establishment of a foreign enterprise or non-resident natural person in Georgia shall not include an establishment in the territory of Georgia that is used only for:

a) storing or displaying goods belonging to the foreign enterprise or non-resident natural person;

b) storing a stock of goods belonging to the foreign enterprise or non-resident natural person so that another person could process it;

c) purchasing goods or gathering information for the foreign enterprise or non-resident natural person;

d) performing preparatory or any other ancillary activity in the interests of the foreign enterprise or non-resident natural person;

e) preparing and/or signing agreements on granting loans, supplying goods or providing technical services on behalf of the foreign enterprise or non-resident natural person.

f) conducting any combination of the activities set forth in subparagraphs (a)-(e) of this paragraph.

10. A permanent establishment of a foreign enterprise or of a non-resident natural person in Georgia shall be deemed as such from the moment when it is registered under the eleventh paragraph of this article, is granted appropriate powers or commences representative activity.

11. The obligation to register a permanent establishment of a foreign enterprise or of a non-resident natural person in Georgia shall rest with a tax authority, which shall maintain the relevant register. The registration procedure and the procedure for maintaining the register shall be determined by the Minister of Finance of Georgia.

12. The mere transfer of property by a foreign enterprise or non-resident natural in the territory of Georgia by lease, usufruct, rent, letting and/or any other similar form shall not constitute a permanent establishment of this foreign enterprise or non-resident natural person in Georgia, except where a person systematically performs, in person, through a representative or hired personnel, the service and supervision of the activities of the property recipient.

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Article 30 – Organisations

1. The following entities shall be regarded as organisations:

a) non-entrepreneurial (non-commercial) legal persons, public or religious organisations (associations), institutions that are non-entrepreneurial (non-commercial) legal persons established or acting under the legislation of Georgia or under the legislation of a foreign country; also Georgian-based branches and other similar sub-units of the organisations established under the legislation of a foreign country, through which these organisations conduct business, wholly or partly, (including the activity of an authorised agent), also budgetary organisations, legal entities under public law, corporations, institutions;

b) international (inter-state, inter-governmental, diplomatic) organisations – organisations, diplomatic missions and consular offices, or foreign non-entrepreneurial organisations governed by international law.

2. A place of business and a place of management of an organisation shall be determined according to procedures established for enterprises by this Code.

3. An organisation shall be deemed as a Georgian organisation or as a foreign organisation according to procedures established for enterprises by this Code.

4. If an organisation conducts economic activity, the part of its property and activity that is directly related to its economic activity shall be deemed to be the property and activity of the enterprise, and where such distinction cannot be made, the property and activity related to the economic activity of an organisation shall be calculated according to the specific share of the income from economic activity in the income earned by the organisation.

Law of Georgia No 6439 of 12 June 2012 – website, 22.6.2012

Article 31 – Budgetary organisations

A budgetary organisation is an organisation defined in Article 6(r) of the Budget Code of Georgia.

Law of Georgia No 5173 of 28 October 2011 – website, 7.11.2011

Law of Georgia No 2938 of 12 December 2014 – website, 24.12.2014

Article 32 – Charitable organisations

1. A charitable organisation shall be an organisation that has been accorded with the status of a charitable organisation under this article.

2. The status of a charitable organisation shall be accorded to an organisation that is established to carry out charitable activity, is registered in a prescribed manner, has at least one year experience in charitable activity and complies with the requirements set forth in this article.

3. Ancillary economic activity that serves the main purposes of an organisation shall not change the organisation's charitable character.

4. The status of a charitable organisation is accorded, cancelled and deprived by the Head of the Revenue Service in agreement with the Minister of Finance of Georgia upon a recommendation of the relevant tax authority.

5. The status of a charitable organisation is accorded on the basis of a written application of the organisation. The application shall indicate the following information on the organisation:

a) name;

b) organisational and legal form;

c) main goals;

d) main areas of activity in the last year;

e) addresses of the management body and of branches.

6. The following shall be attached to the application:

a) a copy of the charter of the organisation

b) a copy of the civil and/or tax registration certificate

c) an activity report for the last year, including the description of activities (projects, services)

d) the last year's financial documents (balance sheet and income statement) certified by an independent auditor.

7. The Head of the Revenue Service shall make a reasonable decision in connection with the application within one month. If no decision is made within this period, the status shall be deemed to have been accorded. The status shall be accorded permanently. The status shall take effect upon being accorded.

8. An organisation that has been accorded with this status shall be given a certificate confirming the status. The certificate shall indicate:

a) name and organisational and legal form of the organisation

b) status

c) address of the management body

d) date of according the status and the status number

e) identification number of the organisation.

9. Upon obtaining the status, the organisation shall undertake the obligations and responsibilities provided under this Code. In particular, before 1 April each year a charitable organisation shall file with the relevant tax authority:

a) a program report on its last year's activity, which shall include a description of the activity (including economic activity);

b) a financial report on earned revenues, indicating sources and the purpose of the expenditure;

c) last year's financial documents (balance sheet and income statement) certified by an independent auditor.

10. The program report of the last year's activity and last year's financial documents (balance sheet and income statement) shall be published and made available for all interested persons.

11. The profits and assets of a charitable organisation shall not be distributed among its members, founders, board of directors or supervisory board members. If a charitable organisation is liquidated, its property shall be transferred to a charitable organisation with similar goals under a decision of an authorised body or person, or if no such organisation exists, the property shall be transferred to another charitable organisation. If a legal entity under public law having the status of a charitable organisation was established on the basis of state property, in the case of its liquidation its assets shall be transferred to the state.

12. The status of a charitable organisation shall be cancelled:

a) on the initiative of the organisation;

b) if the status has been deprived.

13. A charitable organisation shall be deprived of its status if:

a) it fails to comply with the requirements of this Code;

b) its state and/or tax registration has been cancelled.

14. If the status is deprived for non-compliance with the requirements of this Code, the charitable organisation shall return that part of profits received as a result of tax privileges due to the status, which is related to non-compliance with the above requirements.

15. If a charitable organisation does not comply with the requirements of this Code, before submitting to the Revenue Service an application for depriving the charitable organisation of its status, a tax authority shall send the charitable organisation a notice, setting an additional one-month period for fulfilment of the requirements of this Code.

16. A charitable organisation that has been deprived of its status may apply for restoration of the status not earlier than one year after eliminating the cause for deprivation of the status.

17. The Revenue Service shall maintain the Unified Register of Charitable Organisations. The Register shall specify:

a) name of the organisation;

b) addresses of the management body, branches and representations;

c) main goals;

d) date of according the status and the status number;

e) identities and addresses of all members of the management body.

18. If any of the data entered into the Unified Register of Charitable Organisations is changed, the organisation shall notify the relevant tax authority in writing of such changes as soon as they occur.

19. The Unified Register of Charitable Organisations shall be available for any interested person.

Article 33 – Religious organisations

A religious organisation shall be an organisation established for conducting religious activity and registered as such in the prescribed manner.

Article 34 – Resident natural persons and non-resident natural persons in Georgia

1. Natural persons shall be:

a) citizens of Georgia;

b) foreign citizens;

c) stateless persons.

2. A Georgian resident for the entire current tax year shall be a natural person who has actually stayed in the territory of Georgia for 183 or more days in any continuous 12-calendar-month period ending in that tax year, or a natural person who was in a foreign country in the public service of Georgia during that tax year.

3. The time of actual stay in the territory of Georgia shall be the time, during which a natural person stayed in Georgia, as well as the time he/she spent outside Georgia specifically for treatment, leisure, business trip or education.

4. The time of actual stay in the territory of Georgia shall not include the time, during which a natural person stayed in Georgia:

a) as a person having a diplomatic or consular status or as a family member of such person;

b) as an employee of an international organisation acting under an international agreement of Georgia or as a person in the public service of a foreign country in Georgia or as a family member of such person, other than Georgian citizens;

c) when moving from one foreign country to another via the territory of Georgia;

d) for treatment or leisure.

5. The day of actual stay in the territory of Georgia shall be the day, during which a natural person stayed in Georgia irrespective of the length of the stay.

6. Georgian residency can be accorded to a high net worth individual under the procedure and conditions determined by the Minister of Finance and the Minister of Justice of Georgia, except as provided for in the second paragraph of this article. A high net worth individual shall be a person as defined by the Law of Georgia on Securities Market.

6^1. If the residency of a natural person cannot be established in relation to any country, such natural person shall be deemed to be

a Georgian resident if he/she applies to a tax authority, provided he/she is a Georgian citizen.

6^2. The residency of Georgia, except for cases provided for in paragraphs 2, 6 and 6^1 of this article, may be granted to a foreign natural person in the case and under the procedure defined by the Minister of Finance of Georgia.

7. A non-resident in Georgia shall be a person who is not a resident under this article.

8. The status of a resident or of a non-resident is established for each tax period. At the same time, the days, according to which the natural person was deemed as a resident in the previous tax period, shall not be taken into account in establishing the status of residency in the following tax periods.

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Article 35 – Place of residence and place of actual stay of a natural person

1. A place of residence of a natural person shall be the person's usual place of residence or the place of his/her actual stay unless otherwise provided for by this article.

2. A place of residence of a minor shall be the place of residence of the person having parental rights with respect to the minor, and a place of residence of the person who has a guardian or custodian shall be the place of residence of the guardian or custodian.

3. A place of actual stay of a natural person shall be the place of his/her temporary residence, unless otherwise provided for in this article.

4. A place of actual stay of military personnel, also of persons permanently relocating due to the nature or conditions of their job shall be the place where they actually live or are registered in the prescribed manner (including, the place of deployment of military units or the location of the respective enterprise).

5. If a natural person has several residences (homes or other residence), his/her place of residence or place of actual stay shall be determined by a tax authority in agreement with the natural person.

Article 36 – Entrepreneur natural person and his/her place of business

1. Entrepreneur natural person shall be:

a) an individual entrepreneur – a natural person, provided he/she is an individual entrepreneur under Article 2 of the Law of Georgia on Entrepreneurs;

b) a natural person, provided he/she performs the activity specified in Article 1(3) of the Law of Georgia on Entrepreneurs.

2. If the natural person defined in the first paragraph of this article performs economic activity without registration, license or permit, this shall not serve as the basis for not recognising this natural person as an entrepreneur natural person for taxation purposes.

3. The place of business of an entrepreneur natural person shall be the place of his/her economic activity.

Article 37 – Taxpayer's representative

1. A taxpayer may participate in tax matters through its legal or authorised representative. Personal participation of a taxpayer in tax matters shall not deprive it of the right to have a representative, nor shall the participation of the representative deprive it of the right to personally participate in the said relations.

2. Legal representatives of an enterprise/organisation shall be its bodies and/or other authorised persons under the legislative acts of Georgia or foundation documents of the enterprise/organisation. A legal representative of a natural person shall be the person who exercises relevant rights under this Code and other legislative acts of Georgia.

3. An action of a taxpayer's legal representative, in particular the participation of the representative in tax matters, shall be deemed the action of the taxpayer.

4. A taxpayer's legal representative shall be a person who is authorised by the taxpayer to represent its interests before tax authorities and/or in dealings with other participants of tax matters or in court.

5. An authorised representative of an enterprise/organisation shall act under a power of attorney granted by that enterprise/organisation, and the authorised representative of a natural person shall act under a notarised power of attorney granted by that natural person or under any other document deemed equal to a power of attorney under the Civil Code of Georgia, within the scope of such power of attorney or other document.

Chapter IV – Legal Protection of Taxpayers

Article 38 – Right to request information

1. Taxpayers may obtain from tax authorities information on the application of the tax legislation of Georgia, on protection of taxpayer's rights, and may access information on them in the possession of tax authorities.

2. Taxpayers may withhold from law-enforcement and other controlling authorities, other than tax authorities, documents related to the determination of objects of taxation, computation and payment of taxes, except where such powers are granted to other authorities under this Code.

Article 39 – Tax secret

1. Any information received by a tax authority on a taxpayer (except for the information specified in paragraph 1^1 of this article) shall be the tax secret.

1^1. The following information on a tax payer shall not be a tax secret and shall be public:

a) information on registration as a tax payer;

b) information on registration as a VAT payer;

c) the status;

d) the name;

e) the address;

f) the identification number;

g) the date of granting the identification number;

h) the registering body;

i) tax arrears;

j) the persons with the right of representation/administration;

k) the founders;

l) information on the tax lien/the right of pledge and on the seizure of property;

m) other public information registered in the Registry of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities;

n) public information registered in the Registry of Citizens' Political Unions (Parties).

2. A tax authority, its employee, invited expert and/or expert shall protect the confidentiality of taxpayer information that became known to them in the performance of official duties. They may disclose personally identifiable information on certain taxpayers only to the following persons:

a) employees of the system of the Ministry of Finance of Georgia and members of the Council of Tax Appeals within the Ministry of Finance of Georgia – in order for them to fulfil their official duties;

b) law-enforcement authorities – in connection with the criminal cases prosecuted by them;

[b[1]) State Inspector's Service – when performing an audit under the Law of Georgia on State Inspector's Service; ***(Shall become effective from 1 January 2019)]***

c) court – to determine tax obligations or liabilities of a taxpayer in connection with a case pending in the court;

d) a competent body of a foreign state – under an international agreement of Georgia;

e) the Legal Entity Under Public Law (LEPL) within the Ministry of Justice of Georgia – National Bureau of Enforcement) ('National Bureau of Enforcement') and to a private enforcement officer – in the course of executing decisions under the Law of Georgia on Enforcement Proceedings and/or in exercising the powers provided for in an agreement between a tax authority and National Bureau of Enforcement;

f) the National Statistics Office of Georgia (GeoStat) – under procedures established by the Government of Georgia;

g) the State Audit Office of Georgia – on the basis of a court order, to exercise powers under the Law of Georgia on State Audit Office;

h) the Legal Entity under Public Law (LEPL) within the Ministry of Justice of Georgia – National Agency of Public Registry ('National Agency of Public Registry') – in exercising the powers under an agreement between a tax authority and the National Agency of Public Registry;

i) persons determined by the Government of Georgia, to inform a taxpayer of its tax arrears as prescribed by the Minister of Finance of Georgia;

j) (Deleted –1.5.2015, No 3581);

k) the Legal Entity under Public Law (LEPL) within the Ministry of Justice of Georgia – Public Service Development Agency – in exercising powers provided for by the legislation of Georgia;

l) the Legal Entity under Public Law (LEPL) – Financial Monitoring Service of Georgia – in exercising powers provided for by the legislation of Georgia;

m) the state sub-agency institution of the Ministry of Environment and Agriculture of Georgia – the *Environmental Supervision Department,* in exercising powers provided for under the legislation of Georgia; also, to the Legal Entity under Public Law (LEPL) within the Ministry of Environment and Agriculture of Georgia – the Nuclear and Radiation Safety Agency, and to the Standing Commission for Military-Technical Issues of the Ministry of Defence of Georgia – the information provided for under the Law of Georgia on Nuclear and Radiation Safety;

n) the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia and to administrative bodies within its system – for exercising the rights and duties under the legislation of Georgia;

o) the Legal Entity under Public Law (LEPL) – Competition Agency – based on a court order, in exercising the powers vested in it under the legislation of Georgia;

p) the Legal Entity under Public Law (LEPL) within the Ministry of Environment and Agriculture of Georgia – National Food Agency – under the procedure prescribed by the Government of Georgia;

q) Business Ombudsman/Deputy Business Ombudsman of Georgia – in exercising powers under the legislation of Georgia;

r) the Legal Entity under Public Law operating under the Ministry of Justice of Georgia – Data Exchange Agency – in order for the Agency to transfer this information to the Legal Entity under Public Law – Civil Service Bureau – for exercising powers under the Law of Georgia on Conflicts of Interest and Corruption at Public Institutions and subordinate legal acts issued on the basis of it, for operating the electronic data exchange system;

s) the Legal Entity under Public Law – Data Exchange Agency within the Ministry of Justice of Georgia – information necessary for the operation of the electronic exchange system of documentation between the entities engaged in the international commerce;

t) the Ministry of Environment and Agriculture of Georgia, information under the Law of Georgia on Waste Import, Export and Transit;

u) (Deleted – 5.7.2018, No 3109);

v) the Legal Entity under Public Law within the Ministry of Economics and Sustainable Development of Georgia – the National Mining Agency, in exercising powers under the legislation of Georgia;

w) the Legal Entity under Public Law – the Pension Agency, for exercising powers under the Law of Georgia on Accumulative Pension and subordinate normative acts of Georgia issued on the basis of the Law of Georgia on Accumulative Pension, in the form determined by an order of the Minister of Finance of Georgia.

3. Employees of a tax authority shall protect the confidentiality of information obtained in the course of their official duties, and shall not use it for personal goals or disclose it to another person. Such actions shall be regarded as disclosure of a tax secret. The loss of documents containing a tax secret or disclosure of such information shall carry liability under the legislation of Georgia.

3^1. Legal entities under public law referred to in paragraph 2(o) and (p) of this article and their employees, who have received information specified in this article may not divulge such information.

4. Information held by a tax authority and containing a tax secret shall be stored and processed in a special manner. Only authorised officials designated by the Minister of Finance of Georgia under the procedure established by the same ministry may have access to the information containing a tax secret.

5. If there is a written consent from a taxpayer, information on the taxpayer may be disclosed to another person. The disclosure and/or dissemination by a taxpayer of its tax information publicly, in the mass media, shall be deemed as a taxpayer's permit allowing a tax authority to communicate information about the taxpayer to a third party within the scope of the publicised information.

6. This article shall not apply to a public notice specified in Article 44 (6) of this Code or the information spread by the Revenue Service about persons who conduct economic activity with false tax documents.

Law of Georgia No 4206 of 22 February 2011 – website, 10.3.2011

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6330 of 25 May 2012 – website, 8.6.2012

Law of Georgia No 6317 of 25 May 2012 – website, 19.6.2012

Law of Georgia No 6446 of 12 June 2012 – website, 25.6.2012

Law of Georgia No 6444 of 12 June 2012 – website, 25.6.2012

Law of Georgia No 6550 of 22 June 2012 – website, 29.6.2012

Law of Georgia No 491 of 25 March 2013 – website, 5.4.2013

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 2160 of 21 March 2014 – website, 27.3.2014

Law of Georgia No 3581 of 1 May 2015 – website, 15.5.2015

Law of Georgia No 3613 of 28 May 2015 – website, 4.6.2015

Law of Georgia No 3673 of 29 May 2015 – website, 4.6.2015

Law of Georgia No 4368 of 27 October 2015 – website, 11.11.2015

Law of Georgia No 4458 of 28 October 2015 – website, 11.11.2015

Law of Georgia No 4493 of 11 November 2015 – website, 24.11.2015

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Law of Georgia No 4958 of 13 April 2016 – website, 26.4.2016

Law of Georgia No 5144 of 27 May 2016 – website, 4.6.2016

Law of Georgia No 195 of 22 December 2016 – website, 29.12.2016

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 1701 of 7 December 2017 – website, 14.12.2017

Law of Georgia No 3109 of 5 July 2018 – website, 11.7.2018

Law of Georgia No 3308 of 21 July 2018 – website, 6.8.2018

Law of Georgia No 3279 of 21 July 2018 – website, 9.8.2018

Article 40 – (Deleted)

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Article 41 – Taxpayer rights

1. Taxpayers may:

a) in the prescribed manner, become familiar with information held by a tax authority about them;

b) represent their interests before a tax authority directly or through a representative;

c) not present any documents related to tax administration to any controlling or law-enforcement body (other than a tax authority), unless such body has authority under this Code;

d) enjoy tax privileges;

e) obtain a refund for and/or credit against future tax liabilities any overpaid tax and/or sanction;

f) request information about the grounds for exercising tax control over them;

g) provide appropriate explanations to a tax authority when subjected to a tax control;

h) attend tax field audits conducted in relation to them, receive from a tax authority original or certified copies of any decision pertaining to them, and demand compliance with the legislation of Georgia during these activities;

i) appeal actions or decisions of a tax authority as provided by law;

j) not fulfil an illegal act issued or request made by a tax authority;

k) demand reimbursement of damages incurred as a result of unlawful decisions or action of a tax authority;

l) enjoy any other rights under the legislation of Georgia.

2. Protection of taxpayer rights and legitimate interests shall be guaranteed in administrative and judicial proceedings.

3. Violation of taxpayer rights and legitimate interests shall carry liability as prescribed by law.

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Article 42 – (Deleted)

Law of Georgia No 3613 of 28 May 2015 – website, 4.6.2015

Article 43 – Taxpayer obligations

1. Taxpayers shall:

a) fulfil tax liabilities in accordance with the tax legislation of Georgia;

b) be enrolled with a respective tax authority or register with the Register of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Entities and the Register of Citizens' Political Alliances (Parties);

c) file tax returns, computations, and accounting documents with a tax authority as provided by the legislation of Georgia;

d) submit to a tax authority and its authorised person the documents (certificates) needed for computation and payment of taxes in the case of a tax audit or in any other cases provided for by this Code;

e) comply with the lawful requests of a tax authority and authorised persons with respect to the elimination of detected violations of tax legislation; not prevent authorised persons from fulfilling their official duties;

f) ensure the safekeeping of documents necessary for identifying a taxable object for three years. Such period shall be calculated from the end of the calendar year of relevant tax period, for the identification of tax liabilities of which such documentation is necessary.

g) place a copy of a taxpayer certificate and in the case of retail trade – price labels (in Georgian national currency) at a place conspicuous for customers;

g^1) not impede a person chosen by the Revenue Service under the legislation of Georgia in delivering services related to affixing mandatory excise stamps/mandatory markings.

h) fulfil any other obligations provided for by the tax legislation of Georgia.

2. A Georgian enterprise, a Georgian organisation and an entrepreneur natural person shall submit to a tax authority, according to the place of tax registration, information on opening bank accounts (other than deposit (time deposit) accounts) outside Georgia within five business days after opening such accounts.

2^1. A financial institution of Georgia defined in the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement the Foreign Account Tax Compliance Act (FATCA) shall, within the framework of this Agreement, transfer to a tax authority the information provided for under the same Agreement.

3. A taxpayer shall submit to a tax authority the information set forth in the second paragraph of this article in the form approved by the Minister of Finance of Georgia.

4. For non-fulfilment or improper fulfilment of the obligations provided for by the tax legislation of Georgia, a taxpayer shall be liable as prescribed by this Code and/or other legislative acts of Georgia.

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5557 of 20 December 2011 – website, 28.12.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 4458 of 28 October 2015 – website, 11.11.2015

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Law of Georgia No 5144 of 27 May 2016 – website, 4.6.2016

Article 44 – Correspondence with taxpayers

1. A tax authority shall send and/or present a document to a person in writing or electronically.

2. A document sent in writing by a tax authority shall be signed by an authorised person. The addressee shall be given the original or a certified copy of the document.

2^1. If upon the presentation of a written document to the address of persons defined under the sixth and seventh paragraphs of this article or to the legal address defined in registration documents, the clerical office or the structural unit of the same function refuses to accept a written document, the tax authority shall be entitled to use technical means for recording the refusal.

3. A tax authority shall decide on the form of sending and/or presenting a document.

4. If the same document is presented to a person several times or in several forms, the date of presenting such document shall be the day on which the document was first delivered.

5. If upon the presentation of a written document a person refuses to accept it, the presenting person shall make an appropriate note.

5^1. In the case provided for under the fifth paragraph of this article, if the fact of presenting a written document has been recorded using technical means, such document shall be deemed accepted.

6. A written document shall be deemed to have been served on a natural person if the document is delivered to:

a) the addressee in person;

b) an authorised or legal representative of the person;

c) any adult family member residing with that person at his/her place of residence;

d) a clerical office or any structural unit of the same function at the place of business of an entrepreneur natural person;

e) a person directly performing the economic activity of a natural person, when there is an order of an authorised person on execution of a tax offence report, current control procedures and/or tax enforcement measures.

7. A written document shall be deemed to have been served on a taxpayer (other than a natural person) if the document is delivered to:

a) the authorised person;

b) an authorised or legal representative of the person;

c) a clerical office or any structural unit of the same function at the legal address indicated in registration documents;

d) a person directly performing the economic activity of a taxpayer, provided there is an order of an authorised person on the execution of a tax offence report, current control procedures and/or tax enforcement measures;

e) any adult person residing at the residential apartment indicated as a legal address in registration documents.

8. The delivery of a document shall be confirmed by the recipient's signature on a copy of the document or on the relevant mail document. The recipient's full name and his/her relationship with the addressee, as well as the date of delivery of the document shall be indicated next to it.

9. A document sent electronically by a tax authority to a person shall be deemed delivered as soon as the addressee reviews it, and in the case provided for in Article 264(2) of this Code – as soon as the person reviews it or on the 30th day after it has been posted on an authorised user's page, unless the addressee reviewed the notice within that period.

10. The Revenue Service or the National Bureau of Enforcement may publish a document if the following conditions have been met:

a) the document has been sent/presented to a person at least twice in written form, but could not be served on the addressee;

b) the person is not an authorised user of the Revenue Service official website or the addressee has not reviewed the document within 30 days after the document was posted on an authorised user's page;

11. A document shall be published by posting it on the official website of the Ministry of Finance of Georgia or the National Bureau of Enforcement and shall be deemed to have been delivered on the 20th day after such posting.

12. In exercising the rights defined in this Code, a tax authority may create, receive, send, keep and issue any electronic or written document (including in archived form) that may have legal implications, and use an electronic document circulation system.

13. A taxpayer may present documents to a tax authority in writing or electronically.

14. A written document presented by a taxpayer to a tax authority shall be signed by an authorised person. The original document or its certified copy shall be submitted to the addressee.

15. If a taxpayer sends a document to a tax authority by post, the date of its submission shall be the day when the document is sen At the same time, the term for responding to the document shall commence from the day following the day on which the mail is actually delivered to a tax authority.

16. The procedure for electronic correspondence/public dissemination of documents between a taxpayer and a tax /dispute resolution authority shall be determined by an order of the Minister of Finance of Georgia.

Law of Georgia No 4206 of 22 February 2011 – website, 10.3.2011

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Law of Georgia No 649 of 21 April 2017 – website, 10.5.2017

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

SECTION III

PROVIDING INFORMATION TO TAXPAYERS AND THE SYSTEM OF GEORGIAN TAX AUTHORITIES

Chapter V – Providing Information to Taxpayers

Article 45 – (Deleted)

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Article 46 – Clarifications on the application of the tax legislation of Georgia

A tax authority may send a written clarification to a person on the application of the tax legislation of Georgia. This clarification shall be regarded as a recommendation.

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Article 46[1] – Public rulings

1. Based on a decision made by a dispute resolution authority or on the analysis of the current practice of taxation of taxpayers by a tax authority, the Minister of Finance of Georgia may issue a public ruling on the application of certain provisions of the tax legislation of Georgia.

2. A document shall be regarded as a public ruling if it states that it is a public ruling.

3. A public ruling (including a decision on modifying or cancelling a public ruling) shall be published on the official website of the Legislative Herald of Georgia.

4. A public ruling shall enter into force from the date indicated in it and shall be valid for an indefinite term or for the period stated in it. This ruling shall be binding for a tax authority from the day of its entry into force.

5. A public ruling shall not be applied if the provisions with respect to which the ruling was issued have been modified or repealed.

6. The Minister of Finance may declare a public ruling, or its part, as invalid or modify it.

7. If a person acts according to a public ruling, a monitoring/law-enforcement authority may not adopt a decision contradicting the ruling and may not impose additional taxes/sanctions.

8. If there is contradiction between two public rulings or between a public ruling and an advance tax ruling, the person concerned may act according to one of the rulings at its discretion.

9. The procedure for issuing a public ruling shall be determined by the Minister of Finance of Georgia.

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Article 47 – Advance tax ruling

1. Based on a person's application, the Revenue Service may issue an advance tax ruling on tax reporting rules and/or outstanding tax liabilities with respect to executed or future transactions.

2. An advance tax ruling shall be issued within not later than 90 days after submission of a request.

3. An advance tax ruling shall apply only to the persons to whom it has been issued. At the same time, an advance tax ruling shall indicate the norm of the legislation of Georgia on which the ruling was based.

4. Different advance tax rulings may not be issued with respect to identical transactions performed by different persons.

5. If a person acts under an advance tax ruling, controlling/law-enforcement authorities may not make decisions contradicting the advance tax ruling or impose any charges and/or sanctions.

6. An advance tax ruling shall not be applied if:

a) the facts and circumstances indicated in the advance tax ruling and which would have affected the advance tax ruling are different from those actually existing;

b) the norm of the legislation of Georgia which formed the basis for the advance tax ruling has been repealed or amended.

7. A norm of the legislation of Georgia that is unfavourable to a taxpayer and has been given retroactive force may not affect a transaction performed under an advance tax ruling issued prior to enactment of such norm.

8. Except as provided for by the first paragraph of this article, the Revenue Service, based on an application of an interested person may issue an advance tax ruling:

a) that is issued with respect to determining a commodity code or country of origin of goods according to the Foreign Economic Activity National Commodity Nomenclature;

b) that is legally binding for all tax authorities only with respect to the determination of a commodity code or country of origin of goods according to the Foreign Economic Activity National Commodity Nomenclature indicated in such decision, provided such ruling is issued before a customs declaration on such goods is filed and the actual data and information on the declared goods are fully consistent with the information on which the ruling was based;

c) that is valid for three years.

9. The information provided by a person in a request for an advance tax ruling shall be treated as a tax secret.

10. If a person disagrees with an advance tax ruling of a tax authority, he/she may appeal it as provided in this Code.

11. An advance tax ruling shall be agreed with the Minister of Finance of Georgia, except as provided for in the eighth paragraph of this article.

12. At the request of a person and in the case of submission of additional or amended information, the Revenue Service may amend its advance tax ruling, unless the person has already applied the advance tax ruling issued before such amendment, in relation to the transaction on which the ruling was based.

13. The procedure for issuing an advance tax ruling shall be determined by order of the Minister of Finance of Georgia.

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Chapter VI – Georgian Tax Authorities and their Main Functions

Article 48 – Georgian tax authorities

1. Georgian tax authorities shall be the Revenues Service and its structural units as determined by the Minister of Finance of Georgia.

2. The Revenue Service is a legal entity under public law within the Ministry of Finance of Georgia exercising public control. The Revenue Service exercises its powers across the whole territory of Georgia and may have offices in one or several locations.

3. Georgian tax authorities shall exercise tax control in Georgia, except where such power is granted under this Code to another authority.

Law of Georgia No 4705 of 20 May 2011 – website, 1.6.2011

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 3581 of 1 May 2015 – website, 15.5.2015

Chapter VII – Rights and Obligations of Tax Authorities

Article 49 – Rights of tax authorities

1. Under this Code, within the scope of their authority and in the manner provided for by the legislation of Georgia, tax authorities may:

a) audit financial documents, books, accounts, cost estimates, funds, securities and other valuables, computations, declarations, and other tax computation and payment documents;

b) obtain from taxpayers and/or their representatives tax computation and payment documents, as well as written and oral explanations regarding issues arising in the course of tax audit;

c) examine production, storage, sales and other facilities of enterprises, organisations and entrepreneur natural persons, perform tax monitoring, take inventory of stock of goods, conduct observations by time-study or any other method and determine the number of taxable objects, conduct tax audits, monitor taxpayer observance of the rules for use of cash registers and, in the case of non-compliance with this rule, determine and impose appropriate liabilities under the legislation of Georgia with respect to those persons;

d) summon taxpayers to a tax authority (a taxpayer's legal or authorised representative who has accounting documents and/or information related to the taxation of the taxpayer may appear before a tax authority instead of the taxpayer);

e) independently determine the amount of tax liabilities of a taxpayer based on information held by the tax authority (including information on the expenditures of a taxpayer) or by a comparison method – by analysing information of other similar taxpayers, unless a taxpayer submits the accounting documents required for tax control or performs bookkeeping in violation of established procedure, or in other cases provided for by this Code;

f) apply sanctions against taxpayers who have violated the tax legislation of Georgia;

g) collect unpaid tax and/or penalty amounts within the periods fixed for tax enforcement measures;

h) prepare administrative offence reports against offenders for tax legislation violations and adopt rulings on the imposition of administrative sanctions;

i) perform a test purchase of goods/services from a taxpayer to fully determine an object of taxation;

j) hire specialists or experts for tax administration purposes;

k) obtain data, certificates, documents and other necessary information free of charge from state and local self-government authorities for work-related purposes. Where necessary, the procedure for exchange of information between state bodies shall be determined by a resolution of the Government of Georgia;

l) request and obtain copies of accounting documents (a copy certified by the taxpayer, if necessary);

m) install readers and/or obtain their readings and seal documents and other materials in the manner provided for by this Code.

n) receive from a financial institution of Georgia defined in the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement the Foreign Account Tax Compliance Act (FATCA), within the framework of this Agreement, the information provided for under the same Agreement, and transfer this information to a competent body of the United States of America defined under the Agreement.

2. Tax authorities shall also have the rights provided under this Code and other legislative acts.

3. Under an agreement between a tax authority and the National Bureau of Enforcement, in order to secure the payment of tax arrears falling within the authority of a tax authority under the tax legislation of Georgia, the National Bureau of Enforcement shall demand and obtain a list of assets from a taxpayer for the purpose of seizing a taxpayer's property, take inventory of a person's property, evaluate the property, prepare an act for seizure of the property, seal the property, ensure registration of a seizure of the taxpayer's property with a registration authority, prepare a report on tax offences where so provided by this Code, apply to a court on behalf of a tax authority with a request to sell property or directly transfer it to the State in cases where the National Bureau of Enforcement seizes a person's property, and perform other necessary actions for the purposes specified in this paragraph.

4. Under an agreement between a tax authority and a legal person with approval of the Government of Georgia, certain types of taxpayer services falling within the authority of a tax authority under the tax legislation of Georgia may be performed by such legal person.

5. The approval of the Government of Georgia referred to in the fourth paragraph of this article shall not be required if the agreement is made between a tax authority and the National Agency of Public Registry.

6. (Deleted –1.5.2015, No 3581).

Law of Georgia No 4206 of 22 February 2011 – website, 10.3.2011

Law of Georgia No 4705 of 20 May 2011 – website, 1.6.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 3581 of 1 May 2015 – website, 15.5.2015

Law of Georgia No 4458 of 28 October 2015 – website, 11.11.2015

Article 50 – Personal tax advisor

1. To facilitate interaction with a tax authority in exercising rights and discharging obligations under this Code, a taxpayer may use the services of a personal tax advisor.

2. A personal tax advisor is a tax authority employee who delivers services to a taxpayer under an agreement. The services of a personal tax advisor shall not include the determination of the amount of a taxpayer's tax liabilities.

3. Relations between a taxpayer and a personal tax advisor, terms and conditions for using personal tax advisor services, the scope and type of such services shall be determined under an agreement between a taxpayer and a tax authority.

4. The list of the services offered by a personal tax advisor to a taxpayer shall be determined by the Minister of Finance of Georgia.

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Article 51 – Obligations of tax authorities

1. Within the scope of their authority, tax authorities shall:

a) comply with the tax legislation of Georgia, act in accordance with the requirements of this Code and other acts of the tax legislation of Georgia and participate in the implementation of national tax policy;

b) protect the rights of taxpayers and the interests of the state;

c) exercise control over the accuracy and completeness of tax computations and their timely payment, conduct tax audits as provided for by this Code and, in the course of the audit, inform taxpayers of their rights and obligations;

d) ensure taxpayers' timely registration;

e) account for taxes charged and paid to the budget and prepare reports on taxes paid;

f) refund overpaid amounts to a taxpayer as prescribed by this Code;

g) protect confidentiality of taxpayer information and observe rules for storing information in accordance with this Code;

h) design declaration forms and other tax computation and payment forms and ensure the provision of information to a taxpayer;

i) study, analyse and assess the violations of the tax legislation of Georgia and take appropriate measures to eliminate the causes of or conditions for tax offences;

j) identify natural and legal persons who evade taxes; prevent tax offences, conduct tax offence cases and apply liability measures as provided by this Code;

k) maintain a national register of cash register models permitted for cash settlements with customers, register cash registers, and monitor the compliance with rules for operating cash registers; l) receive applications, notifications and other information on violations of the tax legislation of Georgia and examine them as provided by law;

m) consider letters, complaints and queries of taxpayers in the prescribed manner and, if necessary, inform them free of charge of the applicable taxes, tax computation and payment rules, and of the rights and obligations of a taxpayer;

n) raise awareness about the application of the tax legislation of Georgia, issue methodological guidelines, manuals and brochures, and publish advice on tax matters and explanations in the media;

o) conduct administrative proceedings on administrative offences as provided for by the Administrative Offences Code of Georgia;

p) deliver (send) tax audit reports, other decisions and notifications of tax authorities to a taxpayer in the manner and within the timeframes provided for by this Code and other tax legislation of Georgia;

q) present a tax notice to a taxpayer, and in the case of its noncompliance or improper compliance, take actions under this Code to ensure compliance;

r) promptly confirm receipt of letters delivered personally by taxpayers and of other documents provided by this Code.

s) ensure the tax registration of taxpayers (maintenance of a Register) according to this Code, and the assignment of identification numbers (except for persons subject to registration with the Register of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Entities and the Register of Citizens' Political Alliances (Parties)).

2. A tax authority shall, not later than 10 calendar days after receiving a taxpayer's request, provide the taxpayer with a statement showing changes to its tax liabilities and the status of the completion of those liabilities for the period specified in the request.

3. Tax authorities shall also fulfil the obligations provided for by this Code and other legislative acts.

Law of Georgia No 6547 of 22 June 2012 – website, 4.7.2012

Law of Georgia No 5144 of 27 May 2016 – website, 4.6.2016

Article 52 – Delegation of authority

The head of a tax authority may grant specific authority to any employee. The employee may not transfer the authority delegated to him/her to another person.

SECTION IV

TAX LIABILITY

Chapter VIII – Tax Liability and its Fulfilment

Article 53 – Tax liability and its fulfilment

1. Tax liability is the obligation of a taxpayer to pay taxes established by this Code, as well as taxes established by this Code and introduced by a local self-government representative body.

2. A person shall be obligated to pay taxes upon the occurrence of a taxable event as determined by the tax legislation of Georgia.

3. Tax liability shall be deemed fulfilled if the tax amount is paid within the set timeframe.

4. Tax liability shall be paid directly by a taxpayer, unless otherwise provided by the legislation of Georgia. A taxpayer's tax liability may be paid by another person in the manner prescribed by the National Bank of Georgia.

5. The procedure and/or timeframe for payment of tax liability may be changed in the cases as provided for by this Code.

6. The day of the payment of taxes shall be the day when the tax amount is transferred into the relevant account of the Budget, unless otherwise provided by the tax legislation of Georgia.

7. (Deleted –1.5.2015, No 3581).

8. Under the Law of Georgia on Oil and Gas, based on the application of the parties to the Production Sharing Agreement and at the decision of the Minister of Finance of Georgia, payment of tax liabilities may be imposed on the party receiving a profit from the state-owned share of oil and gas.

Law of Georgia No 3581 of 1 May 2015 – website, 15.5.2015

Article 54 – Obligations of banking institutions with regard to the payment of taxpayer tax liabilities

1. A banking institution shall, first of all, fulfil a taxpayer's payment order for the payment of taxes and a tax authority's collection order for debiting funds from the bank account in the following order of precedence: a) a tax authority's collection order:

b) a taxpayer's payment order.

1^1. The obligation of a banking institution specified in the first paragraph of this article shall not restrict a person's right to use

funds exceeding the uncollected amount of the collection order until the full payment or after partial payment of the collection order.

2. If there are funds in a person's bank account, the bank fulfils a payment order or a collection order not later than the banking day following the day of receipt of the order, unless otherwise provided for by this Code. A taxpayer shall bear the cost of services related to a collection order.

3. If the amount on a person's bank account is not sufficient to pay a payment order or a collection order, they shall be paid not later than the banking day following the day when funds are transferred into the account.

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Article 55 – Payment of tax liabilities in the case of liquidation of an enterprise/organisation

1. If an enterprise/organisation is liquidated, the liquidation commission of the enterprise/organisation shall pay tax liabilities and tax arrears, unless otherwise provided for by this article.

2. If an enterprise provided for in Article 21(1)(c) of this Code is liquidated/terminates its activities, the partners/participants of the enterprise shall pay tax liabilities and tax arrears jointly and severally.

3. If an enterprise/organisation is liquidated, a tax authority shall refund any overpaid amount to the liquidation commission of that enterprise/organisation (participants of the enterprise) as provided for by this Code.

Article 56 – Payment of tax liability in the case of reorganisation of an enterprise/organisation

1. Tax liability and tax arrears of a reorganised enterprise/organisation shall be paid by its legal successor as provided by this Code.

2. In the case of a merger of several enterprises/organisations, the enterprise/organisation formed as a result of the merger shall be the legal successor with respect to payment of tax liabilities of these enterprises/organisations.

3. If one enterprise/organisation is acquired by another, the legal successor with regard to payment of tax liabilities/arrears of the acquired enterprise/organisation shall be the acquiring enterprise/organisation.

4. If an enterprise/organisation is split into several enterprises/organisations, the enterprises/organisations created as result of the split shall be legal successors with respect to payment of tax liabilities/arrears of the original enterprise/organisation.

5. If there are several legal successors, the share of each of them with respect to payment of tax liabilities/arrears of the reorganised enterprise/organisation shall be determined under the division balance sheet or other deed of transfer. Newly formed enterprises/organisations shall be jointly and severally responsible for payment of tax liability/arrears of the reorganised enterprise/organisation or its respective part.

6. If an enterprise/organisation changes its organisational and legal form, the enterprise/organisation arising from such reorganisation shall be the legal successor with regard to payment of tax liability/arrears of the original enterprise/organisation.

7. If one or several enterprises/organisations separate from an enterprise/organisation, the separated enterprise(s)/organisation(s) shall be subject to paragraphs 4 and 5 of this article.

8. Any overpaid amount paid before the reorganisation of an enterprise/organisation shall be credited by a tax authority against future tax liabilities of the legal successor of the reorganised enterprise/organisation pro rata to the total amount or refunded to the legal successor(s) (pro rata to their shares) as provided by this Code.

Article 57 – Payment of tax liabilities of a deceased person

1. Tax arrears of a deceased person shall be paid by his/her heirs pro rata to their shares in the inheritance, from the day of receipt of an inheritance certificate.

2. Tax arrears of a deceased person shall be the tax arrears as of the day of his/her death.

3. The heir to the deceased person shall notify a tax authority of having obtained an inheritance certificate if he/she is aware of the tax arrears of the deceased person.

4. A tax authority shall send a notice of the tax arrears not later than 30 days after it becomes aware that the person obtained an inheritance certificate.

5. Tax arrears of a deceased person shall be written off, if:

a) the deceased person has no heir;

b) the heir waives the inheritance;

c) the amount of the tax arrears of the deceased person exceeds the value of the inherited property – in the amount of the outstanding amount of tax arrears.

6. An heir who continues the economic activity of the deceased person shall:

a) notify a tax authority accordingly;

b) before starting the economic activity, become registered as a taxpayer, and if the deceased person was a VAT payer, become registered as a VAT payer;

c) pay tax arrears of the deceased person;

d) fulfil a taxpayer's other obligations under this Code.

7. An heir who continues the economic activity of the deceased person may:

a) request a refund or credit against future taxes of the taxes/penalties overpaid by the deceased person;

b) use the deceased person's tax source documents for tax reporting;

c) present tax returns (including, adjusted ones) for the period of the deceased person's activity;

d) where so provided by this Code, use appropriate documents of the deceased person to confirm the costs deductible from total revenue and to obtain a deduction of excise tax/VAT;

e) continue a tax dispute started by the deceased person;

f) exercise a taxpayer's other rights under this Code.

8. A tax authority shall unite the deceased person's and his/her heir's personal account cards if the heir carries on with the economic activity of the deceased person.

9. If an heir requests a refund or credit against future taxes of taxes/penalties overpaid by the deceased person, within three months after receiving the request a tax authority:

a) shall transfer the amount of the tax/penalty overpaid by the deceased person to the heir's personal account card;

b) may establish compliance of an overpaid amount on a person's personal account card with the legislation of Georgia, including, through a tax audit;

c) in the case of detecting any outstanding tax liability of the deceased person, may impose the relevant tax;

c.a) upon the heir's personal account card if the heir carries on the economic activity of the deceased person;

c.b) upon the heir's personal account card, within the scope of the overpaid amount, if the heir does not carry on with the

economic activity of the deceased person.

d) as prescribed by the legislation of Georgia, shall refund to the heir of the deceased person or credit against his/her future tax liabilities taxes overpaid by the deceased person, after performing the procedures under subparagraphs (a) – (c) of this paragraph.

10. In cases provided under paragraph 9(c) of this article, sanctions under this Code shall not apply to the heir.

Law of Georgia No 6446 of 12 June 2012 – website, 25.6.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Article 58 – Payment of tax liabilities of missing persons and beneficiaries of support

1. Tax arrears of a natural person who has been declared missing by a court shall be paid within three months after the person is declared missing, at the expense of the property of the missing person, by the person who is authorised by guardianship authoritie to manage the property of the missing person.

2. A tax authority shall send to the person who is authorised by guardianship authorities to manage the property of the missing person a notice requesting payment of the missing person's tax arrears.

3. Tax liabilities of a beneficiary of support shall be paid by his/her supporter at the expense of the property of the beneficiary of support, unless otherwise determined under the court decision. Tax arrears of a beneficiary of support shall be paid by his/her supporter at the expense of the property of the beneficiary of support, unless otherwise determined under the court decision.

4. Tax arrears of a person recognised as missing or declared as a beneficiary of support by court shall be regarded as bad debt and shall be written off if his/her property is insufficient to cover the tax arrears and unless otherwise determined under court decision with respect to the beneficiary of support.

5. The written-off tax arrears shall be restored the day the decision is made to reverse the court's recognition of a person as missing or declaration as a beneficiary of support.

6. Tax arrears of a missing person or a beneficiary of support shall be the tax arrears as of the date when he/she was recognised as missing or declared as a beneficiary of support by court.

Law of Georgia No 3349 of 20 March 2015 – website, 31.3.2015

Article 59 – Tax period

1. Tax period shall be the period according to which a taxpayer's tax liability is determined in relation to a specific tax.

2. If an enterprise/organisation is founded (becomes publicly registered) after the beginning of a calendar year before 1 December of that year, its first tax period shall be the period from its foundation(registration) up to the end of that year. At the same time, the day of foundation of the enterprise/organisation indicated in Article 21(1)(c) of this Code shall be the day on which a joint activities agreement is signed.

3. If an enterprise/organisation is founded from 1 December through 31 December, its first tax period shall be the period from the day of foundation up to the end of the next year, unless otherwise provided by this article.

4. If an enterprise/organisation is liquidated/reorganised before the end of a calendar year, its last tax period shall be the period from the beginning of the year up to the day when its liquidation/reorganisation ends.

5. If an enterprise/organisation is founded after 30 November of the year preceding the year of its liquidation/reorganisation, its first and last tax periods shall be the period from the date of foundation up to the day on which its liquidation/reorganisation is finished.

6. The rules provided for in the fourth and fifth paragraphs of this article shall not apply to enterprises/organisations from which one or several enterprises/organisations separated or which acquired one or several enterprises/organisations.

7. If during a tax period, a Georgian enterprise/organisation acquires the status of a foreign enterprise or a foreign enterprise acquires the status of a Georgian enterprise, the tax period shall be divided into two parts: in the first part the enterprise/organisation shall pay taxes according to its original status, and in the second part it shall pay taxes according to the acquired status.

7^1. (Deleted – 26.12.2013, No 1886).

8. The rules provided by paragraphs 2 through 4 of this article shall not apply to taxes, the tax period of which is not a calendar year.

Law of Georgia No 6212 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Article 60 – Tax privileges

1. Exemption from the national or local taxes provided for by this Code may be granted only by making amendments to this Code.

2. Tax privilege shall be any advantage given to a certain category of taxpayers over other taxpayers, namely, the possibility to pay less tax or be tax exempt. 3. A tax privilege in relation to a local tax shall be granted by making amendments to the relevant normative act.

4. No individual tax privileges may be granted or individual tax exemptions made.

5. A taxpayer may enjoy tax privileges from the moment when the relevant legal basis for the privileges arise, throughout the entire period of their validity.

Article 61 – Tax assessment

1. Tax assessment shall mean computing by a tax authority of the tax amount payable by a taxpayer for a specific tax period and recording it in a taxpayer's personal account card. The procedure for maintaining the card shall be determined by the Minister of Finance of Georgia. 2. Tax may be assessed based on:

a) a tax return/customs declaration;

a^1) (Deleted – 1.5.2015, No 3581);

b) information on the amounts paid under Article 154(4) of this Code;

c) a tax audit report;

d) information on a person's tax liability provided to a tax authority by other controlling or law-enforcement authorities;

e) information provided to a tax authority by the National Agency of Public Registry to assess property tax on land.

3. If a person does not present the information needed for assessment of taxes, a tax authority may charge taxes based on information available to it.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6446 of 12 June 2012 – website, 25.6.2012

Law of Georgia No 3581 of 1 May 2015 – website, 15.5.2015

Article 62 – Tax payment timeframes

1. The timeframe for payment of taxes, including current tax payments, shall be set according to each tax.

2. If a tax payment timeframe is not specified by this Code, it shall be paid within the timeframe set for filing tax returns, and in other cases, within 30 days after receiving a tax notice.

3. The timeframe for the payment of import and export duties payable under a customs declaration shall be determined by the Minister of Finance of Georgia.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6446 of 12 June 2012 – website, 25.6.2012

Article 63 – Refunding overpaid amounts

1. If the amount of taxes and/or penalties paid by a taxpayer exceeds the amount of the assessed taxes and/or penalties, the tax authority shall, on the basis of the taxpayer's request, refund the overpaid sum to the taxpayer not later than one month after the request is submitted.

2. If the amount of taxes and/or penalties paid by a taxpayer exceeds the amount of the acknowledged tax arrears, the tax authority shall use the overpaid sum to cover the tax arrears that will be charged and acknowledged in future.

3. (Deleted –1.5.2015, No 3581).

4. (Deleted –1.5.2015, No 3581).

5. A grantee who buys goods provided in the grant agreement and/or receives services under the same agreement in compliance with the legislation of Georgia, may obtain a deduction or refund under this article of the value added tax paid for such goods/services on the basis of a tax invoice submitted to a tax authority or in the case of a reverse charge, a document evidencing VAT payment to the budget.

5^1. (Deleted – 12.6.2012, No 6446).

6. Where so provided for in the fifth paragraph of this article, value added tax shall be deducted or refunded only if an application is filed with a tax authority within three months after the month in which a taxable transaction occurred.

7. The overpaid amount resulting from an incorrect debiting of tax and/or tax penalty amount from a taxpayer's bank account under a tax authority collection order, or from concurrent payment of a tax authority collection order by two or more banking institutions, shall be refunded to the taxpayer not later than 15 days after filing an application with the tax authority.

8. The procedure for refunding the overpaid sum to a taxpayer shall be established by the Minister of Finance of Georgia.

9. In certain cases, an overpaid amount may be refunded automatically to taxpayers who file electronic tax returns. The terms and conditions for automatically refunding overpaid amounts shall be determined by the Minister of Finance of Georgia.

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5791 of 13 March 2012 – website, 23.3.2012

Law of Georgia No 6446 of 12 June 2012 – website, 25.6.2012

Law of Georgia No 3581 of 1 May 2015 – website, 15.5.2015

Article 64 – Tax notice

1. A tax notice is an individual administrative-legal act of a tax authority that must be complied with as provided for in this Code.

2. A tax authority shall present a tax notice to a taxpayer if there is one of the following grounds:

a) assessment of tax, the computation of which is the obligation of a tax authority;

b) the decision of a tax authority on assessing tax and/or imposing a sanction or a tax offence report;

c) the decision on serving notices of levy on third parties under Article 240 of this Code.

3. Only one tax notice shall be presented to a person based on specific grounds for presentation.

4. A tax notice shall be deemed fulfilled from the moment the person pays the amount indicated in the tax notice.

5. The procedure for issuing tax notices shall be determined by order of the Minister of Finance of Georgia.

Law of Georgia No 4705 of 20 May 2011 – website, 1.6.2011

Article 65 – Taxpayer's claim

1. A taxpayer's claim is a claim filed by a person with a tax authority for refunding overpaid taxes and/or penalties, which a tax authority shall comply with in the manner and in the cases provided for in this Code.

2. The basis for submitting a taxpayer's claim shall be the overpaid amount of taxes and/or penalties.

3. A taxpayer's claim shall be deemed fulfilled upon payment of the amount claimed.

4. If a tax authority deems that a taxpayer's claim is groundless, it shall submit a substantiated counterclaim to the taxpayer within 20 days after receiving the taxpayer's claim.

5. The person may appeal the tax authority’s counterclaim as provided in this Code.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Article 66 – Registration as a taxpayer

1. A Georgian citizen natural person, as well as a person having a neutral ID or a neutral travel document, other than the person whose income is withheld at the source or who is tax exempt, shall apply to a tax authority for an identification number before starting any economic activity.

[1. A Georgian citizen natural person, a person having a neutral ID or a neutral travel document, and persons legally residing in the Autonomous Republic of Abkhazia and in Tskhinvali region (former Autonomous Region of South Ossetia) that are registered under the procedure established by the legislation of Georgia and that are granted the personal number, except for a person whose income is withheld at source or who is tax exempt, shall apply to a tax authority for granting the identification number to them before starting economic activities. ***(Shall become effective from 1 January 2019)]***

2. Tax registration of taxpayers shall be carried out by the tax authorities under the procedure established by the Minister of Finance of Georgia. This procedure shall not apply to persons whose registration under the legislation of Georgia is performed by the Legal Entity under Public Law operating under the Ministry of Justice of Georgia – the National Agency of Public Registry. The procedure and conditions for assigning the identification number to these persons shall be defined by an order of the Minister

of Justice of Georgia.

3. A branch of a foreign enterprise that is subject to registration with the Register of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Entities shall be registered for tax purposes and issued an identification number by the National Agency of Public Registry at the moment of the registration of the branch. At the same time, if the said foreign enterprise was registered for tax purposes before the registration of the branch and was issued an identification number by a tax authority or if two or more branches have been registered, the identification number first issued shall remain intact.

4. If the obligation to pay taxes and/or file tax returns arises in Georgia, a Georgian citizen natural persons, as well as persons having a neutral ID or a neutral travel document (other than an entrepreneur natural person) may indicate, even without completing tax registration procedures with the tax authority, their personal number (identification number) indicated in their identity card, neutral ID or in a neutral travel document when filing a return in respect of the incurred tax liabilities and when paying taxes at banking institutions. Such natural persons, as well as person having a neutral ID or a neutral travel document shall be registered for tax purposes based on the details of their tax returns and/or payment orders presented to the bank that evidence the payment of taxes.

5. A Georgian citizen natural person (including an entrepreneur natural person) shall be issued the personal number indicated in his/her ID card as an identification number, and the person having a neutral ID or a neutral travel document, the personal number indicated in such ID/travel document.

[4. If the obligation to pay taxes and/or file tax returns arises in Georgia, a Georgian citizen natural persons, a person having a neutral ID or a neutral travel document, and persons legally residing in the Autonomous Republic of Abkhazia and in Tskhinvali region (former Autonomous Region of South Ossetia) that are registered under the procedure established by the legislation of Georgia and that are granted the personal number (except for an entrepreneur natural person) may indicate, even without completing tax registration procedures with a tax authority, their personal number indicated in their identity card, neutral ID card or in a neutral travel document of a citizen, and the number granted to them at registration (identification number), when filing a return in respect of the incurred tax liabilities and when paying taxes at a banking institution. Tax registration of a Georgian citizen natural person, a person having a neutral ID card or a neutral travel document, and of persons legally residing in the Autonomous Republic of Abkhazia and in Tskhinvali region (former Autonomous Region of South Ossetia) that are registered under the procedure established by the legislation of Georgia and that are granted the personal number, shall be conducted based on the details of their tax returns and/or payment orders presented to the bank that evidence the payment of taxes.

5. A Georgian citizen natural person (including an entrepreneur natural person) shall be granted the personal number indicated in his/her ID card as the identification number; a person having a neutral ID card or a neutral travel document shall be granted the personal number indicated in the ID card/travel document, and a person legally residing in the Autonomous Republic of Abkhazia and in Tskhinvali region (former Autonomous Region of South Ossetia) shall be granted the personal number granted to him/her at registration. ***(Shall become effective from 1 January 2019)]***

6. The identification number of a natural person who is not a Georgian citizen shall be the 9-digit identification number issued by the authority as determined under the legislation of Georgia.

7. An identification number shall be permanent and may not be changed or repeated, unless otherwise provided by the legislation of Georgia.

8. Tax registration of an enterprise/organisation, an entrepreneurial entity and a non-entrepreneurial (non-commercial) legal entity shall be performed according to the legal address; tax registration of a natural person shall be performed according to his/her declared place of residence/business.

9. A taxpayer shall indicate its taxpayer identification number in a tax return, in correspondence with a tax authority and in any other documents as determined by the tax legislation of Georgia.

10. In detecting a tax offence specified in Article 273 of this Code, a tax authority shall ensure the person's tax registration as prescribed by the Minister of Finance of Georgia.

Law of Georgia No 4998 of 1 July 2011 – website, 15.7.2011

Law of Georgia No 5144 of 27 May 2016 – website, 4.6.2016

Law of Georgia No 2476 of 6 June 2018 – website, 21.6.2018

Chapter IX – Tax Reporting

Article 67 – Tax return

1. A tax return is a person's statement used to assess his/her tax liabilities under this Code.

2. The amount of total tax liabilities in a tax return is computed in full laris. For this purpose, any tax liability under GEL 1 shall b zeroed.

3. A person may file his/her tax return with a tax authority in person, or may send it by registered mail or electronically.

4. If a person does not file a tax return, he/she is deemed to have filed a tax return, based upon which the amount of the assessed taxes equals zero. A tax return filed later for the given reporting period shall be deemed as late filing.

5. Tax return forms and the procedure for their completion and electronic filing shall be determined by the Minister of Finance of Georgia.

Article 68 – Extending deadlines for filing tax returns

The deadline for filing annual income, profit or property tax returns shall be extended for three months if a person has paid the current taxes for the period subject to declaration (or has no obligation to pay current taxes) and applies in writing to a tax authority for an extension of the deadline before the filing deadline expires. An extension of the deadline for filing tax returns shall not affect the deadline for tax payment.

Article 69 – Making amendments to tax returns

1. If in a filed tax return a person discovers a mistake that causes a change in the tax liability, he/she shall make relevant amendments to the tax return.

2. If an amended tax return is filed with a tax authority before its filing deadline expires, the amended tax return shall be deemed as originally filed.

3. If a person files a tax return (including an amended tax return) for the period or issue, in respect of which a tax authority has already conducted a tax audit or assessment, the tax authority may perform a calculation according to such tax return (including an amended tax return). In this respect, the authorised person of the tax authority shall issue a reasoned order.

4. A person may not file a tax return (including an amended tax return) for the period or issue in respect of which a tax audit is being conducted or is to be conducted, from the moment of service of the relevant order/notice of a judicial/tax authority on conducting a tax audit, or from posting of this order/notice electronically on a tax payer's authorised user web page, or from preparation of a tax offence report up to the service of the relevant tax notice to the person in question.

5. The restriction under the fourth paragraph of this article shall not apply if a tax notice is deemed invalid under Article 264(3) of this Code.

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Article 70 – Right to request information

1. A tax authority may request persons:

a) to provide accounting documents and/or taxation-related information (including information requested by another state's competent (authorised) body on the basis of an international agreement to which Georgia is a part);

b) to submit a list of their property.

2. In the cases provided by this Code, an authorised person of the National Bureau of Enforcement may exercise the right under paragraph 1(b) of this article.

3. A tax authority may request a commercial bank to provide confidential information specified in Article 17 of the Law of Georgi on the Activities of Commercial Banks during a tax audit (within the scope of the audit) of a taxpayer or upon request of another state's competent (authorised) body according to an international agreement to which Georgia is a part. A tax authority shall request this information on the basis of a court decision as prescribed by the Administrative Procedure Code of Georgia, except as provided for by paragraph 3^1 of this article.

3^1) A tax authority may request from a financial institution of Georgia defined in the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement the Foreign Account Tax Compliance Act (FATCA), within the framework of this Agreement, the information provided for under the same Agreement, and transfer this information to a competent body of the United States of America defined under the Agreement.

4. A tax authority may not transfer the information specified in paragraph 3 of this article to persons set out in Article 39(2) of this Code, except when the information is transferred to another state's competent (authorised) body under an international agreement to which Georgia is a part.

5. A person shall be obligated to accurately and fully provide the requested information to a tax authority/the National Bureau of Enforcement within the indicated time limits. A person whose property has been seized by a tax authority shall be obligated to adjust the submitted property list not later than seven working days from the purchase of the property.

Law of Georgia No 4206 of 22 February 2011 – website, 10.3.2011

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Law of Georgia No 4458 of 28 October 2015 – website, 11.11.2015

Article 71 – Obligations of banking institutions

1. A banking institution shall:

a) open a bank account for an entrepreneur natural person and/or enterprise/organisation based on documents evidencing the granting of a taxpayer identification number, except as provided by subparagraph (b) of this paragraph;

b) notify the Revenue Service of the opening of a bank account for a foreign enterprise for the first time or closing the last account of such enterprise, within three business days (except as provided by subparagraph (e) of this paragraph) and not perform any debit transactions from the account until the Revenue Service receives the notification. Furthermore, based on the information provided by a foreign enterprise, it shall provide the Revenue Service with the identification number of the foreign enterprise and/or the actual address of a permanent establishment (if such information is available or if the person opening the account has provided such information to the bank).

c) notify the relevant tax authority within three business days after the opening of an account for the first time or closing the last account of the persons indicated in subparagraph (a) of this paragraph and not perform any debit transactions from the account of the person indicated in subparagraph (a) of this paragraph within two business days after receipt of such information by the tax authority, except where a debit transaction is related to payment of taxes to the budget. If the Revenue Service and the banking institution have signed an agreement on electronic exchange of information (including collection orders), the timeframes indicated in this subparagraph shall be determined under the agreement, but they shall not exceed the timeframes provided for in this subparagraph;

c^1) within three days after establishing the fact that a natural person is an entrepreneur natural person, notify a tax authority the date of the opening of the first active account and the date of closing the last account of that person. If the Revenue Service and

the banking institution have concluded an agreement on electronic exchange of information (including collection orders), the timeframe indicated in this subparagraph shall be determined under the agreement, but it shall not exceed the timeframe set in this subparagraph.

d) not perform any debit transactions (other than the bank service charges, unless such transactions are related to payment transactions outside the bank system) from the account of the persons indicated in subparagraph (a) of this paragraph without indicating a taxpayer identification number;

e) notify the Revenues Service, in the cases and according to the timeframes and conditions specified in the agreement concluded with it, about the opening and/or closing of the accounts only of the persons referred to in subparagraphs (a) and (b) of this paragraph and apply collection orders or seizure orders issued by a tax authority with the indication of the identification numbers of such persons, to the account(s) of such persons within the scope of the collection or seizure order, which shall not restrict the right to administer those funds that are in excess of the collection or seizure order, and if the funds on the bank account(s) are not enough to fully fulfil the collection or seizure order, automatically apply the collection or seizure order to all of their bank accounts;

f) at the request of the Revenue Service, provide it with information regarding the opening or closing of a taxpayer's account not later than three business days after such request. The Revenue Service may request such information within the timeframe provided in this Code. The timeframe shall commence from the opening/closing of an account. In other cases information may be requested under a court decision. If the Revenue Service and a banking institution have signed an agreement on electronic exchange of information, the information specified in this subparagraph may be requested electronically. In that case, the timeframe indicated in this subparagraph shall be determined under the agreement;

g) inform the person about the registration for payment of a collection order issued by a tax authority with respect to the person's bank accounts, except where it is impossible to inform the person.

h) transfer, within the framework of the Agreement between the Government of the United States of America and the Government of Georgia to Improve International Tax Compliance and to Implement the Foreign Account Tax Compliance Act (FATCA), to a tax authority the information provided for under this Agreement.

2. If the information specified in the first paragraph of this article is provided by submitting a written notice to a tax authority, then it shall be certified with the signature of the authorised person of the tax authority on the second copy of the notice of opening a bank account, and where the notice submitted to the tax authority is not certified within two business days, the notice shall be deemed to have been certified automatically. Accordingly, the bank may perform debit transactions from that account. At the same time, a notice shall be deemed submitted upon receipt of correspondence by a tax authority.

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 4458 of 28 October 2015 – website, 11.11.2015

Article 72 – Tax source document

1. A tax source document shall be a written document based on which the parties to a business transaction can be identified. It has a date and includes the list and value of the supplied goods/rendered services. The value of goods (including a unit price of goods) need not be indicated in a tax source document issued for a transaction on the exchange of goods/services (barter transaction).

2. A tax source document shall be made in at least two identical copies that are kept by the parties to the business transaction.

3. A person shall keep a tax source document for at least three years after the end of the calendar year for the determination of the tax liabilities of which such document is necessary.

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Article 72[1] – Tax document

1. A tax document (the 'TD') shall be the document of the form determined by the Minister of Finance of Georgia, which is issued:

a) when transporting goods within the country;

b) when supplying goods;

c) when providing services.

2. When the SD is issued, no obligation of issuing a consignment note or a tax invoice (including a special tax invoice) shall arise.

3. The SD shall be the VAT deduction document for a VAT payer.

4. When the SD is/is not issued, all the legal consequences that would follow in a respective case when a consignment note and/or a tax invoice (including a special tax invoice) was/was not issued shall follow.

5. When the procedure for issuing and submitting the SD is not complied with, the measures of liability established by the legislation of Georgia for an offence related to the procedure for issuing and submitting a consignment note or a tax invoice (including a special tax invoice), respectively.

6. The SD may be issued and submitted in an electronic form.

7. The procedure for issuing and submitting the SD shall be defined by the order of the Minister of Finance of Georgia.

Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018

Article 73 – Determining an object of taxation and tax liability in certain cases

1. Income shall be taxed even if its legitimacy is in question.

2. Income earned or a transaction performed in violation of tax legislation shall be taxed as provided for by the tax legislation of Georgia.

3. If under a court decision, in the cases provided by the legislation of Georgia, income is subject to full collection in favour of the budget, it shall not be taxed.

4. If any amount is used for the interests of a particular person, the amount shall be deemed to have been received by that person.

5. A tax authority may determine a person's tax liabilities by using indirect methods (based on the volume of assets, operating income and costs, by comparing information on the person with any other tax period of his/her business or with the data on other taxpayers who are subject to the same taxes, as well as based on analyses of similar information):

a) if a person does not have accounting documents or an object of taxation cannot be determined based on accounting documents;

b) if there are more than one of the following conditions:

b.a) the increase in a person's assets is not supported by appropriate documents;

b.b) the costs incurred by a person for economic activity and/or personal use exceed the declared income;

b.c) in the audited period specified under the relevant act of a tax authority on the commencement of a tax audit, two or more

cases of tax offences have been detected as a result of current tax control measures;

b.d) there is a substantial difference between the taxation-related data submitted/declared by a person to a tax authority and the actual data recorded as a result of current tax control measures.

6. In transactions between related parties, income and costs shall be distributed the same way as in the case of a transaction between unrelated persons.

7. When paying taxes, a person who sells goods/services primarily for cash applies the simplified rules established by the Minister of Finance of Georgia for recording revenues and costs. These rules shall not extend to the taxpayers who, for the purposes of profit and income taxes, are obliged to keep or voluntarily keep records on an accrual basis or to the person who is registered as a VAT-payer.

8. When the value of a barter transaction is understated, the tax authority shall adjust the value of an object of taxation according to market prices and take into account the sanctions for tax offence when reassessing the tax.

9. To determine tax liabilities, a tax authority has the right:

a) not to take into account business transactions of no substantial economic impact;

b) to change the classification of a business transaction based on its form and substance if the form of the transaction does not correspond with its substance.

10. Where a taxable transaction is performed in a foreign currency, also when determining the customs value and/or the amount of export/import duties, the foreign currency shall be translated into lari:

a) at the official exchange rate (if any) of the National Bank of Georgia as of the transaction day/day of filing a customs declaration;

b) at the published exchange rate of foreign currency in relation to lari, including at the exchange rate published in other countrie in relation to the currency, in respect of which there is the official exchange rate of lari, if no official exchange rate of the Nationa Bank of Georgia is available on the transaction day/day of filing a customs declaration.

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Chapter X – Introduction of Special Conditions in the case of Martial Law or State of Emergency

Article 74 – Introduction and duration of special conditions in the case of martial law or state of emergency

1. If martial law or a state or emergency is declared, the Minister of Finance of Georgia may issue an order introducing special conditions across the whole territory of Georgia or in any part of it. The order shall indicate the duration of the special conditions, which must not exceed 90 days.

2. If the duration of special conditions was originally less than 90 days, by resolution of the Government of Georgia the term may be extended up to 90 days. The duration of special conditions may be extended for up to more than 90 days only by resolution of the Government of Georgia.

Article 75 – Postponing the filing of tax returns/computations during the operation of special conditions

1. During the operation of special conditions, the Minister of Finance of Georgia may extend the deadlines set by the legislation of Georgia for filing tax returns/computations.

2. If the decision is made to extend the deadlines for filing tax returns/computations, the order of the Minister of Finance of Georgia referred to in Article 74(4) of this Code shall be made in compliance with the rules, form and procedure for extending the deadline for filing tax returns/computations. The order shall include:

a) conditions for determining those taxpayers that meet the criteria for the extension of the deadline for filing tax returns/computations;

b) taxes to which the extension of the deadline for filing tax returns/computations applies;

c) procedures, under which taxpayers can request the extension of the deadline for filing tax returns/computations under this article and appeal the decisions on granting the right of extension.

Article 76 – Deferment of taxes during the operation of special conditions

1. During the operation of special conditions, the Minister of Finance of Georgia may defer payment of certain types of taxes.

2. If the decision is made to defer payment of certain types of taxes, the order of the Minister of Finance of Georgia referred to in Article 74(1) of this Code shall be made in compliance with the rules, forms and procedures for tax deferment. The order shall include:

a) conditions for determining those taxpayers that meet the criteria for tax deferred;

b) taxes, to which tax deferment applies;

c) procedures, under which taxpayers can request tax deferment under this article and appeal the decisions on granting the right of deferment.

Article 77 – Deferment of current tax liabilities during the operation of special conditions

Under the order referred to in Article 74(1) of this Code, the Minister of Finance of Georgia may make a decision on deferment of current tax liabilities. In that case, the order shall include:

a) taxes (profit, income and/or property tax), to which the deferment of current liabilities applies;

b) procedures, under which taxpayers can request suspension of the obligation to pay current tax liabilities and appeal the decision on granting the right of such suspension.

Article 78 – Writing off assets destroyed and damaged as a result of special conditions

1. During the operation of special conditions, a person (taxpayer), under the decision of the Council of Tax Appeals of the Ministry of Finance of Georgia, may deduct:

a) valuables destroyed and damaged as a result of hostilities whose value has been lost or reduced – the amount of the reduced value;

b) the value of the assets located in the occupied territories, and if a person regains the possibility to exercise the owner's and/or user's rights to such assets, he/she must include the value of the assets in his/her gross income.

2. A taxpayer shall file an application for writing off assets with the Ministry of Finance of Georgia in the form prescribed by the Minister of Finance of Georgia.

SECTION V

INCOME AND PROFIT TAXES

Chapter XI – Income Tax

Article 79 – Taxpayers

An Income tax payer shall be:

a) a resident natural person;

b) a non-resident natural person earning income from a Georgian source.

Article 80 – Object of taxation

1. A resident natural person shall be taxed an income tax with respect to his/her taxable income, which is the difference between the total income earned during a calendar year and deductions under this Code for that period.

2. A non-resident natural person conducting business through a permanent establishment in Georgia shall be taxed an income tax with respect to his/her taxable income, which is the difference between the total income earned during a calendar year from a Georgian source related to the permanent establishment and deductions under this Code for that period.

3. The gross income of a non-resident natural person that is not related to his/her permanent establishment in Georgia shall be taxed under Article 134 of this Code at source without deductions, except as provided for by the fourth paragraph of this article.

4. A non-resident natural person who receives income from the sale of property shall pay income tax with respect to the gross income earned during a calendar year from a Georgian source that is reduced by the deductions related to the receipt of such income for that period.

5. The income from the sale of property provided for by the fourth paragraph of this article shall be:

a) surplus gained from the sale of ordinary shares of a resident legal entity or from the sale of a partner's share;

b) surplus income earned from the assets referred to in Article 8(21) of this Code;

c) surplus gained from the sale of the property used for the economic activity provided for in Article 104(1)(k) or (l) of this Code;

d) surplus gained from the sale of other property.

Article 81 – Tax rate

1. A natural person's taxable income shall be taxed at the rate of 20%, unless otherwise provided for by this Code.

2. As a result of renting out the residential space to an organisation, legal or a natural person for residential purposes, the income received by a natural person who makes no deductions from this income shall be taxed at the rate of 5%.

3. Surplus income gained by a natural person from the provision of a residential apartment (house) and of the land attached to it, or from the provision of a vehicle, shall be taxed at the rate of 5%.

4. For the purposes of paragraph 3 of this article, surplus income received from the provision of assets shall be determined

according to Article 82(4)(b) of this Code.

5. For the purposes of paragraph 2 of this article, the procedure for the maintenance of the register of persons renting out the residential space and for the enjoyment of tax privileges by persons renting out the residential space to legal persons shall be established by the Minister of Finance of Georgia.

Law of Georgia No 118 of 20 December 2012 – website, 29.12.2012

Law of Georgia No 3581 of 1 May 2015 – website, 15.5.2015

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Article 81[1] – (Deleted)

Law of Georgia No 118 of 20 December 2012 – website, 29.12.2012

Law of Georgia No 3015 of 26 December 2014 – website, 30.12.2014

Article 82 – Tax exemption

1. The following types of income of natural persons shall be exempt from income tax:

a) income of a non-resident earned while being employed at foreign diplomatic and other equivalent establishments in the territory of Georgia;

b) grant, state pension, state compensation, state academic scholarship, pension from cumulative and refundable private pension scheme in the amount of the contributions made, state scholarship, allowances or lump sum payments allocated from the budget and/or the amounts received by a natural person from budget reserve funds;

b[1]) benefit received from a non-entrepreneurial (non-commercial) legal person founded by the State within the scope of the charitable activities;

b[2]) benefit received from a charitable organisation for financing treatment and/or medical service expenses;

b[3]) cumulative pension in the amount of pension contributions made and respective benefits, except as provided for by Article 23(3) of the Law of Georgia on Cumulative Pension;

c) monetary and other awards to sportsmen and their coaches for winning and/or taking podium places in Olympic Games, Chess Olympiads, World and/or European Championships, European Games, World Youth Olympic Games and/or European Youth Olympic Festivals, as well as monetary and other awards to medical personnel of Georgian teams; also other cash prizes determined under an Ordinance of the Government of Georgia for sportsmen and their coaches and for medical personnel in individual Olympic and Non-Olympic games and in particular types of sports games;

d) alimony;

e) the value of property (income) received by a natural person as a result of dissolution of marriage;

f) natural person's:

f.a) surplus gained from the sale of a residential apartment (house) along with the land attached to it owned for more than two years;

f.b) surplus gained from the sale of a vehicle owned for more than six months after registration of title;

f.c) surplus gained from the supply of assets owned for more than two years, except where the transferor of assets uses the assets for economic activity before their supply and/or except as provided for in subparagraphs (f.a) and (f.b) of this paragraph. At the

same time, the supply of assets after two years shall not be deemed as the use of assets for economic activity and/or mere holding of securities/interest for the purpose of earning dividends or interests shall not be deemed as the use of assets for economic activity;

g) the value of property received as a gift or inherited by first and second line heirs during a fiscal year;

h) the value of property of up to GEL 1 000 received as a gift from a natural person during a tax year, except for the value of property received as a gift by an employee from the employer;

i) the value of the property of up to GEL 150 000 received as a gift or by inheritance during a tax year by third and fourth line heirs;

j) amount paid to a natural person (donor) for nutrition in compensation for blood donation;

k) taxable income earned from the primary supply of agricultural products produced in Georgia by a natural person engaged in agricultural production until 1 January 2023 if the gross income earned by the natural person from such supply during the calendar year does not exceed GEL 200 000;

l) gain arising from the receipt of property through privatisation (or free of charge) as well as from gratuitous receipt of apartments by the victims of earthquake or other natural disasters in exchange for damaged apartments in the same populated area or by eco-migrants in other populated areas;

l^1) gain arising from the acknowledgment of the property right according to the Law of Georgia on Recognition of Property Rights of the Parcels of Land Possessed (Used) by Natural Persons and Legal Entities under Private Law;

m) compensations received within the framework of a privatisation program by a person having the status of a refugee or a humanitarian status or by an internally displaced person in exchange for a temporary residence; also, for internally displaced persons, the value of property granted to them by the State and income from the initial sale of that property;

n) cumulative surplus gained by a natural person (first line heir) from the sale of the tangible assets that have been owned by him/her and his/her legator/grantor for more than two years;

o) surplus income earned from the sale of securities issued by an international financial company;

p) (Deleted – 23.12.2107, No 1935);

q) income earned by a non-resident from a Georgian source as a result of risk insurance or reinsurance by a company, organisation and/or entrepreneur natural person;

r) income earned by non-residents from leasing out the property that do not belong to the non-resident's permanent establishment in Georgia;

s) interest income from government debt securities or debt securities of the National Bank of Georgia, the Legal Entity under Pubic Law – the Deposit Insurance Agency, and of an international financial institution. The list of international financial institutions shall be determined by an ordinance of the Government of Georgia;

t) surplus income from the sale of government debt securities or debt securities of the National Bank of Georgia, the Legal Entity under Pubic Law – the Deposit Insurance Agency, and of an international financial institution and the income received from the interests accrued by funds placed in the accounts at the National Bank of Georgia. The list of international financial institutions shall be determined by an ordinance of the Government of Georgia;

t^1) income gained by a resident legal person from the supply of the equity securities issued through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia;

t^2) income gained by a resident legal person as an interest from the loan securities issued before 1 January 2023 through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia;

t^3) income gained by a resident legal person from the supply of the equity securities issued through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia;

u) income (including gain) received by a resident natural person, which does not belong to Georgian source income;

v) allowance paid by the employer to employees of the Ministry of Internal Affairs of Georgia, employees of the State Security Service of Georgia, or to military personnel maimed and/or incapacitated in the course of their duty; and in the event of their death – an allowance paid by the employer to their families (heirs);

w) income received from lottery, the value of which does not exceed GEL 1 000;

x) income earned by a partnership from the transfer of property to its member (co-owner), provided the members of the partnership are only natural persons, the composition of the members of the partnership did not change from the foundation of the partnership up to the transfer (distribution) of property and the partnership is not a VAT payer at the moment of the distribution. For the purposes of this subparagraph, the transfer of a partner's interest to his/her heir in the case of the partner's death or the sale of a partner's interest under the Law of Georgia on Enforcement Proceedings shall not be regarded as a change in the composition of the partnership;

y) salary income earned by a non-resident natural person, if the employment is performed within the territory of Georgia for not more than 30 calendar days during a tax year and the payer of such income (salary) is a non-resident employer, except where such expenses are attributed to the expenses of the non-resident's permanent establishment, irrespective of whether such expenses are paid by such permanent establishment;

z) surplus received from the transfer of real estate to a partner natural person in exchange for his/her share in the enterprise by way of liquidation or capital reduction of such company, if more than two years have elapsed from the creation of the natural person's title to that share of the enterprise;

z^1) salary paid by a person engaged in agricultural production before 1 January 2023 within the scope of that activity, if the employer's gross income received from that activity does not exceed GEL 200 000;

z^2) income earned by persons organising gambling clubs, slot machine saloons, or betting houses (other than the income earned from organising gambling in a systemic-electronic form) from such business;

z^3) the value of property received free of charge from a charitable organisation by a person duly registered in the unified database of socially vulnerable persons (who receives subsistence allowance that can be evidenced by the relevant documents), by a person maimed in the fight for the territorial integrity of Georgia, as well as by a family member of a person killed in the fight for the territorial integrity of Georgia;

z^4) gain derived from the transfer of immovable property by an administrative authority (employer) to a staff member (employee) for consideration or free of charge;

z_4^1) gain derived from a gratuitous transfer by an administrative authority to an employee of fuel intended for a vehicle which is in the employee's personal possession in the course of his/her official duty;

z^5) compensation payable to a person for the provision of services of the surety specified in Article 249 of this Code, of the surety specified in the Civil Code of Georgia, or easement services free of charge, and the gain received by recipients of those gratuitous services;

z^6) gain derived by a hotel room owner from gratuitous hotel services (hotel accommodation) provided to him/her for maximum 60 days during a calendar year by a tourist enterprise and/or by the person(s) hired under an agreement by the tourist enterprise for the functioning/operation of the hotel;

z^7) income received by a notary in the form of a financial aid from the LEPL Notary Chamber of Georgia under the Law of Georgi on Notaries in a high-mountain settlement or in a settlement where notary services were not duly available at the moment of the appointment of a notary.

z^8) income earned by a person who is in a bankruptcy regime after the commencement of bankruptcy proceedings under the Law of Georgia on Insolvency Proceedings;

z^8a) income earned by a natural person as a result of being employed by a person in relation to whom bankruptcy proceedings are pending;

z^8b) compensation for the property confiscated under Article 21 of the Constitution of Georgia;

z^8c) income earned from the activity carried out within the status of a high-mountain settlement enterprise by an individual entrepreneur who enjoys the status of a high-mountain settlement enterprise – for 10 calendar years after the granting of the relevant status (including the calendar year in which the status was granted);

z^8d) income earned from supplying the surplus energy produced by a retail consumer, an owner of a micro power plant to a distribution licensee;

[z^8e) income earned by a person having the status of a special enterprise from an activity under Article 24^2(2)(a) and (b) of this Code. ***(Shall become effective from 1 January 2019)]***

Note: a tax privilege under t^1–t^3 of this paragraph shall also apply when the loan/equity securities are allowed for trading on an organised market before its recognition by the National Bank of Georgia. In addition, the privilege shall be effective from the date of recognition of the organised market by the National Bank of Georgia.

2. Income tax shall not be levied on:

a) taxable income up to GEL 3 000 earned by the following natural persons during a calendar year:

a.a) citizens of Georgia who participated in World War II and the battles for the territorial integrity of Georgia;

a.b) a person awarded with an honorary title of 'Kartvlis Deda' (Mother of Georgia);

a.c) a single mother;

a.d) a person who has adopted a child (for one year from adoption);

a.e) a person has taken a child under foster care;

a.f) the taxable salary income received from a budgetary organisation in a high-mountain settlement during a calendar year by a person with three or more children (having three or more than three dependent children under age 18) who resides permanently in a settlement. Income tax on the taxable salary income of up to GEL 3 000 received from a budgetary organisation in a high-mountain settlement during a calendar year by a person with one or two children (having one or two dependent children under age 18) who resides permanently in a settlement shall be reduced by 50%.

b) the taxable income of up to GEL 6 000 earned during a calendar year by a person with a disability from childhood, as well as by a person with severe and persistent disabilities;

b^1) the taxable income of up to GEL 6 000 earned during a calendar year by a person who received serious damage to health durin the participation in international peacekeeping operations for the maintenance and restoration of peace and security or in other peacekeeping activities in accordance with the Law of Georgia on the Participation of the Armed Forces of Georgia in Peacekeeping Operations;

c) taxable income of up to GEL 6 000 earned by a person with the status of a person permanently residing in a high-mountain settlement from an activity in a high-mountain settlement during a calendar year, except for the salary income received from a budgetary organisation and a medical institution established by the state or a local self-governing body.

3. If in the cases provided for in the second paragraph of this article an income tax payer becomes eligible to more than one tax privileges, he/she shall use the highest of the tax privileges.

4. For the purposes of this article:

a) The two-year term of owning an asset shall commence:

a.a) from the date of the preparation of a certificate of title for the purpose of registration with the registration authority; if an asset that is registered with the registration authority as a single property in terms of its title deed is divided, the two-year period of ownership of the received asset shall be calculated from the date of ownership of the asset before its division.

a.b) if a title is not registered with the registration authority – from the moment of creation of the title;

b) 'surplus gained from the sale of an asset' shall be calculated as:

b.a) the difference between the supply price of the asset and its purchase price at the moment of the creation of title to it;

b.b) the difference between the supply price of an asset and its market price at the moment of gratuitous receipt, provided the title to the asset has been received free of charge.

c) when receiving property as a gift and/or by will the following persons shall be deemed as first, second, third and fourth line heirs:

c.a) first line heirs – spouse, child, adopted child, grandchild, great grandchild and his/her child, parent, adoptive parent;

c.b) second line heirs – sister, brother, niece/nephew and their children;

c.c) third line heirs – grandmother and grandfather, parents of grandmother and parents of grandfather both maternal and paternal;

c.d) fourth line heirs – uncle (mother's brother and father's brother), aunt.

5. In the cases provided in the second paragraph of this article, in order to apply tax privileges to the income received from a payment source according to the tax year, the employee shall submit, in the manner prescribed by the Minister of Finance of Georgia, to the employer a certificate issued by a tax authority evidencing his/her right to tax privileges. If the person has more than one working place, the payment source, in respect of which tax privilege is to apply, shall be determined by the employee.

Law of Georgia No 3882 of 7 December 2010 – LHG III, No 72, 22.12.2010, Art. 428

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Law of Georgia No 4935 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5371 of 6 December 2011 – website, 20.12.2011

Law of Georgia No 5452 of 9 December 2011 – website, 22.12.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5791 of 13 March 2012 – website, 23.3.2012

Law of Georgia No 6053 of 24 April 2012 – website, 27.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6395 of 5 June 2012 – website, 19.6.2012

Law of Georgia No 6446 of 12 June 2012 – website, 25.6.2012

Law of Georgia No 6502 of 19 June 2012 – website, 2.7.2012

Law of Georgia No 906 of 30 July 2013 – website, 20.8.2013

Law of Georgia No 1046 of 6 September 2013 – website, 23.9.2013

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 2950 of 12 December 2014 – website, 23.12.2014

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Law of Georgia No 3942 of 8 July 2015 – website, 15.7.2015

Law of Georgia No 4037 of 16 July 2015 – website, 28.7.2015

Law of Georgia No 4611 of 10 December 2015 – website, 22.12.2015

Law of Georgia No 4647 of 16 December 2015 – website, 25.12.2015

Law of Georgia No 4611 of 10 December 2015 – website, 22.12.2015

Law of Georgia No 4647 of 16 December 2015 – website, 25.12.2015

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Law of Georgia No 4842 of 4 March 2016 – website, 9.3.2016

Law of Georgia No 5491 of 22 June 2016 – website, 29.6.2016

Law of Georgia No 97 of 16 December 2016 – website, 23.12.2016

Law of Georgia No 854 of 17 May 2017 – website, 2.6.2017

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Law of Georgia No 2476 of 6 June 2018 – website, 21.6.2018

Law of Georgia No 1607 of 27 June 2018 – website, 6.7.2018

Law of Georgia No 3308 of 21 July 2018 – website, 6.8.2018

Chapter XII – Special Tax Treatments

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Article 83 – Special tax treatments

Special tax treatments shall apply to:

a) natural persons having the status of a micro business;

b) entrepreneur natural persons having the status of a small business;

c) persons having the status of a fixed tax payer.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Article 84 – Micro business

1. The status of a micro business may be granted to a natural person who does not use the hired labour and conducts economic activity independently, the gross receivable income from which during a calendar year does not exceed GEL 30 000.

2. The GEL 30 000 limit set by the first paragraph of this article does not apply to the types of activities identified by the Government of Georgia in agreement with the Financial-Budget Committee of the Parliament of Georgia.

3. In agreement with the Financial-Budget Committee of the Parliament of Georgia, the Government of Georgia may prohibit the conduct of certain activities, for which the status of micro business cannot be granted to a natural person.

4. In agreement with the Financial-Budget Committee of the Parliament of Georgia, the Government of Georgia may determine the types of income not taxable under special tax treatment and for the purposes of the first paragraph of this article shall not be included in gross income.

5. The status of a micro business is granted, revoked and the certificate of a micro business is issued as prescribed by the Minister of Finance of Georgia.

Article 85 – Granting the status of a micro business

1. A natural person who meets the conditions set out in Article 84 of this Code may apply to a tax authority for the status of a micro business. The tax authority shall issue a certificate of a micro business.

2. The status of a micro business in the current fiscal year shall be revoked if:

a) a natural person has applied to a tax authority for revocation of the status of a micro business or for receiving the status of a small business;

b) after the inventory conducted by a tax authority it has been established that the inventory balance of a natural person having the status of a micro business exceeds GEL 45 000.

c) a natural person has been registered as a VAT payer.

3. If a person having the status of a micro business does not apply to a tax authority for the status of a small business within 15 day after violating the requirement (limit on the amount of gross income) of Article 84(1) of this Code, his/her status of a micro business shall be revoked and shall be removed from special tax treatment.

4. If a natural person does not comply with the requirement of Article 84(3) of this Code, a tax authority shall revoke his/her statu of a micro business and remove him/her from special tax treatment.

5. If the status of a micro business of a natural person is revoked, the income of the natural person at that moment shall be taxed:

a) if the person receives the status of a small business – as prescribed for small business;

b) in other cases – as provided in Articles 79-82 of this Code.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Article 86 – Exemption of a micro business from tax

A natural person having the status of a micro business shall not pay income tax.

Article 87 – Obligations of a micro business

1. When drawing up a tax source document, a person having the status of a micro business shall indicate his/her status and status certificate number in the document.

2. A person having the status of a micro business shall keep the tax source document issued by or to him/her.

Article 88 – Small business

1. The status of a small business may be granted to an entrepreneur natural person.

2. In agreement with the Financial-Budget Committee of the Parliament of Georgia, the Government of Georgia may prohibit the conduct of a certain activity for which the status of a small business cannot be granted to a natural person.

3. In agreement with the Financial-Budget Committee of the Parliament of Georgia, the Government of Georgia may determine the types of income that will not be taxed under the special tax treatment and will not be included in the gross income when calculating the GEL 50 000-limit of the gross income received during a calendar year determined for a natural person having the status of a small business.

Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018

Article 89 – Granting the status of a small business

1. An entrepreneur natural person who meets the conditions set out in Article 88 of this Code may apply to a tax authority for a status of a small business. The tax authority shall grant a certificate of small business.

2. The status of a small business shall be revoked if:

a) the gross income received from the economic activities of a person according to two calendar years does not exceeded GEL 500 000 in each calendar year;

b) a person applies to a tax authority with this request before the end of the calendar year;

c) a person conducts an activity under Article 88(2) of this Code;

d) a person has been fined at least three times within a calendar year for the non-compliance with the cash register usage procedures.

3. In the case under paragraph 2(a) or (b) of this article, the status of a small business shall be considered revoked from the beginning of the year following the calendar year.

4. If the status of a small business is revoked on the ground under paragraph 2(c or d) of this article, the status of a small business shall be considered revoked from the beginning of the calendar year.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018

Article 90 – Taxable income of small business and tax rates

1. Taxable income of a person having the status of a small business shall be taxed at 1%, except as provided for paragraph 2 of this article.

2. Taxable income of a person having the status of a small business shall be taxed at 3% if his/her gross income received from the economic activities has exceeded GEL 500 000. A person having the status of a small business shall be taxed at the rate determined under this paragraph from the beginning of a respective month (a month when the excess of the GEL 500 000-limit of the gross income has been recorded) until the end of the calendar year.

3. Taxable income of a small business consists of the incomes earned from a Georgian-based source, except for the salary income and the income earned from a type of income defined in Article 88(3) of this Code.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018

Article 91 – Principles of accounting for small business income and costs

1. A person having the status of a small business shall maintain a special book of records. The procedure for maintaining the book (including in an electronic form) shall be defined by the order of the Minister of Finance of Georgia.

2. (Deleted – 30.5.2018, No 2391).

3. An entrepreneur natural person having the status of a small business shall keep a tax source document issued to or by him/her.

4. (Deleted – 30.5.2018, No 2391).

5. The loss incurred by a small business during a tax year shall not be carried forward to the next year, unless the taxpayer is removed from special tax treatment.

6. The procedure for recording the inventory balance available when the status of a small business is revoked for an entrepreneur natural person having the status of a small business shall be defined by the order of the Minister of Finance of Georgia.

7. (Deleted – 30.5.2018, No 2391).

Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018

Article 92 – Registration of a small business as a VAT payer

1. An entrepreneur natural person having the status of a small business, who has become obliged to obtain mandatory registration as a VAT payer, shall pass the registration under Article 157 of this Code.

2. When an entrepreneur natural person having the status of a small business becomes liable for mandatory registration as a VAT payer, he/she shall record the inventory balance available at that moment.

3. Upon registration as a VAT payer, an entrepreneur natural person having the status of a small business may obtain a VAT deduction for the inventory balance referred to in the second paragraph of this article as provided for by this Code, provided relevant documents are available.

Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018

Article 93 – Filing micro and small business tax returns

1. Except as provided for by Article 26 of this article, before 1 April of the year following a tax year, tax returns shall be filed with a tax authority according to the place of tax registration by:

a) a natural person having the status of micro business;

b) (Deleted – 30.5.2018, No 2391).

1^1. A tax return of a person having the status of a small business shall be filed with, and a tax shall be paid to a tax authority not later than the 15th day of a month following the accounting month.

2. (Deleted – 30.5.2018, No 2391).

3. (Deleted – 20.12.2011, No 5556).

4. Tax return filing procedures for persons having the status of micro or small business shall be prescribed by order of the Minister of Finance of Georgia.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018

Article 94 – Current taxes of small and micro businesses and procedure for withholding at source

1. A natural person having the status of a micro business and a natural person having the status of a small business shall not pay current taxes.

2. An entrepreneur natural person having the status of a small business shall pay current taxes to the budget according to the annual tax paid during the previous tax year in the following amounts:

a) by not later than 15 May – 25%;

b) by not later than 15 July – 25%;

c) by not later than 15 September – 25%;

d) by not later than 15 December – 25%.

3. A natural person having the status of micro business shall not withhold tax at source if paying for the services received.

4. A salary of up to GEL 6 000 paid in total during a calendar year by a person having the status of a small business to hired person shall not be taxed at source if there is one of the following conditions:

a) he/she is registered as an individual entrepreneur and is granted the status of a small business within the same calendar year;

b) the gross income he/she received during the previous calendar year does not exceed GEL 50 000.

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018

Article 95 – Tax control over small and micro businesses

1. Tax authorities may conduct the following current tax control measures with respect to persons having the status of small and micro businesses:

a) test purchase of goods/services;

b) visual inspection;

c) checking the observance of rules for the use of cash registers;

d) time study;

e) stocktaking.

2. A tax authority may determine the income of a person having the status of micro business by indirect methods in accordance with the procedures established by the Minister of Finance of Georgia.

Article 95^1 – Flat tax payers

A fixed tax payer may be a person who is not a VAT payer and who conducts one or more activities subject to a fixed tax.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Article 95^2 – Activities taxable with flat tax

The types of activities subject to a flat tax and in the case of the activities taxable at the rate specified in Article 95^3(1)(a) of this Code, the activity taxable with a flat tax according to the types of activity shall be determined by the Government of Georgia.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Article 95^3 – Flat tax rate

1. A flat tax rate according to the types of activity determined by the Government of Georgia may be:

a) from GEL 1 to GEL 2 000 for an object of taxation;

b) 3% of the revenues from taxable activity.

2. In the cases provided in paragraph 1(a) of this Article, a flat tax rate according to types of activity shall be determined by the Government of Georgia to the extent of the amount determined by that subparagraph. At the same time, the Government of Georgia may determine different flat tax rates according to local self-governing units for the same types of activities taxable at a flat tax rate.

3. In the case provided for in paragraph 1(b) of this article conditions and types of taxable activities according to the place of business shall be determined by the Government of Georgia.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Article 95^4 – Granting the status of a flat tax payer

1. A person who meets the requirements of Article 95^1 of this Code may apply to a tax authority for the status of a flat tax payer and move to a flat tax regime, for which a certificate of a flat tax payer is issued.

2. A person may move to a flat tax regime in any month of the reporting year. At the same time, a person shall be deemed to have the status of a flat tax payer and, accordingly, to be a flat tax payer from the first day of the month following the month in which the person is granted the status of a flat tax payer.

3. The procedures for granting and revoking a flat tax payer status and issuing a flat tax payer certificate shall be determined by order of the Minister of Finance of Georgia.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Article 95^5 – Conditions of flat rate taxation

1. In addition to the activity taxable by a flat tax, a flat tax payer may conduct only activities permitted by the Government of Georgia.

2. Income earned from an additional activity referred to in the first paragraph of this article shall be taxed according to regular procedures.

3. Income earned from the activity taxable by a flat tax shall not be included in the gross income of a flat tax payer and shall not b subject to subsequent taxation.

4. A flat tax payer shall not pay current taxes according to a flat tax.

5. When preparing tax source documents, a flat tax payer shall indicate a flat tax payer status and a flat tax payer certificate number.

6. A flat tax payer shall retain the tax source document issued to or by him/her.

7. The procedure for payment and reporting of flat tax shall be determined by order of the Minister of Finance of Georgia.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Article 95^6 – Revoking a flat tax payer status

1. A flat tax payer status shall be revoked if:

a) a person ceases the activity taxable by a flat tax;

b) a person applies to a tax authority for revocation of a flat tax payer status;

c) a person conducts activities different from the additional activities permitted by the Government of Georgia for a flat tax payer;

d) a person becomes liable to become registered as a VAT payer in respect of the additional activity permitted by the Government of Georgia for flat tax payers, or voluntarily becomes registered as a VAT payer.

2. If one of the conditions for revocation of the status of a flat tax payer occurs (except for paragraph 1(b) of this article), a person shall apply to a tax authority for revocation of a flat tax payer status not later than 10 business days after the condition occurs.

3. The status of a flat tax payer shall be deemed revoked from the day when the condition for revocation of the status of a flat tax payer specified in the first paragraph of this article occurs.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Chapter XIII – Profit Tax

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Article 96 – Profit tax payers

Profit tax payers shall be:

a) resident enterprises;

b) non-resident enterprises that conduct business in Georgia through a permanent establishment and/or earns income from a

Georgian source.

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Article 97 – Object of profit taxation

1. The object of profit taxation of a resident enterprise (except for cases under paragraphs 2, 8 and 9 of this article) shall be:

a) distributed profit;

b) costs incurred or other payments not related to economic activity;

c) free delivery of goods/services and/or transfer of funds;

d) representation expenses paid in excess of a limited amount determined under this Code.

2. Taxable profit of an organisation shall be the difference between the gross income earned during a calendar year and the deduction amounts provided for under this Code.

[2. The object of profit taxation of an organisation conducting economic activities shall be:

a) the costs incurred, or other payments not connected with economic activities and/or which are not related to the objective of the organisation's activities (including those not connected with charity activities or not related to the objective of a grant agreement);

b) the free supply of goods/provision of services, and/or transfer of financial resources if it is not related to the objective of the organisation's activities;

c) the entertainment costs paid in excess of the limited amount determined under this Code. ***(Shall become effective from 1 January 2019)]***

3. The object of profit taxation of a non-resident enterprise conducting business in Georgia through a permanent establishment shall be, on the basis of the activity of its permanent establishment, disbursements made/expenses paid by the non-resident enterprise, or the permanent establishment as provided for under paragraph 1 of this article.

4. Georgian source income earned by a non-resident enterprise, which does not belong to its permanent establishment, shall be taxed without deductions at the source under Article 134 of this Code, except as provided for in paragraphs 5 and 6 of this article.

5. The object of profit taxation of a non-resident enterprise earning income from the sale of property under paragraph 6 of this article, which is not related to the activity of its permanent establishment in Georgia, shall be the difference between the gross income earned from a Georgian source during a calendar year and the deduction amounts with respect to earning of the income.

6. Income earned from the sale of property under paragraph 5 of this article shall be:

a) income gained from the sale of ordinary shares or partner's equity of a resident legal entity;

b) income gained from the sale of assets under Article 8(21) of this Code;

c) income gained from the sale of property under Article 104(1)(j) or (k) of this Code;

d) income gained from the sale of other property.

7. If payments/disbursements under Articles 98^1 – 98^4 of this Code are made in a non-monetary form, the object of profit taxation shall be determined by the market price of the goods/services delivered.

8. The difference between the gross income gained during a calendar year and the amounts of the deductions provided for by this Code shall be the object of profit taxation for:

a) a person that gains profit as a result of oil and gas operations based on the "existing agreements" defined by the Law of Georgia on Oil and Gas, in a part of this profit;

b) a party to the Main Export Pipeline project as defined by the Agreement Among Georgia, the Azerbaijan Republic and the Republic of Turkey Relating to the Transportation of Petroleum Via the Territories of the Azerbaijan Republic, Georgia and the Republic of Turkey Through the Baku-Tbilisi-Ceyhan Main Export Pipeline, in a part of the profit gained within this project;

c) a party to the South Caucasus Pipeline project defined by the Agreement between Georgia and the Azerbaijan Republic Relating to the Transit, Transportation and Sale of Natural Gas In and Beyond the Territories of Georgia and the Azerbaijan Republic Through the South Caucasus Pipeline System, in a part of the profit gained within this project.

9. The object of profit taxation of a person, in case of organising a betting house in a systemic-electronic form, with regard to this activity shall be determined under Article 309(16) of this Code.

10. For the purposes of paragraphs 1 and 3 of this article, the taxable amount shall be calculated by dividing the sum of a disbursement made/expense paid according to the object of taxation determined under the same paragraphs by 0.85.

[10. For the purposes of paragraphs 1–3 of this article, the amount subject to profit taxation shall be calculated by dividing the sum of a disbursement made/expense paid according to the object of taxation determined under the same paragraphs by 0.85. ***(Shall become effective from 1 January 2019)]***

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018

Article 98 – Tax rate

1. The profit tax rate shall be 15%, except as provided for in paragraph 2 of this article.

2. Profit gained from oil and gas operations as a result of implementation of the "existing agreements" defined under the Law of Georgia on Oil and Gas shall be taxed at the rate of 10%, provided these agreements were signed before 1 January 1998.

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Article 98[1] – Distributed profit

1. Distributed profit shall be a profit distributed by an enterprise to its partner as a dividend in a monetary or non-monetary form.

2. The following shall not be deemed as distributed profit:

a) a payment/disbursement made in cash or in kind at the time of liquidation of an enterprise or at the time of buying out a share/interest, which does not exceed the amount of contribution made by a partner to the capital (authorised and additional paid-in capital). Increase of the capital of an enterprise as a result of an operation conducted under sub-paragraph b) of this paragraph for the purpose of this sub-paragraph shall not be considered a contribution made by a partner to the capital (authorised and additional paid-in capital);

b) a payment made to a partner of an enterprise by transferring a share/interest of the enterprise into ownership, except for transferring by a resident legal person the equity securities issued through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia;

c) distribution of a dividend to a person defined under Article 2(1) of the Law of Georgia on Entrepreneurs (except for an individual enterprise and a person exempt from profit tax under this Code);

d) transfer of assets to the state and/or a municipality by an enterprise through capital reduction if more than 50% of shares/interest of the enterprise is in the ownership of the state and/or the municipality;

e) distribution by an enterprise of a dividend received from a foreign enterprise (except for a person registered in a country with preferential tax treatment).

3. For the purposes of this article, distributed profit of a permanent establishment of a non-resident enterprise shall be deemed a disbursement made to the non-resident enterprise in cash or in kind out of the profit gained as a result of the activity of the permanent establishment (taking away by the non-resident enterprise of the profit allotted to its permanent establishment). A permanent establishment shall be allotted a profit it might have gained as an independent enterprise conducting the same or similar activity and being in the same or similar conditions.

4. The following shall be deemed as distribution of profit:

a) any operation performed by an enterprise with a related party (who is not subject to profit tax according to objects of taxation under Article 97(1, 3)) if the price of a transaction concluded between them is different from its market price and their relation affects the outcome of the transaction. In such a case the amount of distributed profit shall be:

a.a) the difference between the market price of a transaction and the income gained/to be gained if the market price of the transaction exceeds the income gained/to be gained;

a.b) the difference between the costs incurred as a result of a transaction and the market price of the transaction if the costs incurred as a result of the transaction exceeds the market price of the transaction;

b) conduct of a controlled transaction if the established conditions for the transaction fail to satisfy the market principle. In such a case, the amount of distributed profit shall be determined by the adjustment amount calculated under the procedure established by Chapter XVII of this Code;

c) any operation performed by an enterprise with a person exempt from income tax/profit tax (except for a budget organisation, the Legal Entity under Public Law – the Deposit Insurance Agency and the National Bank of Georgia) if the price of a transaction concluded between them is different from its market price. In such a case the amount of distributed profit shall be:

c.a) the difference between the market price of a transaction and the income gained/to be gained if the market price of the transaction exceeds the income gained/to be gained;

c.b) the difference between the costs incurred as a result of a transaction and the market price of the transaction if the costs incurred as a result of the transaction exceeds the market price of the transaction.

5. For the identification of the amount under paragraph 2(e) of this article it shall be deemed that this amount is to be paid first when a dividend is distributed by an enterprise.

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 854 of 17 May 2017 – website, 2.6.2017

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Article 98^2 – Costs incurred or other payments not related to economic activity

1. For the purposes of this article, costs not related to economic activity shall be:

a) costs that are not documented if this obligation is established under this Code;

b) costs the purpose of payment of which is not to gain profit, income or compensation;

c) costs paid for goods/services purchased from a natural person having the status of a micro business, except when the income gained from the delivery of goods/services by a person having this status is taxed under the general rule, or when a consignment note/a document of a form determined by the Minister of Finance of Georgia is issued upon the supply/purchase of goods;

d) costs paid for goods/services purchased from a person having the status of a fixed taxpayer within the scope of an activity taxed at a fixed rate (except for an activity to be taxed at a fixed rate under Article 95^3(1)(b) of this Code);

e) the interest paid for a credit (loan) above the annual interest rate established by the Minister of Finance of Georgia;

f) costs paid by a person (except for a special trade company) for purchasing foreign goods from a special trade company in the amount exceeding the customs value of the goods, except for the costs not related to payments to the special trade company.

2. Costs paid in order to make disbursements provided for in Articles 98^1 and 98^3 of this Code (including a disbursement not subject to profit tax), as well as a disbursement taxed at source shall not be included in the costs under paragraph 1 of this article.

3. The following shall be subject to profit taxation:

a) payments made to purchase debt securities issued by a person registered in a country with preferential tax treatment, as well as by a person exempt from profit tax under this Code (except for a budget organisation, the Legal Entity under Public Law – the Deposit Insurance Agency and the National Bank of Georgia);

b) contractual penalties and/or other fines paid to a person registered in a country with preferential tax treatment, as well as to a person exempt from profit tax under this Code (except for a budget organisation, the Legal Entity under Public Law – the Deposit Insurance Agency and the National Bank of Georgia), which were incurred on the basis of contractual relations;

c) advance payments to a person registered in a country with preferential tax treatment, as well as to a person exempt from profit tax under this Code (except for a budget organisation, the Legal Entity under Public Law – the Deposit Insurance Agency and the National Bank of Georgia);

d) granting of a loan to a person registered in a country with preferential tax treatment, as well as to a person exempt from profit tax under this Code (except for the Legal Entity under Public Law – the Deposit Insurance Agency and the National Bank of Georgia) and/or payments made to purchase a claim against that person. This subparagraph shall not apply to transactions conducted by a commercial bank, credit union, microfinance organisation and pawnshop with a person exempt from profit tax under this Code;

e) loss incurred due to the transfer of the right to claim to and/or the denial of the right to claim for a person registered in a country with preferential tax treatment, as well as a person exempt from profit tax under this Code (except for the Legal Entity under Public Law – the Deposit Insurance Agency and the National Bank of Georgia);

f) a contribution made to the capital of a non-resident, as well as of a person exempt from profit tax under this Code, and/or a payment made to purchase a share/equity (except for a share/equity placed on a foreign recognised stock exchange);

g) granting of a loan to a natural person or a non-resident (except for the purchase of loan securities placed on a foreign recognised stock exchange). This subparagraph shall not apply to transactions conducted by a commercial bank, credit union, microfinance organisation and pawnshop;

g^1) securing of a loan obtained by a partner natural person or a partner non-resident from a third person with the funds deposited to a bank account. In such a case, the sum of an object of profit taxation shall be the amount of funds deposited to the bank account for securing the loan. This sub-paragraph shall not apply to operations conducted by a commercial bank, credit union, microfinance organisation and a pawnshop;

h) granting of a loan by a commercial bank, credit union, microfinance organisation or pawnshop to a non-resident partner, a partner exempt from profit tax under this Code or a partner natural person with at least 1 % of the capital participation, and/or securing of a loan taken out by a partner from a third party with the funds deposited to a bank account. In such a case, the sum of an object of profit taxation shall be the amount of funds deposited to the bank account for securing the loan.

4. Expenses related to the placement of shares and/or Global Depositary Receipts at stock exchange (including at the stock exchange recognised by a foreign country), and to the issuing of such shares and/or Global Depositary Receipts, as well as expenses related to changes made in the listing category/regime shall be considered as the expenses related to economic activity.

5. A country shall be considered as having preferential tax treatment if under the tax legislation of the country and/or separate territories of the country:

a) a legal person is exempt from profit tax;

b) no profit tax is imposed on profit gained and/or distributed by a legal person, or the profit tax rate does not exceed 1/3 of the profit tax rate existing in Georgia.

6. if, under the tax legislation of a foreign country or separate territories of a foreign country, either of the cases under paragraph 5 of this article takes place in relation to a legal person, this country and/or separate territories of the country shall, in this regard, be considered as a country with preferential tax treatment.

7. If payment was effected (a sum was actually received) as a result of providing debt securities purchased or the right to participate in the capital (shares/interest), or satisfying a demand, a person may set off and recover under the procedure established by this Code a sum of the previously paid profit tax in the amount of a profit tax calculated according to the sum paid within the accounting period of the actual receipt of the sum.

8. If a loan granted/advance payment was repaid, or goods/services were received in return for the advance payment, a person may set off and recover under the procedure established by this Code a sum of the previously paid profit tax in the amount of a profit tax calculated according to the sum repaid within the accounting period for repayment of the loan/advance payment or actual receipt of the goods/services, or according to the amount of compensation for the goods/services received.

9. If securing of a loan by the funds deposited to a bank account is cancelled, a person may set off and recover under the procedure established by this Code a sum of the previously paid profit tax in the amount of a profit tax calculated according to the security with the funds deposited to the bank account cancelled during the accounting period of cancellation of the security.

10. The list of countries and/or separate territories of countries that are considered as countries with preferential tax treatment for the purposes of this Code shall be compiled based on the criteria under paragraphs 5 and 6 of this article by ordinance of the Government of Georgia.

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 854 of 17 May 2017 – website, 2.6.2017

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018

Article 98^3 – Free delivery of goods/services and/or transfer of funds

1. For the purposes of this article, delivery of goods or services not intended to gain profit, income or compensation shall be considered free delivery.

2. Shortage in the inventory and/or assets provided for under this Code at the moment of its identification shall be considered as free delivery of the good.

3. The following cases of free delivery of goods/services and/or transfer of funds shall not be subject to profit taxation:

a) a donation made to a charity organisation during a calendar year not exceeding 10 % of the net profit gained by the organisation during a previous calendar year;

b) free delivery of goods or services, or transfer of funds that are taxed at source under Article 154 of this Code;

c) free provision of hotel services (hotel accommodation) for not more than 60 days during a calendar year to a hotel room owner by a tour company and/or a person/persons invited by a tour company under a contract for running/operating the hotel;

d) free delivery of goods or services, and/or transfer of funds to the state, a municipality or a legal entity under public law;

e) free provision of immovable property to a charitable organisation if the property recipient organisation does charitable work in relation to persons with disabilities from childhood and/or persons with severe and persistent disabilities for at least three previous calendar years;

f) free provision of a surety under Article 249 of this Code, a surety under the Civil Code of Georgia, and an easement.

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Article 98[4] – Taxation of entertainment expenses

1. For the purposes of this article, entertainment expenses shall be defined under Article 8(33) of this Code.

2. For the purposes of Article 97 of this Code, the amount of entertainment expenses to be incurred during a calendar year shall be limited to 1 % of the income gained during a previous calendar year, and to 1 % of the expenses incurred if the expenses exceed the income gained.

3. The amount of entertainment expenses incurred during the calendar year of an enterprise establishment shall be limited to 1 % of the expenses incurred before the end of the current calendar year.

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Article 99 – Tax exemption

1. The following shall be exempt from profit tax:

a) profit of budgetary, international and/or charitable organisations, other than profit gained from economic activity;

[a) (Deleted – 30.5.2018, No 2391); ***(Shall become effective from 1 January 2019)]***

b) grants, membership dues and donations received by an organisation;

[b) (Deleted – 30.5.2018, No 2391); ***(Shall become effective from 1 January 2019)]***

c) profit of the National Bank of Georgia;

[c) (Deleted – 30.5.2018, No 2391); ***(Shall become effective from 1 January 2019)]***

c[1]) profit of the Legal Entity under Public Law – the Deposit Insurance Agency;

[c[1]) (Deleted – 30.5.2018, No 2391); ***(Shall become effective from 1 January 2019)]***

d) profit from the sale of crosses, candles, icons, books and calendars used by the Patriarchate of Georgia for religious purposes;

e) profit earned by a person engaged in agricultural production from the primary supply of agricultural products made in Georgia before their industrial processing (changing of commodity code) before 1 January 2018 or distribution of profit, and expenses incurred/disbursements made within the scope of the same activity that are provided for in Article 97(1)(b-d) of this Code if the income gained from such supply during a calendar year does not exceed GEL 200 000;

f) profit earned by an agricultural cooperative from a primary supply of agricultural products made in Georgia before their industrial processing (changing their commodity code) before 1 January 2023 or distribution of profit, and expenses incurred/disbursements made within the scope of the same activity that are provided for in Article 97(1)(b-d) of this Code;

g) profit or distribution of profit earned by an international financial company from financial transactions, financial services and/or from sale of securities issued by a non-resident in Georgia;

h) profit or distribution of profit earned from the sale of securities issued by an international financial company;

i) (Deleted – 23.12.2017, No 1935);

j) income earned by a non-resident from a Georgian source based on the risk insurance and reinsurance by a company, organisation and/or entrepreneur natural person;

k) income earned by non-residents from leasing out property that does not belong to the non-resident's permanent establishment in Georgia;

l) profit or distribution of profit earned from the sale of debt securities of the state, of the National Bank of Georgia, the Legal Entity under Public Law – the Deposit Insurance Agency or of an international financial institution and profit in the form of interests received from those securities, as well as profit or distribution of profit earned from the interest accrued to the funds placed on the accounts with the National Bank of Georgia. The list of international financial institutions shall be determined by an ordinance of the Government of Georgia;

l^1) income earned by a non-resident as a result of supplying the loan securities issued by a resident legal person through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia, which does not belong to the permanent establishment of the non-resident in Georgia;

l^2) income earned by a non-resident as an interest from the loan securities issued before 1 January 2023 by a resident legal person through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia, which does not belong to the permanent establishment of the non-resident in Georgia;

l^3) income earned by a non-resident as a result of supplying the equity securities issued by a resident legal person through a public offering in Georgia and allowed for trading on an organised market recognised by the National Bank of Georgia, which does not belong to the permanent establishment of the non-resident in Georgia;

m) profit or distribution of profit earned by a FIZ Enterprise from business permitted within the Free Industrial Zone, and expenses incurred/disbursements made within the scope of the same activity that are provided for in Article 97(1)(b-d) of this Code;

n) profit or distribution of profit earned by an investment fund from the supply of financial instruments and/or from financial transactions and/or financial services, provided the investment fund is an international financial company;

o) the value of property transferred or services gratuitously delivered by the state and/or municipality authorities to legal entities under public law and to non-entrepreneurial (non-commercial) higher education legal entities founded by the state;

[o) (Deleted – 30.5.2018, No 2391); ***(Shall become effective from 1 January 2019)]***

p) profit (distribution of profit) earned from the supply of information technologies outside Georgia developed by a legal entity of a virtual zone;

q) distribution of profit earned by a tourist zone entrepreneur from the delivery of hotel services up to 1 January 2026, and expenses incurred/disbursements made within the scope of the same activity that are provided for in Article 97(1)(b-d) of this Code;

r) distribution of profit earned by persons from organising a gambling club, a slot machine saloon, a betting house (except for the profit earned by them from organising games in a systemic-electronic form).

s) distribution of profit earned by a special trading company from the conduct of permitted activities (except for the profit earned by the company from the supply of a fixed asset used by the company for its economic activity for over two years);

t) profit earned from general educational activity by a LEPL public school duly authorised by the Minister of Education, Science, Culture and Sport of Georgia;

[t) (Deleted – 30.5.2018, No 2391); ***(Shall become effective from 1 January 2019)]***

u) distribution of profit earned by a person under a bankruptcy regime after commencement of bankruptcy proceedings under the procedure established by the Law of Georgia on Insolvency Proceedings;

v) distribution of profit from compensation received in return for the property confiscated under Article 21 of the Constitution of Georgia;

w) distribution of profit earned by a high-mountain settlement enterprise from an activity carried out in the same high-mountain settlement, and expenses incurred/disbursements made within the scope of the same activity that are provided for in Article 97(1)(b-d) of this Code – for 10 years after being granted the relevant status (including the calendar year when the status was

granted);

x) distribution of profit gained from the interest earned from a financial institute certified under the legislation of Georgia;

[y) distribution of profit earned by a person having the status of a special enterprise from an activity under Article 24^2(2)(a) and (b) of this Code. ***(Shall become effective from 1 January 2019)]***

Note: a tax privilege under 1^1–1^3 of this paragraph shall also apply when the loan/equity securities are allowed for trading on an organised market before its recognition by the National Bank of Georgia. In addition, the privilege shall be effective from the date of recognition of the organised market by the National Bank of Georgia.

2. For the purposes of this article, the types of hotel services (except for the hotel services under Article 8(33)(d.d) of this Code) shall be determined by the Government of Georgia.

3. For the identification of the amount of profit exempt from profit tax under paragraph 1 of this article it shall be deemed that thi amount is to be paid first when a dividend is distributed by an enterprise.

Law of Georgia No 4061 of 15 December 2010 – LHG III, No 75, 27.12.2010, Art. 469

Law of Georgia No 4935 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 4961 of 24 June 2011 – website, 06.7.2011

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5452 of 9 December 2011 – website, 22.12.2011

Law of Georgia No 5791 of 13 March 2012 – website, 23.3.2012

Law of Georgia No 6053 of 24 April 2012 – website, 27.4.2012

Law of Georgia No 6015 of 10 April 2012 – website, 30. 4.2012

Law of Georgia No 6395 of 5 June 2012 – website, 19.6.2012

Law of Georgia No 6446 of 12 June 2012 – website, 25.6.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 817 of 12 July 2013 – website, 05.8.2013

Law of Georgia No 906 of 30 July 2013 – website, 20.8.2013

Law of Georgia No 1046 of 6 September 2013 – website, 23.9.2013

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 4037 of 16 July 2015 – website, 28.7.2015

Law of Georgia No 5503 of 22 June 2016 – website, 12.7.2016

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 854 of 17 May 2017 – website, 2.6.2017

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018

Law of Georgia No 2476 of 6 June 2018 – website, 21.6.2018

Law of Georgia No 3109 of 5 July 2018 – website, 11.7.2018

Chapter XIV – Gross income

Article 100 – Gross income

1. The gross income of a resident shall consist of the income earned from a source located in and outside Georgia.

2. A non-resident's gross income shall consist of the income earned from a Georgian source.

3. Gross income shall be income earned in any form and/or through any activity, namely:

a) salary income;

b) income earned from economic activity, which is not related to employment;

c) other income not related to employment and economic activity.

4. The following shall not be included into the gross income:

a) (Deleted – 13.5.2016, No 5092).

b) gratuitous transfer of goods and/or gratuitous delivery of services to the State and/or local self-government;

c) transfer of goods to other persons, within the framework of the projects (including preparatory stage) provided for in the international treaties ratified by the Parliament of Georgia, by legal persons under public law carrying out those projects and with which the Ministry of Finance has signed an agreement on the implementation of the projects;

d) salary paid by a person having the status of a small business to a hired person, which, under Article 94(4)(a) of this Code, is not taxed at source;

e) return of a fixed asset to a lessor in the cases provided for in Article 115(4)(b) of this Code;

f) benefit received by reducing taxes and/or penalties under a tax agreement made with a taxpayer, writing off tax arrears, and by exempting from tax penalties on the basis of Article 269(7) of this Code;

f^1) benefit received by reducing the amount of fee and the related fine and surcharge on the basis of a tax agreement;

g) supply of agricultural produce made in Georgia as a result of agricultural activity between an agricultural cooperative and its members (shareholders) and/or provision of services related to such activity before 1 January 2023; h) market value of the immovable property (including land) supplied free of charge to a charitable organisation, if the organisation receiving such property has been providing charitable activities for at least the last three calendar years to persons with a disability from childhood and/or severe and persistent disabilities;

j) income earned by a tour company as a result of providing hotel services with the use of hotel assets/part of assets in possession of a natural person (using them as hotel rooms/apartments) – for a natural person;

l) supply of the surplus energy produced by a retail consumer organisation, an owner of a micro power plant to a distribution licensee.

Law of Georgia No 4705 of 20 May 2011 – website, 1.6.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 817 of 12 July 2013 – website, 5.8.2013

Law of Georgia No 906 of 30 July 2013 – website, 20.8.2013

Law of Georgia No 3581 of 1 May 2015 – website, 15.5.2015

Law of Georgia No 4088 of 22 July 2015 – website, 4.8.2015

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 5491 of 22 June 2016 – website, 29.6.2016

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Law of Georgia No 3591 of 30 May 2018 – website, 12.6.2018

Article 101 – Salary income

1. Salary income shall be any compensation or benefit received by a natural person as a result of employment, including income earned as a pension or in any other form from the previous employment, or income from future employment.

2. For the purposes of the first paragraph of this article, the value of the benefit shall be the amount specified below which is reduced by the amount paid by an employee to an employer at the time of receiving the benefit:

a) when receiving a motor vehicle for personal use – 0.1% of the carrying value of the motor vehicle at the beginning of the tax year concerned for each day of using the vehicle by the employee for private purposes;

b) where an employer issues a loan to an employee at an interest rate lower than the rate fixed by the Minister of Finance of Georgia – the amount corresponding to the interest payable at the interest rate fixed by the Minister of Finance of Georgia;

c) where an employer supplies, or gratuitously transfers, goods/services to an employee – the market price of such goods/services;

d) where an employer provides accommodation to an employee for use – the annual market value of the rental fee (in proportion to the period concerned);

e) where an employer assists an employee or his/her dependants to receive education (not including a training program directly related to the fulfilment of the employee's obligations) – the value of the assistance rendered by the employer for the education;

f) where an employer reimburses an employee's expenses – the amount of the reimbursement;

g) where an employer waives an employee's debt or obligation – the amount of the debt or obligation, except when the expenses for taking measures under the legislation of Georgia for enforcing payment of a monetary claim exceeds the amount of the monetary claim.

h) where an employer pays an insurance premium or other amount for an employee's life and health insurance or under any pension insurance contract – the amount of the insurance premium or other amount paid by the employer;

i) in other cases – the market value of the benefit under Article 18 of this Code.

3. Salary income shall not include:

a) reimbursement of business travel expenses paid to an employee within limits prescribed by the Ministry of Finance of Georgia;

b) reimbursement of entertainment expenses.

c) organised transportation of an employee from the place of residence to the place of work, or from the place of work to the place of residence by an employer if this cannot be done with the use of public transport, or if an employee needs to incur unreasonable expenses and/or spend unreasonable time to travel;

d) the amount of pension contributions made under the Law of Georgia on Cumulative Pension by an employer to the pension account on behalf and in favour of an employee, except as provided for by Article 32(4) and Article 34(2) of the Law of Georgia on Cumulative Pension.

4. The amount specified in the second paragraph of this article shall include excise taxes, VAT and other taxes payable by an employee.

5. For the purposes of paragraph 2(b) of this article, the interest rate shall be determined by the Minister of Finance of Georgia.

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 3308 of 21 July 2018 – website, 6.8.2018

Article 102 – Income from economic activity

1. Income from economic activity shall be:

a) income from supplying goods/services;

b) surplus income from the sale of assets;

c) income received as a result of the restriction of economic activities or shutdown of an enterprise;

d) amounts received from the sale of fixed assets; in the case of gratuitous supplying of fixed assets the market value shall be included in the income under Article 111(7) of this Code;

e) reimbursed deductions under Article 146 of this Code;

f) interest income, other than interest income from funds deposited by a natural person with banks and other credit institutions on deposits and time deposits;

g) dividends;

h) royalty;

i) benefit from writing off a person's debt;

j) income from the transfer of property by leasing, easement, renting, letting or in any other similar form;

k) income from other economic activity.

2. Where goods/services are delivered free of charge, the market price of such goods/services shall be included in gross income. This shall not apply to free dissemination of advertising goods, including through retail sellers, which have no independent consumer specifications and are an integral part of the supply of the primary goods/services.

3. (Deleted – 13.5.2016, No 5092).

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Article 103 – Income not related to employment and economic activity

1. Income not related to employment and economic activity shall be any income or benefit, other than:

a) contributions of partners increasing net assets of the enterprise in which they are partners;

b) under an insurance contract:

b.a) insurance compensation paid by an insurer to an insured natural person under a health insurance contract upon the occurrence of an insured event;

b.b) insurance compensation that does not exceed the amount of the damage occurred, paid by an insurer to an insured natural person under an insurance contract upon the occurrence of an insured event;

b^1) the compensation, within powers delegated by the insurer, made by the Non-entrepreneurial (Non-commercial) Legal Person – Compulsory Insurance Centre specified in the Law of Georgia on Compulsory Insurance of Civil Liability of Owner of Transport Vehicle Registered in Foreign State and Moving within the Territory of Georgia for damage inflicted on the affected person (third person) by the owner of an uninsured transport vehicle involving the transport vehicle, which does not exceed the amount of damage occurred;

c) the value of goods and services purchased as test purchases under this Code and the legislation of Georgia, as well as income or benefit secretly earned by a person who secretly assists criminal investigation authorities;

d) the amount of pension contributions made under the Law of Georgia on Cumulative Pension by an employer to the pension account on behalf and in favour of an employee, except as provided for by Article 32(4) and Article 34(2) of the Law of Georgia on Cumulative Pension.

2. If a person receives property or benefit from another person, the value of the property or benefit to be included in gross income shall be determined under Article 101(2) of this Code.

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Law of Georgia No 3308 of 21 July 2018 – website, 6.8.2018

Article 104 – Georgian source income

1. For the purposes of this Section, Georgian source income shall be:

a) income earned from employment in Georgia;

b) income or benefit earned from the supply of goods in the territory of Georgia;

c) income earned from the delivery of services in Georgia. For this purpose, unless otherwise provided by this article, services shall be deemed to be delivered in Georgia, if:

c.a) services are actually rendered in Georgia;

c.b) services are related directly to the immovable property located in Georgia;

c.c) services are related directly to the movable property located in Georgia;

c.d) services are related to the securities issued by a Georgian resident;

c.e) the place of actual delivery of services is Georgia and services are delivered in the sphere of culture, art, education, tourism, recreation, physical culture and sports;

c.f) the delivery of services is related to transportation of cargo or passengers, and the place of commencement and ending of transportation is Georgia;

c.g) a service provider and a service recipient are in different states and the service provider is a Georgian resident, except where the service provider delivers services through its permanent establishment in another country that confirms the fact that the service provider has delivered services in another country (other than in Georgia).

c.h) a service provider and a service recipient are in different states and the service provider delivers services in Georgia through its permanent establishment to an employee or otherwise (at the same time, the expenses related to the delivery of services by the service provider are incurred in Georgia irrespective of the place of actual payment of such expenses) that confirms the fact that the service provider has delivered services in Georgia.

d) income earned from economic activity conducted in Georgia by a non-resident's permanent establishment, including income earned by a non-resident from the sale of identical (similar) goods in Georgia; as well as income from the services delivered in Georgia, which are identical or similar to the services delivered by a permanent establishment;

e) income from the cancellation of obligations as a result of writing off bad debts related to economic activity conducted in Georgia and income from the sale of fixed assets under Article 111(7) of this Code or income received as a result of compensation under Article 146 of this Code;

f) dividends received from a resident legal person, or income earned from the sale of shares of a resident legal person and/or a partner's share in a legal person;

g) interest, provided the interest payer is a Georgian resident. At the same time, irrespective of whether the interest payer is a Georgian resident:

g.a) interest shall be deemed as a Georgian source income if a non-resident person has a permanent establishment in Georgia to which the non-resident's debt obligation is related and the interest expenses related to such debt obligation is attributed to the expenses of the permanent establishment, irrespective of whether such expenses have been incurred by the permanent establishment or not;

g.b) interest shall not be deemed as a Georgian source income if a resident person confirms that it has a permanent establishment in a foreign country to which the resident's debt obligation is related and the interest expenses related to such debt obligation is attributed to the expenses of the permanent establishment, irrespective of whether such expense has been incurred by the permanent establishment or not;

h) pension or scholarship paid by a resident;

i) royalty, if the payer of such royalty is a Georgia resident. At the same time, irrespective of whether the payer of the royalty is a Georgia resident or not:

i.a) a royalty shall be deemed as Georgian source income if a non-resident person has a permanent establishment in Georgia with respect to which the obligation to pay royalty arose, irrespective of whether such expense has been incurred by the permanent establishment or not;

i.b) a royalty shall not be deemed as a Georgian source income if a resident confirms that it has a permanent establishment in a foreign country with respect to which the obligation to pay royalty arose, irrespective of whether such expense has been incurred by the permanent establishment or not;

j) income earned from the sale or assignment of rights existing or exercised in Georgia provided in Article 8(21) of this Code;

k) income earned from leasing movable property used in Georgia and/or from transferring any other contractual right of use;

l) income earned from immovable property located in Georgia and used for economic activity, including income from the sale of a partner's interest in such property;

m) income earned from the supply of shares of or partner's interest in an enterprise, more than 50% of the value of which assets is directly or indirectly created from the value of the immovable property located in Georgia;

n) income received from a resident enterprise or a non-resident's permanent establishment in Georgia for management, as well as financial and/or insurance services (including reinsurance services);

o) income earned in the form of insurance premiums under risk insurance or reinsurance contracts made in Georgia;

p) income earned from the provision of transport services in international carriage between Georgia and foreign countries or from the provision of telecommunication services in international communication;

q) other income earned from carrying on activities in Georgia.

2. In determining the source of income specified in the first paragraph of this article, the place of receipt of the amount of income shall not be taken into account.

3. Georgian source income shall not include income earned from financial transactions and/or financial services between international financial companies.

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Chapter XV – Deductions and Loss

Article 105 – Expenses related to earning income

1. All expenses related to earning income, other than the expenses that are not deductible under this Section, shall be deducted from gross income.

2. Unless otherwise provided for by this Code, all expenses shall be documented.

3. The expense of purchase, installation and other capitalisable expenses of fixed assets shall be deducted on a phased basis as depreciation charges, except where a taxpayer exercises the right to full deduction of depreciation charges.

4. A taxpayer may deduct from gross income:

a) benefit arising from supplying (including, free of charge) of goods/services to him/her, taking into account the restrictions provided for by this Code, in the reporting year, in which such goods and services are used in economic activity;

b) the VAT amount assessed on goods with independent consumer specifications, disseminated gratuitously for advertising purposes, unless a tax invoice has been issued with respect to the transaction.

c) costs related to the placement of shares and/or Global Depositary Receipts at stock exchange (including at the stock exchange recognised by a foreign country) and to issuing such shares and/or Global Depositary Receipts, as well as expenses related to changes made in the listing category/regime.

d) costs related to the income (profit) exempted from profit tax under Article 99(1)(l) of this Code.

5. The Minister of Finance of Georgia may determine:

a) certain cases where expenses need not be documented;

b) the list of documents that will be deemed as documents evidencing expenses notwithstanding the requirements of this Code.

6. (Deleted – 13.5.2016, No 5092).

7. (Deleted – 26.12.2013, No 1886).

8. (Deleted – 13.5.2016, No 5092).

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6212 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6330 of 25 May 2012 – website, 08.6.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Law of Georgia No 4720 of 24 December 2015 – website, 29.12.2015

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Article 106 – Non-deductible expenses

The following expenses shall not be deducted from gross income:

a) expenses that are not related to economic activity, except for:

a.a) the case provided in Article 117 of this Code;

a.b) the case where a legal person under public law supplies goods and/or delivers services to the State and/or to local self-governments free of charge;

b) entertainment expenses, except where a taxpayer is engaged in the entertainment business and the expenses are incurred within the framework of such business;

c) personal expenses of a natural person, expenses related to winnings from lotteries, casinos, gambling and other games of chance or related to earning salary income;

d) expenses related to earning income that is exempt from profit or income tax, except as provided in the note to this article;

e) expenses incurred for goods/services that are not regarded as being supplied for the purposes of a profit tax, or during the supply of which the corresponding income/market price is not included in the gross income under Article 100(4) of this Code, except as provided in Article 100(4)(b) of this Code;

f) expenses incurred for goods/services purchased from a natural person having the status of a micro business, except when the income received by a person having this status from the supply of goods/provision of services is taxed under regular procedures, or when a consignment note/a document of a form determined by the Minister of Finance of Georgia is issued upon the supply/purchase of goods;

g) (deleted – 26.12.2013, No 1886)

h) expenses incurred with respect to the goods/services purchased from a flat tax payer within the scope of the activity subject to a flat tax;

h) expenses incurred with respect to the goods/services purchased from a person having a status of a flat tax payer within the scope of the activity (except for the activity taxable at a tax rate determined under Article 95^3 (1)(b) of this Code) subject to a flat tax

i) expenses of a person having the status of a flat tax payer not separated between the activity subject to a flat tax and additionally performed activities.

Note: In the case provided for in Article 82(1)(k) of this Code, a person may deduct expenses relating to the exempted income. When using this right, a person shall apply income tax to the income exempt from income tax under Article 82(1)(k) of this Code.

Law of Georgia No 4206 of 22 February 2011 – website, 10.3.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6330 of 25 May 2012 – website, 8.6.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 2950 of 12 December 2014 – website, 23.12.2014

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018

Article 107 – Limiting interest deductions

1. Taking into consideration the second paragraph of this article, interest paid and/or payable (under an accrual method) for a credit (loan) shall be deducted within limits not higher than the annual interest rate set by the Minister of Finance of Georgia, in proportion to the period concerned.

2. In an enterprise, more than 20% of the interest (shares) of which is directly or indirectly held by a legal person exempt from the tax on profits, the maximum amount of interest deductible under the first paragraph of this article shall not exceed the total of any interest income earned by a taxpayer and 50% of the total amount of taxable profit calculated without regard to interest income earned and interest expenses incurred.

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Law of Georgia No 6446 of 12 June 2012 – website, 25.6.2012

Law of Georgia No 6547 of 22 June 2012 – website, 4.7.2012

Article 108 – Deduction of bad debts

1. A taxpayer may deduct bad debts related to goods and service sold, where receivable income in previous reporting periods was included in the gross income received from the economic activity.

2. Bad debts may be deducted only if tax arrears have been written off and recorded in the taxpayer's financial statements.

Article 109 – Deduction of allocations to reserve funds

1. A legal person engaged in a licensed insurance business may deduct from the gross income of a reporting year 'insurance losses /losses incurred, net' of the same reporting period, calculated in the manner prescribed by the National Bank of Georgia, except for the income from recourse and from salvaged property.

2. Banks and credit unions deduct loan loss reserves as prescribed by the National Bank of Georgia for commercial banks for classifying assets and creating and using loan loss reserves.

3. A leasing company may deduct, as prescribed by the Minister of Finance of Georgia, from the gross income of a reporting period the expenses of lease loss reserves.

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Law of Georgia No 5118 of 13 October 2011 – website, 31.10.2011

[Article 109 – (Deleted) *(Shall become effective from 1 January 2023)]*

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 2392 of 30 May 2018 – website, 12.6.2018

Article 110 – Deduction of scientific-research, design and development service expenses

Scientific-research, design and development service expenses related to the receipt of gross income shall be deductible, except for the expenses related to fixed-asset purchases, installation and other capitalisable expenses.

Article 111 – Depreciation charges and deductions according to fixed assets

1. The depreciation charges of fixed assets used for economic activity shall be deducted under this article.

2. Depreciation shall not be charged against land, works of art, museum exhibits, objects (other than buildings) of historical significance, and other non-depreciable assets. At the same time, depreciation shall not be charged against a fixed asset and biological asset with a value of up to GEL 1 000. A fixed asset with a value of up to GEL 1 000 shall be fully deducted from gross income in the tax year in which it is put into service, and the expenses incurred for a biological asset shall be deducted from gross income in the tax year in which they were actually incurred.

3. Fixed assets subject to depreciation shall be grouped according to the following depreciation rates:

Group number	Fixed Assets	Depreciation rate, %
1	Motor cars; motor and tractor equipment to be used on roads; office furniture; motor transport rolling stock; trucks, buses, special vehicles and trailers; machinery and equipment for all fields of industry, foundry industry; forging and pressing equipment; construction equipment; agricultural machinery and equipment.	20
2	Special instruments, fittings and equipment; computers, data processing peripheral equipment and devices; electronic devices.	20
3	Railway, sea and river transport; power machinery and equipment; heating equipment, turbine equipment, electric motors and diesel generators, power transmission and communication facilities; pipelines.	8
4	Buildings, structures.	5
5	Depreciable assets not included in other groups.	15

4. The amount of depreciation charges for each group is calculated from the book value of a group at the end of a tax year in accordance with the depreciation rates indicated in the third paragraph of this article.

5. Buildings and structures ('buildings') depreciation shall be charged against each building separately. Accordingly, each building shall be regarded as a separate group.

6. The book value of a group at the end of a tax year shall be the amount calculated as follows: the book value of a group at the en of a tax year preceding the reporting year:

a) shall be reduced:

a.a) by the depreciation amount charged in the tax year preceding the reporting year;

a.b) by the amount of deductions made under the eighth and ninth paragraphs of this article;

a.c) by the amount derived from the sale of fixed assets of a group during a reporting tax year, and in the event of gratuitous suppl of fixed assets, by market value;

b) shall be increased:

b.a) by the value of fixed assets specified in Article 148 of this Code (other than non-depreciable fixed assets) added to the group i the reporting tax year;

b.b) by the amount that exceeds the maximum limit for repair expenses incurred on fixed assets during a reporting tax year, in accordance with Article 115(2) of this Code.

7. If the amount from the sale of fixed assets of a group during a tax year, and in the case of a gratuitous supply of fixed assets – their market price, exceeds the book value of the group at the end of the year, the surplus amount shall be included into gross income and the book value of the group shall be equal zero.

8. If the amount of the book value of a group at the end of the year is less than GEL 1 000, the amount of the book value of the group shall be subject to deduction.

9. If all fixed assets of a group are sold or liquidated, the amount of the book value of the group shall be subject to deduction from gross income.

10. Taxpayers may apply an accelerated depreciation rate to the second and third groups but the rate shall not exceed double the amount of the respective rate provided for in the third paragraph of this article.

11. A non-entrepreneur natural person may not deduct depreciation charges against fixed assets used for economic activity.

12. Each fixed asset leased by a lessor shall be classified as a separate group. Depreciation charges for such assets shall be deducted in the amount of discounted value of leasing fees that are calculated according to the leasing conditions and the book value of the group of such fixed assets.

13. Where a leased fixed asset is returned to the lessor after expiry or termination of a lease contract, such fixed asset shall remain in the same group and the deduction of depreciation charges against it shall be suspended pending its subsequent transfer by lease.

14. (Deleted – 26.12.2013, No 1886).

Law of Georgia No 5118 of 13 October 2011 – website, 31.10.2011

Law of Georgia No 6212 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Article 112 – Full deduction of depreciation charges of fixed assets

1. A taxpayer may fully deduct the value of fixed assets, except for those contributed to the enterprise's capital, in the tax year in which the fixed assets are put into service.

2. If a taxpayer exercises the right of full deduction of the value of fixed assets, the taxpayer shall apply the same method in respec of all subsequently purchased (manufactured) fixed assets.

3. When fully deducting the value of fixed assets:

a) the fixed assets shall not be included in the book value of the group provided for in Article 111;

b) the amounts received and/or receivable from subsequent supply of such assets, and in the absence of such amounts – market value without VAT, shall be included in gross income.

4. If a taxpayer fully deducts the value of fixed assets, the taxpayer may not alter the chosen deduction rate for the next five years. At the same time, the rate of deduction shall be chosen in the tax year in which the fixed assets are put into service.

5. The right of full deduction of the value of fixed assets shall not apply to non-depreciable fixed assets.

Law of Georgia No 5118 of 13 October 2011 – website, 31.10.2011

Article 113 – Deduction of amortisation charges on intangible assets

1. The value of intangible assets shall be deducted in the form of amortisation charges, throughout their useful life, in proportion to the reporting period. At the same time, a taxpayer may fully deduct an intangible asset with the value of up to GEL 1 000 from gross income in the reporting year in which the relevant expenses were incurred.

2. If the useful life of intangible assets cannot be determined, the depreciation rate shall be 15%.

3. Each intangible asset shall be recorded in a separate group.

4. The value of amortisable intangible assets shall not include the expenses of purchase or manufacture of such assets if these expenses were already deducted when calculating a taxpayer's taxable profit (income).

5. If the amount of the book value of a group of intangible assets by the end of the year is less than GEL 1 000, the amount of the book value of the group shall be deducted.

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Article 114 – (Deleted)

Law of Georgia No 5118 of 13 October 2011 – website, 31.10.2011

Article 115 – Deducting fixed asset repair expenses

1. Repair expenses of fixed assets in each group under Article 111(3) of this Code may be deducted annually up to 5% of the book value of the group at the end of the tax year preceding the reporting year.

2. The amount exceeding the limit set by the first paragraph of this article shall increase the book value of the group concerned.

3. In exercising the right of full deduction of the value of fixed assets under Article 112 of this Code, repair expenses shall be deducted in full, notwithstanding the limitation provided for in this article.

4. Repair expenses of fixed assets taken under lease, unless a contract provides for the reduction of rental charges in exchange for the repairs, expenses shall be capitalised with the recipient of fixed assets and shall form by the end of the reporting period a separate group. In that case:

a) expenses incurred shall be deducted from gross income according to the depreciation rates set by this Code for fixed assets at 15%;

b) if a fixed asset is returned to the lessor in the event of expiry or early termination of the contract, the book value of the group shall be equal to zero and the remaining sum shall not be deducted from gross income. At the same time, the return of fixed assets to the lessor shall not be regarded as supply.

5. (Deleted – 26.12.2013, No 1886).

Law of Georgia No 6212 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Article 116 – Limiting the deduction of entertainment expenses

Persons carrying on economic activity may deduct entertainment expenses up to a maximum of 1% of gross income received during a tax year.

Article 117 – Deducting donations to charitable organisations

The amount donated by an enterprise/entrepreneur natural person to a charitable organisation shall be deducted from gross income, also the market price of goods (other than immovable property)/services supplied free of charge and included into gross income, but not more than 10% of the amount remaining after deductions under this Code from gross income (without the deductions specified in this article).

Law of Georgia No 906 of 30 July 2013 – website, 20.8.2013

Article 118 – Deducting insurance premium expenses

Insurance premiums paid and/or payable (using an accrual basis method) under an insurance contract by the policyholders and/or the ensured in connection with economic activity, except for the insurance premiums paid by the insured under a pension insurance contract, shall subject to deduction.

Article 119 – Expenses of the geological survey and preparatory services in connection with extraction of natural resources

1. Expenses of the geological survey and preparatory services in connection with extraction of natural resources shall be deducted as depreciation charges from gross income according to the book value of the group at the depreciation rate of 20% under Article 111 of this Code, according to the book value of a group and shall be recorded as a separate group.

2. This article shall:

a) apply to the expenses on intangible assets incurred by a taxpayer for purchasing the right to geological survey, processing or extraction of natural resources;

b) not extend to the intangible assets the useful life of which can be established and which can be deducted retain proportion to the reporting period.

3. Expenses of the geological survey, preparatory services and drillings in connection with extraction of natural resources performed under the production sharing agreement in accordance with the Law of Georgia on Oil and Gas shall be deducted according to the rates provided by an agreement.

Article 120 – Non-deductible expenses and fines

1. The following shall not be deducted:

a) profit tax and income tax paid or payable in Georgia or in a foreign country, except for the income tax paid in connection with a natural person's earning of benefit (except for the benefit received from employment and economic activity). In that case, the amount of the income tax payable for the income earned from the sale of property shall be reduced by the amount of the income tax paid for this property (including in the preceding tax periods);

b) amounts of penalties/fines prescribed by the legislation of Georgia and paid or payable by a taxpayer to the budget.

2. (Deleted – 26.12.2013, No 1886).

Law of Georgia No 6212 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Article 121 – Carry-forward of losses

1. Losses incurred by an entrepreneur natural person upon sale of an asset (other than an asset used in economic activity) shall be compensated by the surplus value resulting from the sale of an asset of the same type. If the losses cannot be compensated in the same year, it shall not be carried forward to the next year.

2. Losses incurred by a natural person (other than an entrepreneur natural person) upon sale of an asset during a tax year shall be compensated by the surplus value resulting from the sale of the asset of the same type. At the same time, if the loss cannot be compensated in the same year, it shall not be carried forward to the next year.

3. The excess of deductions over the gross income from economic activity not related to employment, received by an entrepreneur natural person shall not be deducted from the salary received by such person. It shall be carried forward for up to five years and shall be covered by the excess of gross income of future periods over deductions not related to employment.

4. The excess of deductions over the gross income of a legal person shall be carried forward for up to five years and covered from the excess of the gross income of future periods over deductions.

5. The excess of deductions under this Code over gross income shall not be carried forward if they are incurred during the period, in which a financial institution enjoys the status of an international financial company.

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 6015 of 10 April 2012 – website, 30.4.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Article 122 – Extension of the loss carry-forward period

1. A person may replace the 5-year loss carry-forward period specified in Article 121 of this Code with a 10-year loss carry-forward period. For this purpose, the person shall apply to a tax authority before the expiry of the 5-year loss carry-forward period specified in Article 121 of this Code.

2. In applying the provisions of the first paragraph of this article, a person, in the case of loss coverage, may change again the chosen 10-year loss carry-forward period back to a 5-year loss carry-forward period. For this purpose the person shall, in any tax year following the loss coverage, notify a tax authority of reverting to a 5-year loss carry-forward period.

3. (Deleted 18.12.2015, No 4680).

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Article 123 – (Deleted)

Law of Georgia No 5118 of 13 October 2011 – website, 31.10.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6547 of 22 June 2012 – website, 4.7.2012

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Chapter XVI – International Taxation and Prevention of Tax Evasion

Article 124 – Setting off taxes paid outside Georgia

1. An enterprise (except for an enterprise under paragraph 2 of this article) may set off profit tax paid outside Georgia for a respective tax year when paying tax on that profit in Georgia with respect to the income not earned from a Georgian source.

2. An enterprise subject to profit tax in the course of profit distribution may, when paying tax according to a dividend paid, set off profit tax for a respective tax year, which is paid outside Georgia with respect to the income not earned from a Georgian source.

3. Amounts that are set off under paragraphs 1 and 2 of this article must not exceed the amounts of taxes that would be charged in Georgia on that profit under the procedure and at the rates existing in Georgia.

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Article 125 – Use of tax privileges by a non-resident under international agreements on prevention of double taxation

The procedure for granting tax privileges under international agreements on prevention of double taxation and for refunding to a non-resident the taxes paid by the non-resident in Georgia shall be determined by an order of the Minister of Finance of Georgia.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Chapter XVII – Transfer Pricing

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Article 126 – Meaning of the concepts for the purposes of this Chapter

1. Two persons shall be related if:

a) one person directly or indirectly participates in the management, control or capital of the other person;

b) the same persons directly or indirectly participate in the management, control or capital of two persons.

2. A person directly or indirectly participates in the management, control or capital of an enterprise if:

a) he/she directly or indirectly owns over 50% of an enterprise;

b) he/she actually controls the business decisions of an enterprise.

3. Persons that are not related shall be independent.

4. Any transaction between related persons shall be a controlled transaction.

5. Any transaction between independent persons shall be an uncontrolled transaction.

6. Margin is a rate of profitability calculated as the ratio of such indicators as purchases, sales, expenses and assets.

7. Transaction conditions shall mean the financial or other relevant indicators used in applying a transfer pricing method.

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Article 127 – General principles of transfer pricing

1. For the purposes of this Code, where a Georgian enterprise performs one or several financial or commercial transactions with a related enterprise, which is not a Georgian enterprise, each of such enterprises shall determine the amount of its profit in accordance with the concept of an arm's length transaction.

2. The amount of taxable profit of an enterprise performing one or several financial or commercial controlled transactions with a related enterprise shall be in accordance with the concept of an arm's length transaction, if the terms of the transaction do not differ from the terms which would have been agreed upon if a comparable transaction had been performed between related enterprises under comparable circumstances.

3. If the established terms of the transaction specified in the first paragraph of this article are not conducted as if it were at arm's length, any profits that would have accrued to one of the enterprises if the established terms of the transaction had been conducted at arm's length, but have not so accrued by reason of nonconformity with an arm's length transaction, may be included in the profits of that enterprise and taxed accordingly.

4. An uncontrolled transaction shall be comparable with a controlled transaction if:

a) there is no such significant difference between them that would have had any essential effect on the financial indicator that is measured by a transfer pricing method;

b) in the case of the difference indicated in subparagraph (a) of this paragraph, for the purpose of eliminating the results of such difference, a reasonably correct adjustment in the financial indicator of an uncontrolled transaction has been made.

5. Provisions of paragraph 3 of this article shall also apply to cases where a Georgian enterprise performs one or several financial or commercial transactions with a resident of a country with preferential tax treatment, irrespective of whether they are related persons or not. However, a transaction, one of the parties to which is a resident of a country with preferential tax treatment, shall be considered as a controlled transaction.

6. The criteria, according to which the price of a transaction to be examined is deemed to be an arms-length price for the purposes of this article, shall be determined by the Minister of Finance of Georgia.

7. The provisions of the third paragraph of this article shall also apply where a Georgian enterprise performs one or several financial or commercial transactions with its permanent establishment.

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 6547 of 22 June 2012 – website, 4.7.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Article 128 – Transfer pricing methods

1. The following transfer pricing methods shall apply to determine the conformity of the amount of taxable profit with the concept of an arm's length transaction:

a) Comparable Uncontrolled Price (CUP) Method. This method compares the price charged for property or services transferred in a controlled transaction to the price charged for property or services transferred in a comparable uncontrolled transaction;

b) Resale Price Method. This method compares the margin arising from the sale in an uncontrolled transaction of goods purchased in a controlled transaction with the margin arising from the sale in a comparable uncontrolled transaction of goods purchased in comparable and uncontrolled transactions;

c) Cost Plus Method. Under this method, a cost plus mark-up that is added to the direct or indirect costs incurred for the supply of goods or services in a controlled transaction is compared with the cost plus mark-up that is added to the direct or indirect costs incurred for the supply of goods or services in a comparable uncontrolled transaction;

d) Transactional Net Margin Method. Under this method, the net profit margin obtained by an enterprise in a controlled international transaction in relation to the appropriate indicator (e.g. sales, costs, assets) is compared to the net profit margin obtained in a comparable uncontrolled transaction in relation to the appropriate indicators;

e) Transactional Profit Split Method. Under this method, a portion of the profit/loss received from the transaction, which an independent enterprise would presumably have earned in a comparable uncontrolled transaction, is attributed to each enterprise involved in the controlled transaction.

2. The arm's length price of a controlled transaction shall be determined by the method that best suits each particular transfer pricing instance.

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Article 129 – Special provisions of transfer pricing

1. If so requested by a tax authority, a taxpayer shall provide an explanation as to why he/she believes that the profit earned by him/her is in accordance with the concept of an arm's length transaction defined by Article 127(1) of this Code. At the same time, a taxpayer may provide sufficient information and analysis to back up his/her arguments and to verify the conformity of the transactions performed by the taxpayer with related persons with Article 127(1) of this Code.

2. If the terms of an agreement concluded between an enterprise taxed in Georgia and its related enterprise is adjusted by a tax authority of another country, as a result of which that country is to charge taxes on that portion of the profit that has already been taxed in Georgia, and Georgia has signed a double taxation avoidance agreement with that country, then the Georgian tax authority shall, based on the request from the Georgian taxpayer enterprise, verify whether the adjustment made is in accordance with the concept of an arm's length transaction. If the tax authority concludes that the aforesaid adjustment complies with the concept of an arm's length transaction, it shall make appropriate corrections and adjust the amount of tax of the Georgian taxpayer enterprise.

3. Transfer pricing methods and their application, determination of comparability of uncontrolled transactions, transaction adjustment procedure, information and documents to be submitted by the parties to a transaction to a tax authority, sources of information on arms-length prices, price range application procedure, timeframes to be applied for the purposes of this Chapter and other procedural matters shall be determined by an order of the Minister of Finance of Georgia.

4. Controlled transactions are examined in accordance with the provisions of this Chapter under the decision of the Head of the Revenue Service.

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Article 129[1] – Advance pricing arrangement

1. Based on a taxpayer's application, the Head of the Revenue Service may sign an advance pricing arrangement with the taxpayer for purposes of this Chapter. An advance pricing arrangement is made before the commencement of a transaction, for a fixed period of time; it determines a set of criteria for determining the transfer pricing for those transactions. Such criteria include methods, comparable transactions and appropriate adjustments to them, as well as critical assumptions as to future transactions, etc.

2. An advance pricing arrangement shall apply only to the person in relation to whom it has been concluded. At the same time, an advance pricing arrangement shall make a reference to the provision of the legislation of Georgia on which it is based.

3. If a person acts under an advance pricing arrangement, a controlling authority shall in no event make a decision or charge taxes and/or penalties that contradict the advance pricing arrangement.

4. An advance pricing arrangement shall not apply if:

a) the facts and circumstances indicated in the advance pricing arrangement which would have affected the advance pricing arrangement, do not correspond to the actual facts and circumstances;

b) the provision of the legislation of Georgia on which the advance pricing arrangement was based, has been abolished or amended.

5. The provision of the legislation of Georgia that is unfavourable to a taxpayer and that has been given a retroactive force shall not affect the transactions performed under an advance pricing arrangement signed before the provision took effect.

6. The information provided by a person for signing an advance pricing arrangement shall be treated as a tax secret.

7. If the price declared by a taxpayer is in accordance with the concept of an arm's length transaction, the taxpayer shall not be held liable under this Code just because he/she has violated a condition of the advance pricing arrangement referred to in the first paragraph of this article.

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Chapter XVIII – Taxation of Income at the Source

Article 130 – Taxation of dividends at the source

1. Dividends paid by a resident enterprise to a natural person, a non-entrepreneurial (non-commercial) legal entity or a non-resident enterprise shall be taxed at source at the rate of 5% of the amount payable.

2. Dividends received by the persons provided for in Article 2(1) of the Law of Georgia on Entrepreneurs (other than an individual entrepreneur) shall not be taxed at the source and shall be not included in the gross income by the enterprise receiving the dividends.

3. Dividends received by a resident natural person that have been taxed at the source, shall not be included in the gross income of that person and shall not be subject to further taxation.

3[1]. Dividends received by a non-entrepreneurial (non-commercial) legal entity that have been taxed at the source shall not be included in the gross income of such entity and shall not be subject to further taxation.

4. Dividends earned from the shares/interest of an international financial company shall not be taxed at source and shall not be included in gross income by the person earning the dividends.

4^1. Dividends earned by a member of an agricultural cooperative from the cooperative before 1 January 2023 shall not be taxed at source and shall not be included in the gross income by a person receiving the dividends.

5. (Deleted – 23.12.2017, No 1935).

6. Dividends paid to the State by a resident enterprise shall not be taxed at the source.

7. Dividends earned from a FIZ Enterprise in a Free Industrial Zone shall not be taxed at the source and shall not be included in gross income by the person earning the dividends.

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 6015 of 10 April 2012 – website, 30.4.2012

Law of Georgia No 118 of 20 December 2012 – website, 29.12.2012

Law of Georgia No 817 of 12 July 2013 – website, 5.8.2013

Law of Georgia No 5491 of 22 June 2016 – website, 29.6.2016

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Article 131 – Taxation of interest at the source

1. Interests paid by a non-resident's permanent establishment or by a resident, or on their behalf to a natural person, organisation or to a non-resident having no permanent establishment in Georgia shall be taxed at the source at the rate of 5% of the amount payable.

2. (Deleted – 30.6.2017, No 1182).

3. I Interest received by a natural person that have been taxed at the source shall not be included into the person's gross income and shall not be subject to further taxation.

4. A profit tax payer organisation that has received interest taxed at the source in Georgia may deduct the sum of the tax paid at the source to the budget.

5. Interest earned from a licensed financial institution in accordance with the legislation of Georgia shall not be taxed at the source. At the same time, such interest shall not be included in gross income by the person earning the interest, unless the recipient of the interest is a licensed financial institution.

6. (Deleted – 23.12.2017, No 1935).

7. Interest paid to the State by a resident enterprise shall not be taxed at the source.

8. Interest earned from debt securities issued by a Georgian enterprise and listed on a recognised stock exchange of a foreign country shall not be taxed at the source and shall not be included in gross income by the person earning the interest.

9. Interest earned from a FIZ Enterprise in a Free Industrial Zone shall not be taxed at the source and shall not be included in gros income by the person earning the interest.

Law of Georgia No 6015 of 10 April 2012 – website, 30.4.2012

Law of Georgia No 118 of 20 December 2012 – website, 29.12.2012

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Article 132 – Taxation of royalty at the source

1. Royalty paid by a non-resident's permanent establishment or by a resident or on their behalf to a resident natural person (other than the natural person registered as a VAT payer) shall be taxed at the source at the rate of 20% of the amount payable.

2. Royalty received by a natural person (except as provided for in the third paragraph of this article) that has been taxed at the source shall not be included into the person's gross income and shall not be subject to further taxation.

3. An entrepreneur natural person who has received royalty taxed at the source in Georgia may deduct the amount of the tax paid at the source.

4. Royalty paid to the State shall not be taxed at source.

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 118 of 20 December 2012 – website, 29.12.2012

Article 133 – (Deleted)

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Article 133^1 – Taxation of the income of a renter of a trade outlet and/or a trading place in an STZ territory

1. Compensation received/receivable by a renter of a trade outlet and/or a trading place (for a VAT payer – net of VAT) in an STZ territory from the sale of goods (except as provided for in Article 26(6) of this Code) shall be taxed by the person having an STZ status at the rate of 3%.

2. (Deleted – 10.4.2012, No 6015).

3. Income earned by a person in an STZ territory that has been taxed under this article shall not be included in such person's gross income and shall not be subject to further taxation.

4. The procedure for a person holding an STZ status to pay taxes under this article shall be determined by a resolution of the Government of Georgia.

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 6015 of 10 April 2012 – website, 30.4.2012

Article 133^2 – Taxation by a tourist enterprise of the income of a natural person who is the owner of the hotel assets/part of the assets

1. Remuneration paid by a tourist enterprise to a natural person under a relevant contract shall be taxed at the rate of 5% of the amount taxed at source.

2. In the case set out in paragraph 1 of this article, the income received by a natural person, which is taxed at source, shall not be included in the gross income of the receiving person and shall not be subject to subsequent taxation.

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Article 133[3] – Taxation of the income of a natural person supplying certain goods

1. The Minister of Finance of Georgia may define the list of goods by supplying of which the income earned by a natural person shall be taxed at source at the rate of 3%, by a person purchasing the goods.

2. The procedure of taxing at source under paragraph 1 of this article shall apply if a consignment note is not prepared when supplying goods.

3. The income earned by a natural person, which is taxed under this article, shall not be included in the gross income of the person and shall not be subject to subsequent taxation.

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018

Article 134 – Taxation of a non-resident's income at source

1. Income earned by a non-resident from a Georgian-based source that is not attributed to the non-resident's permanent establishment registered for tax purposes in Georgia shall be taxed at the source without deductions at the following rates:

a) dividends – under Article 130 of this Code;

b) interests – under Article 131 of this Code;

b[1]) royalty – 5%;

c) amounts paid by an enterprise, organisation and/or entrepreneur natural person for international telecommunication services and international transport services – at the rate of 10%.

d) income earned by non-resident subcontractors in conducting the oil and gas operations provided for by the Law of Georgia on Oil and Gas – at the rate of 4%.

d[1]) lease service charges paid to a natural person – at the rate fixed by Article 81 of this Code.

e) other paid amounts, which under this Code are regarded as Georgian source income – at the rate of 10%;

f) salary income – at the rate fixed by Article 81 of this Code.

1[1]. Income earned by a person registered in a country with a preferential tax treatment in cases provided for in paragraph 1(b), (b[1]) and (e) of this article shall be taxed at source without deductions, at 15%.

2. For the purposes of this article, the taxes paid by or on behalf of a non-resident's permanent establishment in Georgia shall be deemed as paid by a resident enterprise.

3. A non-resident who earns income under paragraph 1(c)-(e) of this article and is taxed at the source, may file a return by the 1 April of the year following the reporting year requesting recalculation and refund of withheld taxes.

4. If a person exercises the right under the third paragraph of this article:

a) Taxable income/profit of a non-resident shall be defined as a difference between the gross income gained from a Georgian source and the amounts to be deducted under this Code;

b) (Deleted –13.5.2016, No 5092);

c) taxes paid by a non-resident shall not exceed the amount withheld at the source under the first paragraph of this article.

5. (Deleted –13.5.2016, No 5092).

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6446 of 12 June 2012 – website, 25.6.2012

Law of Georgia No 3581 of 1 May 2015 – website, 15.5.2015

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Chapter XIX – Tax Accounting Rules

Article 135 – Accounting period

1. The accounting period for a person (except for persons under paragraph 2 and 3 of this article) shall be a calendar year.

2. The accounting period for a resident enterprise and for a permanent establishment of a non-resident in Georgia (enterprises subject to profit taxation according to objects of taxation under Article 97 (1 and 3) of this Code) shall be a calendar month.

[2. The accounting period for a resident enterprise, organisation, and for a permanent establishment of a non-resident in Georgia (persons subject to profit taxation according to objects of taxation under Article 97 (1–3) of this Code) shall be a calendar month. ***(Shall become effective from 1 January 2019)]***

3. The accounting period for a person, which is subject to income/profit taxation according to the object of taxation under Article 309(16) of this Code, with regard to the organisation of a betting house in a systemic-electronic form, shall be a calendar month.

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 97 of 16 December 2016 – website, 23.12.2016

Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018

Article 136 – Principles of accounting for income and expenses

1. A taxpayer shall accurately and timely account for income and expenses based on documented data by applying the methods provided in this Chapter and attribute them to the reporting period in which they were earned or incurred.

2. Unless otherwise provided in this Chapter, a taxpayer shall use a cash method of accounting or an accrual method of accounting depending on which method he/she uses for accounting.

3. A taxpayer shall fully account for all transactions related to his/her activity in order to guarantee control over their commencement, progress and completion.

4. In the case of transporting goods domestically for entrepreneurial activity, and in the case of supplying goods – at the request of a buyer (except for supply carried out according to a Special VAT Invoice that contains the details found in a consignment note), a consignment note shall be issued in the form and manner prescribed by the Minister of Finance of Georgia. At the same time, if a consignment is issued at the request of a buyer for the supply of goods, the goods may not be stored without the consignment note.

4^1. The Minister of Finance of Georgia may determine cases where a consignment note is not issued.

5. Taxable income (profit) shall be determined by the same method that a taxpayer uses for accounting. At the same time, income

(profit) is adjusted only in compliance with the requirements of this Code. If the accounting data produced by a taxpayer according to the deductions under this Code, and the limits provided for by this Code, differ, then the taxpayer shall apply the norms under this Code to determine an object of taxation.

6. According to the provisions of this article, a taxpayer shall keep accounts for tax purposes on a cash basis or an accrual basis provided that he/she uses one method throughout a tax year.

7. A natural person may account for income and expenses on a cash basis.

8. A person registered as a VAT payer shall use accrual-based accounting.

9. If a taxpayer changes any aspect of an accounting method, taxable income (profit) shall be adjusted in the year of such change, provided that no element related to determining taxable income (profit) is omitted or included twice.

10. If a taxpayer earns income or incurs expenses in a non-cash form, the moment of earning such income or incurring such expenses shall be determined in the same way as the moment of earning income or incurring expenses in cash form is determined.

11. The Minister of Finance of Georgia may require a taxpayer who conducts a certain type of activity, provided that different taxation terms are provided for by this Code for such activity, to separately account for income and expenses related to that activity. At the same time, income and expenses related to certain type of activity shall be evidenced by accounting documents.

12. A taxpayer may account for income and expenses in the manner prescribed by the Minister of Finance of Georgia.

13. Contractual penalties and other fines shall be accounted for on a cash basis.

14. The moment of incurring expenses and making other payments/disbursements under Articles 98^1 – 98^4 of this Code shall be the very moment when they were actually incurred/made.

Law of Georgia No 5118 of 13 October 2011 – website, 31.10.2011

Law of Georgia No 6446 of 12 June 2012 – website, 25.6.2012

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Article 137 – Accounting for income and expenses under a cash method

In using a cash method of accounting, a taxpayer shall:

a) account for income upon obtaining the right to receive it or use and administer it;

b) deduct expenses after payment (this does not apply to fixed assets subject to depreciation under Article 111 of this Code).

Article 138 – Moment of earning income under the cash method

1. When using a cash method of accounting, the moment of earning income shall be:

a) if payment is made in cash – the moment of receiving cash;

b) in the case of non-cash settlement – transfer of funds to a taxpayer's current account or to any other account with a bank, from which he/she may administer or draw those fund.

2. If a taxpayer's financial obligations are cancelled or covered, namely, in the case of a mutual set-off, the moment of earning income shall be the moment of cancellation or coverage of the obligations.

Law of Georgia No 6312 of 25 May 2012 – website, 12.6.2012

Article 139 – The moment of incurring expenses under the cash method

1. When using a cash method of accounting, the moment of incurring expenses shall be the moment when a taxpayer actually incurs expenses, except as provided for in the third and fourth paragraphs of this article.

2. When using a cash method of accounting, the moment of incurring expenses by a taxpayer shall be:

a) if payment is made in cash – the moment when cash is paid;

b) in the case of non-cash settlement – the moment when a bank debits sums from a taxpayer's banking or other account.

3. If financial obligations of a taxpayer are cancelled or covered, namely in the case of a mutual set-off, the moment of incurring expenses shall be the moment of cancellation or coverage of those obligations.

4. In connection with debt obligations or payments related to leasing property, if the term of debt obligations or lease agreement includes several reporting periods, the amount of actually paid interest (rent) that is deducted throughout a tax year shall be the amount of interest (rent) that is calculated according to the amount charged or to be charged in each reporting period.

Article 140 – Accounting for income and expenses under the accrual method

When using the accrual method of accounting, a taxpayer shall account for income and expenses according to the moment when the right to earn the income is obtained and expenses are recognised, respectively, regardless of when income is actually earned or expenses are actually incurred, except as provided for in Article 142(4) of this Code.

Article 141 – The moment of earning income under the accrual method

1. A taxpayer shall be deemed to have obtained the right to earn income if:

a) the appropriate amount is subject to payment to the taxpayer;

b) the taxpayer has fulfilled all the obligations under a contract (agreement).

2. If a taxpayer provides services, the right indicated in the first paragraph of this article shall be deemed obtained at the moment when the taxpayer completes the services under the contract (agreement).

3. If a taxpayer earns or has the right to earn income in the form of interest or from leasing property, the income shall be deemed to have been obtained at the moment when the debt obligation or lease agreement expires. At the same time, if the term of the debt obligation or lease agreement includes several reporting periods, income shall be apportioned to these reporting periods according to the amount charged or to be charged in each reporting period.

4. Banks shall recognise interest and penalties accrued on loans as income in the manner prescribed by the National Bank of Georgia.

[4. (Deleted – 13.5.2016, No 5092). ***(Shall become effective from 1 January 2023)]***

Law of Georgia No 5118 of 13 October 2011 – website, 31.10.2011

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 2392 of 30 May 2018 – website, 12.6.2018

Article 142 – The moment of incurring expenses under the accrual method

1. Unless otherwise provided for in this article, when using an accrual method of accounting, the moment of incurring expenses related to a contract (agreement) shall be the moment when all the following conditions are fulfilled:

a) a taxpayer can be clearly deemed to have assumed a financial obligation;

b) the amount of the financial obligation may be assessed with sufficient accuracy;

c) all the parties to the contract (agreement) have actually fulfilled their obligations under the contract (agreement) and the appropriate compensation is subject to necessary payment.

2. Financial obligations shall mean the obligations assumed under a contract (agreement) as a result of the fulfilment of which the other party to the contract (agreement) shall indicate income corresponding to the obligation in cash or in any other form.

3. When interest on a debt obligation or rent for leased property is paid, the moment of incurring expenses shall be the moment when the term of the debt obligation or lease agreement expires. If the term of a debt obligation or lease agreement includes several reporting periods, the expenses shall be apportioned to the reporting periods according to their accrual.

4. Notwithstanding paragraphs (1)-(3) of this article, if a person, other than a licensed financial institution, uses an accrual method of accounting, the moment of incurring expenses shall be the moment when the amount is paid, if:

a) the payment is related to a natural person other than a natural person registered as a VAT payer;

b) the payment of the amount in compensation for services received is related to a non-resident enterprise that does not belong to a non-resident's permanent establishment in Georgia.

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Article 143 – Joint ownership

1. The object of profit taxation of a partnership or other similar entity conducting economic activity and is deemed as an enterprise under Article 21(1)(c) of this Code shall be defined under Article 97(1) of this Code.

2. A holder of an interest in a partnership shall include his/her share in the profit (its income) allocated to him/her from the partnership in the gross income of a respective accounting period.

3. A partnership shall, under Article 154 of this Code, impose tax at source on the income distributed to a natural person (a person who is not registered as an individual entrepreneur and/or a VAT payer) holding an interest in the partnership. ***(Paragraph 3 shall apply to legal relations arising from 1 January 2018)***

4. A member of a partnership may set off the tax withheld at source under paragraph 3 of this article against the amount of taxes payable for the gross income earned during a year.

5. The losses of a partnership shall be attributed to its owners in proportion to their interests. At the same time, the losses of the partnership shall not be distributed to its owners and shall not be deducted from owners' gross income.

6. The portion of losses of an owner of a partnership may be deducted only at the expense of the owner's share of the taxable profi (of a future year/years) in the partnership. The losses shall be carried forward under the procedure established by Article 121(4) of this Code.

7. The losses of a partnership attributed to its owner shall not be deducted from the profit received as a result of the owners' participation in another partnership.

8. The delivery of goods/services by a partnership to its member in return for his/her interest shall not be deemed as a free delivery of goods/services.

9. Provisions of paragraphs 2, 5, 6 and 7 of this article shall not apply to a member of a partnership, who is subject to profit taxation according to the objects of taxation provided for in Article 97(1 and 3) of this Code.

[9. Provisions of paragraph 2 and paragraphs 5–7 of this article shall not apply to a member of a partnership, who is subject to profit taxation according to the objects of taxation provided for in Article 97(1–3) of this Code. ***(Shall become effective from 1 January 2019)]***

10. Receipt of hotel assets/part of the assets by a tour company from a natural person under a relevant contract, use of the assets as hotel rooms/apartments and organisation of the operation of the hotel shall not be regarded as a partnership under Article 21(1)(c) of this Code.

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018

Article 144 – Income and deductions under long-term contracts

1. If a taxpayer keeps accounting under an accrual method, income and expenses from long-term contracts must be reported throughout a tax year proportionately, according to their actual performance.

2. The volume of actual performance under long-term contracts shall be determined by comparing the expenses incurred by the end of the tax year with the total expenses provided for by the contract.

Article 145 – Accounting for inventories

1. A taxpayer shall include in its inventories finished or semi-finished goods in his/her ownership irrespective of their location, namely, raw materials and/or materials (other than capitalisable expenses), which are purchased for subsequent sale or for production of goods/delivery of services.

2. In determining taxable income (profit), the value of the inventory available at the beginning of a reporting period shall be subtracted from, and the value of the inventory available at the end of the reporting period shall be added to, gross income.

3. When accounting for inventories, a taxpayer shall record the value of produced or purchased goods at the price of the expenses (other than the depreciation charges) incurred during the production of these goods or at the purchase price of such goods. At the same time, the taxpayer shall include the storage and transportation expenses in the value of the goods.

4. When selling goods, a taxpayer may apply one of the following methods to account for inventories:

a) specific identification method;

b) weighted-average method;

c) FIFO method, under which the goods purchased at the beginning of a reporting period are assumed to be the first item sold in the reporting period, and the goods produced (purchased) during the reporting period are assumed to be the items sold later, according to the time of their production (purchase).

5. When accounting for inventories, a taxpayer may evaluate defective or obsolete and outdated goods that cannot be sold at a price higher than their production cost or purchase price, at an estimated selling price of such goods.

6. When writing off obsolete inventory items and/or items that are unfit for use or further supply, the taxpayer shall notify a tax authority about the inventory write-off (indicating the types, quantity and value of the inventory) and write them off only in the case of approval by the tax authority.

6^1. A tax payer may, without taking account of the conditions specified in paragraph 6 of this article, write off inventories destroyed/lost as a result of the effect of force majeure events (earthquake, flooding, landslide, avalanche, fire, accident or another emergency or extraordinary circumstance as a result of which inventories were destroyed/lost due to the reason independent of the tax payer).

7. In the case provided for in the sixth paragraph of this article, when a taxpayer writes off inventories, a tax authority shall, within 10 business days after receiving a taxpayer's application, approve the write-off or perform a physical inspection of the inventories by visiting the premises and endorsing the taxpayer's write-off document.

8. In cases provided for in paragraphs 6 and 6^1 of this article, the procedure for writing off inventories shall be determined by the Minister of Finance of Georgia.

9. A taxpayer may account for inventories electronically under the procedure determined by the Minister of Finance of Georgia.

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Article 146 – Reimbursed deductions and reduction of reserves

1. The amount of compensation for previously deducted expenses, losses and bad debts shall be reported as income in the year in which it is received.

2. If the reserves deducted in advance are reduced, the reduced amount shall be included in gross income.

Article 147 – Profit and loss upon supply of assets

1. Profit earned from the supply of assets shall be a positive difference between the income earned from their supply and the value of those assets determined under Article 148 of this Code.

2. Loss incurred from the supply of assets shall be a negative difference between the income earned from their supply and the value of those assets.

3. If assets are supplied free of charge or at a price lower than their cost, the supplier's profit shall be a positive difference between the market price of the supplied assets and the value of the assets specified in Article 148 of this Code.

4. The provisions of paragraphs (1) – (3) of this article shall not apply to assets and inventories subject to a group depreciation method.

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Article 148 – Value of assets

1. Value of assets shall include their purchase, production, construction, assembly and installation expenses (costs) as well as other expenses (costs) that increase their value, except for the expenses (costs) that may be directly deducted by a taxpayer, and in the event of receiving assets free of charge, the market price of such assets.

2. If only a portion of assets is supplied or transferred, the value of the assets at the moment of supply or transfer shall be apportioned between the remaining and the supplied or transferred portions.

3. If a fixed asset that was originally leased has been used for other purposes, its value shall be determined by the book value of the group in which the fixed asset was previously recorded.

Law of Georgia No 5118 of 13 October 2011 – website, 31.10.2011

Article 149 – Non-recognition of profit or loss

1. In determining taxable income, no profit or loss shall be taken into account if:

a) assets are transferred between spouses;

b) assets are transferred between the former spouses at the time of dissolution of marriage;

c) assets are involuntarily destroyed/confiscated and if before the end of the next two years from the year in which the assets are destroyed/confiscated:

c.a) the amount received as a compensation for the destruction/confiscation is reinvested into an asset of similar type and character;

c.b) the destroyed/confiscated asset is replaced with an asset of similar type and character obtained as a result of compensation.

d) the registered shareholder of the resident company listed on/placed at a stock exchange of the foreign country in any form (including in the form of Global Depositary Receipts) is changed without changing of the beneficiary shareholder.

2. The value of the replacement asset referred to in paragraph 1(c) of this article shall be determined by taking into account the value of the replaced asset at the moment of the destruction/confiscation.

3. The value of the asset transferred under paragraph1 (a) and (b) of this article shall be the value of the given asset at the moment of the transaction for the transferring party.

4. The provisions of this article shall not apply to the assets that are subject to a group depreciation method under Chapter XV of this Code, except where all the assets of a group are transferred simultaneously under paragraph 1(a) and (b) of this Article.

Law of Georgia No 4720 of 24 December 2015 – website, 29.12.2015

Article 150 – Liquidation of legal persons

1. If a legal person is liquidated and a partner legal person receives assets in proportion (corresponding) to his/her interest and if before the liquidation the partner legal person owned 50% or more in the given legal person, then:

a) such transfer shall not be regarded as the sale (supply) of assets by the liquidated legal person;

b) the value of the assets transferred to the partner in proportion (corresponding) to his/her share is the same as the value of the asset before its transfer to the liquidated legal person;

c) distribution of assets shall not be regarded as a dividend;

d) profit and loss shall not be taken into consideration when cancelling the partner's interest in the liquidated legal person.

2. The provisions of this article shall not apply to the assets that are subject to a group depreciation method under Chapter XV of this Code, except where all the assets of a group classified according to one rate of depreciation are transferred simultaneously.

3. If all the assets of the group referred to in the second paragraph of this article, classified according to one rate of depreciation, are transferred simultaneously, the value of the assets for the transferee shall be the book value of the group at the moment of the transfer.

4. The first paragraph of this article shall not apply if:

a) a tax authority proves that the purpose of liquidation is tax evasion;

b) the partner legal person in the liquidation is a non-resident, except as provided for in the fifth paragraph of this article.

5. If liquidation involves a non-resident partner legal person, the first paragraph of this article may be applied if, based on the information produced by such person, a tax authority concludes that no tax evasion takes place and issues the appropriate consent.

6. Provisions of this article shall not apply if any party to a transaction is subject to profit taxation according to the objects of taxation provided for in Article 97(1 and 3) of this Code.

Article 151 – Transfer of assets to a legal person in exchange for interest (shares) in that legal person

1. Transfer of assets (with or without liability) by a person(s) to a legal person in exchange for 50% or more interest (shares) in such legal person shall not be regarded as supply of assets.

2. Where so provided for in the first paragraph of this article, the value of assets for the receiving party shall be the same as their value for the supplier at the moment of transfer.

3. The value of the partner's interest received as a result of the exchange referred to in the first paragraph of this article shall be equal to the value of the transferred assets minus the transferred (corresponding) liability.

4. The provisions of this article shall not apply to assets that are subject to a group depreciation method under Chapter XV of this Code, except where all the assets of a group classified according to one rate of depreciation are transferred simultaneously.

5. If all the assets of the group classified according to one rate of depreciation referred to in the fourth paragraph of this article are transferred simultaneously, the value of the assets for the transferee shall be the book value of the group at the moment of transfer.

6. The requirements of this article shall not apply to the transferor of assets with a legal defect if the liability exceeds the value of the assets transferred.

7. Provisions of this article shall not apply if any party to a transaction is subject to profit taxation according to the objects of taxation provided for in Article 97(1 and 3) of this Code.

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Article 152 – Reorganisation of legal persons

1. The value of the property and interest (shares) owned by the legal person (persons) that is a party to a reorganisation shall be equal to the value of such property or interest (shares) before the reorganisation.

2. The transfer of property or interest (shares) between legal persons that are parties to a reorganisation shall not be regarded as sale of property.

3. Any exchange of an interest (shares) in a resident legal person that is a party to a reorganisation for an interest (shares) in any other similar legal person, which is also a party to the reorganisation, shall not be regarded as sale of the interest (shares).

4. The value of the interest (shares) exchanged under the third paragraph of this article shall be equal to the original value of the interest (shares).

5. Any distribution of an interest in a legal person that is a party to a reorganisation that gives rise to a similar right in any other legal person, which is also a party to the reorganisation, shall not be regarded as a dividend.

6. The value of the original interest (shares) referred to in the fifth paragraph of this article shall be attributable to the distributable interest (shares) at the ratio that is defined as the ratio between the market value of the distributed and original interest (stocks) at the moment of distribution and the value of the original share after distribution.

7. If a tax authority fails to prove that the purpose of the operation of merger, acquisition, takeover or division is tax evasion, a reorganisation shall involve:

a) the merger of two or more legal persons;

b) the acquisition or takeover of 50% or more of the interest and 50% or more of a partner's interest in a resident legal person, only with rights similar to those of the partners in an acquisition or takeover transactions, in exchange for an interest (shares);

c) acquisition of 50% or more of the assets of a resident legal person by another resident legal person in exchange for a voting interest (shares), without preferential rights in relation to dividends;

d) division of a resident legal person into two or more resident legal persons.

8. A party to a reorganisation shall be any resident legal person:

a) that is directly involved in the reorganisation;

b) that directly owns a resident legal person directly involved in the reorganisation;

c) that is owned by a resident legal person directly involved in the reorganisation.

9. For the purposes of the eighth paragraph of this article, the ownership of a legal person shall mean the ownership of 50% or more of the voting interest (shares) in that legal person or the ownership of 50% or more of the value of all other remaining interest (shares).

10. The provisions of this article shall not apply to assets that are subject to a group depreciation method under Chapter XV of this Code, except where all the assets of a group classified according to one rate of depreciation are transferred simultaneously.11. With respect to all the assets of the group classified according to one rate of depreciation referred to in the tenth paragraph of this article, the value of the assets for the transferee shall be the book value of the group at the moment of transfer.

12. Provisions of this article shall not apply if any party to a transaction is subject to profit taxation according to the objects of taxation provided for in Article 97(1 and 3) of this Code.

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Chapter XX – Tax Administration Procedures

Article 153 – Filing tax returns

1. An income tax/profit tax return shall be filed with a tax authority by 1 April of a year following the reporting year by:

a) a resident natural person, whose income is not taxed at a Georgian source;

b) an enterprise (except for enterprises that are subject to profit taxation according to the objects of taxation under Article 97(1 and 3) of this Code);

[b) an enterprise (except for enterprises that are subject to profit taxation according to the objects of taxation under Article 97(1–3) of this Code); ***(Shall become effective from 1 January 2019)]***

c) a non-resident natural person and a non-resident enterprise without a permanent establishment in Georgia if the income they earn from a Georgian source is not taxed at source.

2. When terminating economic activity in Georgia, an entrepreneur natural person shall file with a tax authority a return of gross income and deductions within 30 business days. At the same time, the taxpayer shall not be required to file tax returns in any future period until the renewal of economic activity.

3. A liquidation commission or a taxpayer shall immediately notify a tax authority in writing of the liquidation of a legal person. The liquidation commission shall file a return with a tax authority within 15 days of making a decision on liquidation of the legal person.

3^1. (Deleted –1.5.2015, No 3581);

4. A natural person that is not obligated to submit tax returns may submit them to claim tax recalculation and refund.

4 . (Deleted – 26.12.2014, No 3015).

5. An entrepreneur natural person, an organisation and an enterprise (except for enterprises that are subject to profit tax according to the objects of taxation under Article 97(1 and 3) of this Code) shall, not later than the 15th day of a month following the reporting month, submit a tax return to a tax authority on the amounts paid as remuneration, and taxes withheld during the reporting month.

[5. An entrepreneur natural person and an enterprise (except for enterprises that are subject to profit tax according to the objects of taxation under Article 97(1–3) of this Code) shall, not later than the 15th day of a month following the accounting month, file a tax return to a tax authority on the amounts paid as remuneration, and taxes withheld during the accounting month. ***(Shall become effective from 1 January 2019)]***

5^1. A taxpayer shall submit to a tax authority, within 15 days after the entry into force of a bankruptcy ruling delivered by a court under the Law of Georgia on Insolvency Proceedings:a) before the commencement of bankruptcy proceedings, unfiled tax returns referred to in the first paragraph of this article for the complete/incomplete tax period(s). At the same time, the taxpayer shall not submit any income/profit tax return for the complete/incomplete tax period(s) after the commencement of bankruptcy proceedings;

b) before the commencement of bankruptcy proceedings, unfiled returns referred to in the fifth paragraph of this article for the complete/incomplete tax period(s). At the same time, the taxpayer shall not submit any return on the remunerations paid and taxes withheld for the complete/incomplete tax period(s) after the commencement of the bankruptcy proceedings.

6. Before registering the title of a future owner, a registration authority shall notify a natural person about the obligation to report and pay taxes, as well as about the liability for failure to fulfil such obligation:

a) where an asset owned by a natural person is sold;

b) where property is received as a gift (except where first and second line heirs receive property as a gift and where third and fourth line heirs receive property with a value of up to GEL 150 000 as a gift and/or inheritance during a tax year);

c) where third and fourth line heirs receive property with a value of GEL 150 000 or more as a gift and/or inheritance during a tax year.

7. If third and fourth line heirs receive property with a value of GEL 150 000 or more as a gift and/or inheritance during a tax year, income tax shall be paid within not later than two calendar years. The timeframes for filing returns and paying taxes within the two-year period shall be fixed by the Minister of Finance of Georgia.

8. The procedure for levying taxes on the remuneration paid to the citizens of Georgia by international organisations with diplomatic status operating in Georgia shall be determined by the Minister of Finance of Georgia.

9. The procedure for levying taxes on the salary paid to the employees by a Free Industrial Zone Enterprise shall be determined by the Government of Georgia.

10. An enterprise and a permanent establishment of a non-resident (enterprises that are subject to profit tax according to the objects of taxation under Article 97(1 and 3) of this Code) shall, each month, not later than the 15th day of a month following the reporting month, submit a tax return to a tax authority on the profit tax, and the amounts paid as remuneration and taxes withheld during the reporting month.

[10. An enterprise, an organisation and a permanent establishment of a non-resident (enterprises that are subject to profit taxation according to the objects of taxation under Article 97(1–3) of this Code) shall, each month, not later than the 15th day of a month following the accounting month, file a tax return to a tax authority on the profit tax, and the amounts paid as remuneration and taxes withheld during the accounting month. ***(Shall become effective from 1 January 2019)]***

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 6395 of 5 June 2012 – website, 19.6.2012

Law of Georgia No 118 of 20 December 2012 – website, 29.12.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 3015 of 26 December 2014 – website, 30.12.2014

Law of Georgia No 3581 of 1 May 2015 – website, 15.5.2015

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018

Article 154 – Procedure for withholding tax at source

1. Tax shall be withheld at source by a withholding agent who is a legal person, an enterprise/organisation or entrepreneur natural person, namely:

a) a person paying salary to an employee, except for:

a.a) salary paid by a Free Industrial Zone Enterprise to a Georgian resident employee;

a.b) salary paid by a non-resident to an employee where such expenses are not attributed to the expenses of the non-resident's permanent establishment.

b) a person paying a pension to another person, other than the pension paid out within the state social security system;

c) a person paying taxes under Article 134(1) of this Code;

d) an enterprise/an organisation or an entrepreneur natural person, that pays the cost of rendered services to a natural person (except for a natural person registered as a VAT payer, a notary officer, a private enforcement officer, a natural person having the status of a micro business and a natural person having the status of a fixed tax payer, in the part of their activities) who is not registered as an individual entrepreneur; ***(subparagraph (d) shall apply to legal relations arising from 1 January 2018)***

e) a person organising a promotional game, casino (with respect to organising a gambling tournament), a gambling club (with respect to organising a gambling tournament), lotto, bingo, lottery who pays winnings to a natural person.

Note: If a natural person wins, at his/her request, the person organising a casino, gambling club, betting house, slot machines saloon, shall discharge the withholding agent's obligations under this article with respect to such activity.

f) a person paying another person a scholarship, other than state scholarship;

g) a resident enterprise paying dividends to a person;

h) a person paying an interest to another person in the case provided for in Article 131 of this Code;

i) a person paying a royalty to a natural person;

j) (deleted – 8.11.2011, No 5202).

k) a brokerage company provided for in Article 2(26) of the Law of Georgia on Securities Market, in the case of the sale of the securities of a person that is not registered as a taxpayer, when paying the surplus income from the sale;

l) a person transferring property free of charge to a natural person that is not registered as an individual entrepreneur, except when this person transfers free of charge to the same natural person property with a value of up to GEL 1 000 during a tax year;

m) a legal person having an STZ status – as provided for in Article 133^1 of this Code;

n) a tourist enterprise – in the case set out in Article 133^2 of this Code;

o) a person that pays a natural person the cost of goods purchased from him/her in the case provided for in Article 133^3 of this Code.

2. When withholding taxes at the source:

a) the responsibility for withholding taxes and transferring them to the budget shall rest with the payer of income;

b) if the payer of income fails to withhold taxes, it shall transfer to the budget the amount of the tax not withheld according to actually paid compensation along with the penalties related to it;

c) the recipient of income may pay the taxes and penalties on behalf of the payer of income.

3. The person withholding tax at the source under the first paragraph of this article shall:

a) transfer the tax to the budget upon paying an amount to a person, and when making non-monetary disbursements – on the last day of the respective month;

b) when paying salary, at the request of the natural person receiving income, issue to that person a notice indicating the name and surname of this person, the amount and type of income, as well as the amount of the tax withheld (if tax has been withheld);

c) submit a notice indicating the person's registration number, name and surname, residential address, the total amount of income and the total amount of tax withheld in the reporting period:

c.a) to a tax authority by not later than the 15th day of the month following the month in which the tax is withheld;

c.b) to the person receiving income upon request.

3^1. The Minister of Finance of Georgia may set for certain categories of taxpayers information submission timeframes different from those prescribed by paragraph 3(c.a) of this article.

4. For each reporting period specified in Article 153(5) of this Code, by not later than the 15th day of the month following that period, the withholding agent referred to in the first paragraph of this article shall file with a tax authority a return on the performed disbursements, in the form and manner prescribed by the Minister of Finance of Georgia.

5. To fulfil tax obligations with respect to the salary specified in paragraph 1(a.b) of this article, the employee may fulfil the obligations regarding computing, reporting and paying taxes to the budget on his/her own in the manner prescribed by the Minister of Finance of Georgia. In that case, a non-resident employer shall be released from the obligation to withhold tax at the source.

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 4935 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5452 of 9 December 2011 – website, 22.12.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6053 of 24 April 2012 – website, 27.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6547 of 22 June 2012 – website, 4.7.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018

Article 155 – Current taxes

1. An enterprise and an entrepreneur natural person, whose accounting period is a calendar year (with regard to the part of activity for which the object of taxation is defined on the basis of a calendar year), shall make current tax payments to the budget according to the annual tax payment of a previous tax year in the following amount:

a) not later than 15 May – 25%;

b) not later than 15 July – 25%;

c) not later than 15 September – 25%;

d) not later than 15 December – 25%.

2. A taxpayer who did not have any taxable income/profit during the last tax year or a person whose status of a micro business or of a flat tax payer has been revoked in the current year and who had taxable income in the last tax year shall not pay current taxes.

3. If a taxpayer's anticipated taxable income (profit) for the current tax year, taking into account tax privileges, decreases by at least 50% compared with the last tax year's income (profit) and the taxpayer notifies a tax authority about this before the due date for the current taxes set by the first paragraph of this article, the taxpayer has the right to reduce or not to pay current taxes.

4. If a taxpayer applies the third paragraph of this article and if the presented actual annual results do not confirm the fact of at least 50% reduction of the anticipated taxable income (profit) and the taxpayer has not fully paid his/her current taxes in the reporting year, he/she shall pay a penalty under this Code within the period from the dates fixed for the payment of current taxes to the date of filing a tax return.

5. If a tax rate changes compared with the previous tax period, a taxpayer may pay current taxes from the amounts of the taxable income (profit) of the previous taxable year recalculated at the rate applicable in the current taxable year.

5^1. (Deleted – 26.12.2013, No 1886).

6. The amounts of current taxes transferred to the budget shall be credited against the taxes assessed to the taxpayer according to a tax year.

7. If current taxes are not paid, the tax enforcement measures under Article 238 of this Code shall apply.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6212 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 97 of 16 December 2016 – website, 23.12.2016

SECTION VI

VALUE-ADDED TAX

Chapter XXI – General Provisions

Article 156 – Value-added tax payers

A payer of value-added tax ('VAT') shall be:

a) a person registered as a VAT payer;

b) a person required to be registered as a VAT payer;

c) a person carrying out import or temporary admission of goods into Georgia, only with respect to such import or temporary admission, without the registration requirement;

d) a non-resident (other than a Georgian citizen natural person) that provides services in Georgia without VAT registration and without a permanent establishment of a non-resident registered with the tax authorities in Georgia, only with respect to these services and shall be subject to reverse charge;

e) a person who transfers, as part of the measures for ensuring the performance of contractual obligations, the collateral (goods) to the creditor, only with respect to such operation and shall be subject to reverse charge, without the registration requirement;

f) a person whose goods are sold as part of a tax or other monetary obligation enforcement measure (other than penalties imposed under criminal and administrative procedures), through an auction, direct sale or otherwise, only with respect to such operation and, without the registration requirement;

g) a person whose trusted property is sold in the manner provided for by the Law of Georgia on Insolvency Proceedings, only with respect to such transaction, without the registration requirement.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6395 of 5 June 2012 – website, 19.6.2012

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Article 157 – Mandatory registration

1. A person who is engaged in economic activity and whose aggregate amount of VAT-taxable transactions carried out during any continuous 12 calendar months exceeds GEL 100 000 (except as provided for in paragraph 1^1 of this article) shall:a) apply to a tax authority for VAT registration within not later than two business days from the day when the aggregate amount of a taxable transaction exceeds GEL 100 000;

b) be regarded as a VAT payer from the moment of executing the taxable transaction (including this transaction), according to which the aggregate amount of the taxable transaction exceeds GEL 100 000.

1^1. A person (other than the person referred to in Article 26(6) of this Code) who supplies goods only within an STZ territory shall not be liable for VAT registration in the cases provided for in the first paragraph of this article.

2. A person who produces excisable goods in Georgia shall apply to a tax authority for VAT registration before the supply of excisable goods.

3. A person importing excisable goods into Georgia, except where the import of excisable goods into Georgia is exempt from VAT, shall apply to a tax authority for VAT registration before the supply of excisable goods in Georgia.

4. (Deleted – 28.12.2012, No 189)

5. Where one of the parties to a reorganisation is a VAT payer, the person established as a result of the reorganisation shall apply to a tax authority for VAT registration before execution of the VAT-taxable transaction, but at least within 10 calendar days after completion of the reorganisation.

6. If a contribution is made to the capital of an enterprise/partnership by a VAT payer partner/member, the enterprise/partnership shall apply to a tax authority for VAT registration before the execution of such VAT-taxable transaction, but at least within 10 calendar days after the day when the contribution is made.

7. If it is found that a person liable for VAT registration is not registered as a VAT payer, a tax authority shall register the person as

a VAT payer. At the same time, the person shall be deemed a VAT payer from the moment when he/she becomes liable for registration.

8. When determining the liability for mandatory registration, the following shall not be taken into account:

a) taxable transactions exempt without the right of deduction;

b) taxable transactions exempt with the right of deduction;

c) for a person having the status of a flat tax payer – income from the activity subject to a flat tax.

9. When determining the total amount of taxable transactions of a non-resident for the purpose of his/her mandatory VAT registration, only the supply of goods and services performed through a Georgian-based permanent establishment shall be taken into account.*Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011*

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Article 158 – Voluntary registration

A person may voluntarily register as a VAT payer. The person shall be deemed as a VAT payer from the day of filing an application with a tax authority, but not later than the deadline set for mandatory registration.

Article 159 – Revocation of registration

1. The grounds for revoking VAT registration of a VAT payer, or of a non-resident's permanent establishment in Georgia, shall be:

a) liquidation of an enterprise/organisation;

b) death of a natural person;

c) a taxpayer's written application or, in the event of the application from a tax authority, the taxpayer's consent.

d) commencement of a bankruptcy proceeding in the manner provided by the Law of Georgia on Bankruptcy Proceedings.

2. If the total amount of taxable transactions, exclusive of VAT, (other than taxable transactions exempt without the right of deduction and taxable transaction exempt with the right of deduction) made by the taxpayer during the last 12 months does not exceed GEL 100 000 and one year has elapsed since the day of his/her last registration as a VAT payer:

a) the taxpayer may apply to the tax authority concerned for revocation of his/her VAT registration;

b) the tax authority may apply to the VAT payer in writing for revocation of registration and, in the event of his/her consent, revoke the registration.

3. VAT registration shall be revoked:

a) in the case provided for in paragraph 1(a) of this article – from the day when the registration in the state/entrepreneurial register is cancelled;

b) in the case provided for in paragraph 1(b) of this article – from the day of the person's death;

c) in the case provided for in paragraph 1(c) of this article – from the 1st day of the month following the month of a taxpayer's written application/consent;

d) in the case provided for in paragraph 1(d) of this article – from the publication of the bankruptcy ruling delivered by a court.

4. The procedure for VAT registration and revocation of VAT registration shall be determined by the Minister of Finance of Georgia.

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 6395 of 5 June 2012 – website, 19.6.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Chapter XXII – Object of Taxation, Determining the Amount of Taxable Transactions, Time and Place

Article 160 – Object of taxation

An object of taxation with VAT shall be:

a) a taxable transacti;on

b) importation;

c) export, re-export;

d) temporary admission.

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Article 161 – Taxable transaction, amount and time of the transaction

1. Transactions subject to VAT shall be:

a) supply of goods and/or services in the territory of Georgia within the scope of economic activity, where:

a.a) the amount of a taxable transaction shall be calculated according to the amount of compensation received or receivable by a VAT payer, and in the case provided for in sub-paragraph a.b.d) of this paragraph – according to the amount of compensation received (including taxes, duties and other payments), without VAT and/or penalty, except as provided for in paragraph 2 of this article;

a.b) the time of performance of a taxable transaction shall be the moment of supplying goods or delivering services but:

a.b.a) not later than the moment when the supplier presents a payment request (invoice) for the goods supplied or services delivered, except as provided for in sub-paragraphs a.b.b–a.b.d) of this paragraph;

a.b.b) not later than the last business day of each reporting period if goods (firm capacity, electric or heat energy, gas or water) are supplied regularly or continuously. At the same time, if a person records supply on different days of the reporting period, according to the amount of goods delivered during a certain period (cycle), rather than according to the amount of goods delivered during a calendar month. The period may include both the reporting period and the period preceding the reporting period. In that case the amount of goods recorded according to different days of the accounting period (recorded according to the amount of goods supplied during a certain period (cycle)) shall be regarded as supplied within the reporting period, irrespective of the amount actually supplied in the reporting period;

a.b.c) not later than the last day of each reporting period if services are delivered regularly or continuously;

a.b.d) not later than the moment of payment of the amount/part of the amount of compensation for the goods to be

supplied/services to be delivered if payment is made before the supply of goods/delivery of services, except as provided for in sub-paragraphs a.b.b) and a.b.c) of this paragraph;

b) use of goods/services purchased with VAT for non-economic activity (except where a legal person under public law supplies goods and/or delivers services to the State and/or to local self-governments free of charge), if the payer has deducted VAT with respect to the goods/services, where:

b.a) the amount of a taxable transaction shall be the market price of the goods/services (including taxes, duties and other payments) exclusive of VAT;

b.b) the time of the execution of a taxable transaction shall be the moment of the commencement of the use of the goods/services;

c) if VAT registration (except as provided for in Article 159(1)(d) of this Code) is revoked – the balance of goods, for which the taxpayer has obtained a deduction, where:

c.a) the amount of a taxable transaction shall be the balance of goods available on the day of revocation with respect to which the taxpayer has obtained a deduction;

c.b) the time of the execution of a taxable transaction shall be the day preceding the day on which the revocation of registration takes effect.

d) the use of buildings or structures of one's own production as a fixed asset, where:

d.a) the amount of a taxable transaction shall be defined by the value of assets to include their procurement, production, construction, assembly and installation costs (expenses), as well as other costs (expenses) that add to the value of assets;

d.b) the time of the execution of a taxable transaction shall be the very moment when the fixed asset is put into operation.

e) receipt into individual ownership of goods or services from an enterprise and/or a partnership in return for an interest (in such case, taking out and/or registration of property shall be regarded as the supply of property by the partnership), where:

e.a) the amount of a taxable transaction shall be the market price of goods/services (including taxes, duties and other payments due), exclusive of VAT;

e.b) the time of the execution of a taxable transaction shall be the moment of receiving the goods/services into individual ownership.

f) in the case provided for in Article 115(4) of this Code, the return of fixed assets to a lessor by a lessee (except for persons under Article 97(1 and 3) of this Code) in the event of expiry or early termination of a lease agreement, where:

f.a) the amount of a taxable transaction shall be equal to the amount of the repair expenses incurred on those fixed assets that are to be subtracted from the book value of the group with which the group is zeroed;

f.b) the time of execution of a taxable transaction shall be the moment of expiry or early termination of a lease agreement.

[f) in the case under Article 115(4) of this Code, the return of fixed assets to a lessor by a lessee (except for persons under Article 97(1–3) of this Code) in the event of expiry or early termination of a lease agreement, where:

f.a) the amount of a taxable transaction shall be equal to the amount of the repair expenses incurred on those fixed assets that are to be subtracted from the book value of the group with which the group is zeroed;

f.b) the time of execution of a taxable transaction shall be the moment of expiry or early termination of a lease agreement. ***(Shall become effective from 1 January 2019)]***

g) if the status of a tourist enterprise expires or terminates prematurely, the moment of the revocation of status, at the moment of which the amount of a taxable transaction is the difference between the turnover exempt from VAT with the right of deduction under Article 168(4)(w) of this Code and the amount (including the amount additionally charged by a tax authority with respect to the given facility) of VAT taxable transactions (except for VAT-exempt transactions) declared as a result of the operation of the hotel (facility/its part) by the person(s) invited for the functioning/operation of a tourist enterprise and/or a hotel.

2. The amount of a taxable transaction shall be the market price of goods/services (including taxes, duties and other payments due),

exclusive of VAT:

a) if a VAT payer receives or is entitled to receive goods/services in return for a taxable transaction;

b) in the cases provided for in Article 18(11) of this Code;

c) when goods/services are supplied to employees;

d) when goods/services are supplied free of charge.

2^1. For the purposes of paragraph 2(b) of this article, in the case specified in Article 18(11)(a) of this Code, it is deemed that the relationship of persons affects the results of a transaction if there is one of the following conditions:

a) the compensation amount received/receivable by a taxpayer as a result of the execution of a VAT taxable transaction (except for the exempted transaction) is less than the market price of the goods supplied/services rendered by the taxpayer. Furthermore, the beneficiary of goods/services has a turnover which is exempt from VAT both with and without the right of deduction;

b) the compensation amount received/receivable by a taxpayer as a result of a transaction that is exempt without the right of deduction is less than the market price of the goods supplied/services rendered. Furthermore, the supplier of the goods/services has a turnover which is exempt from VAT both with and without the right of deduction;

c) the compensation amount received/receivable by a taxpayer as a result of the execution of a taxable transaction (except for the exempted transaction) or of a transaction that is exempt without the right of deduction is more than the market price of the goods supplied/services rendered. Furthermore, the supplier of the goods/services has a turnover which is exempt from VAT both with and without the right of deduction;

3. If the supply of goods involves trans-shipment, the moment of the trans-shipment shall be deemed as the moment of the supply of goods.

4. For international telephone communication services, the amount of a taxable transaction shall not include the amount received or receivable for such services delivered to a non-resident enterprise.

5. The value of returnable (intended for multiple use) packing material is not included to a taxable amount, except in retail trade, where taxable turnover is reduced by the amount the seller pays to a consumer at the moment of returning such packing material. If the packing material is not returned within 90 calendar days after the supply of goods, it shall be deemed as sold and shall be taxed under this Code.

6. (Deleted – 30.5.2018, No 2391).

7. For each party to an exchange (barter) transaction of goods/services:

a) the amount of a taxable transaction shall be determined under paragraph 2(a) of this article;

b) the time of the execution of a taxable transaction shall be determined under paragraph 1(a.b) of this article.

8. When supplying immovable property, unless the provision under paragraph 1(a.b.d) of this article exists, the time of the execution of a taxable transaction shall be the date of drafting a title deed to be filed with a registration authority for the registration of title, and if the registration (transfer) of title depends on the fulfilment by the party (parties) to such document of a certain obligation and/or existence of a certain provision, the date of fulfilment of such obligation and/or existence of such provision shall be the time of the execution of a taxable transaction.

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6395 of 5 June 2012 – website, 19.6.2012

Law of Georgia No 6446 of 12 June 2012 – website, 25.6.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 2950 of 12 December 2014 – website, 23.12.2014

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Law of Georgia No 3581 of 1May 2015 – website, 15.5.2015

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 97 of 16 December 2016 – website, 23.12.2016

Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018

Article 162 – Importation of goods, amount and time of import

1. During importation:

a) the amount of importation shall be the total of:

a.a) the customs value;

a.b) the duties payable upon importation, exclusive of VAT payable in Georgia;

a.c) the service charges, net of VAT, regarded as part of the importation of goods under Article 177(4) of this Code;

b) importation of goods is performed when goods are taxed under the tax legislation of Georgia or if they had not been exempt from taxes would have been taxed with import duty.

2. (Deleted – 4.4.2014, No 2183,).

2^1. (Deleted – 4.4.2014, No 2183).

3. (Deleted – 4.4.2014, No 2183).

4. (Deleted – 4.4.2014, No 2183).

5. (Deleted – 4.4.2014, No 2183).

6. (Deleted – 4.4.2014, No 2183,).

7. When importing foreign goods supplied to a customs warehouse, if:

a) the import and the supply of goods are not exempt from VAT, the importer shall pay the VAT for import depending on the importation amount, and the amount of a positive difference between the value of foreign goods purchased by an importer in a customs warehouse and the importation amount of goods shall be reverse charged with VAT;

b) importation of goods shall be VAT exempt, and the supply of goods shall be subject to VAT; the value of foreign goods purchased by an importer in a customs warehouse shall be reverse charged with VAT;

c) importation of goods shall be subject to VAT, and the supply of goods shall be VAT exempt, the importer shall pay the VAT payable for importation according to the importation amount.

8. If a FIZ Enterprise supplies goods brought into a Free Industrial Zone (except the ones brought in from Georgian customs territory) to another person (other than a FIZ Enterprise) without changing their commodity code, the difference between the purchase cost of the goods and customs value of the goods shall be added to the importation amount, according to which the

importer shall pay VAT along with the import duty in the manner provided for by the Minister of Finance of Georgia.

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6015 of 10 April 2012 – website, 30.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 2183 of 4 April 2014 – website, 8.4.2014

Article 163 – Export/re-export, amount and time of export/re-export

During export/re-export:

a) the amount of export/re-export shall be the customs value;

b) export/re-export of goods shall be performed when a declaration is filed for placing goods under the export/re-export customs procedure.

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 164 – Temporary admission of goods, amount and time of temporary admission

Temporary admission of goods shall be defined under this Code, where:

a) the amount of temporary admission of goods equals the amount of importation specified in Article 162(1)(a) of this Code, in the case of placing goods under importation procedure on the day of filing a customs declaration for temporary admission;

b) temporary admission of goods is performed when goods are taxed or, if they had not been exempt, would have been taxed with import duty under the tax legislation of Georgia.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 165 – Place of supply of goods

1. If the terms of the supply of goods include transportation, the place of supply of goods shall be the location of goods at the beginning of such transportation. In other cases, the place of supply of goods shall be the place of where goods are delivered.

2. The place of supply of electric or heat energy, gas or water shall be the place of receipt of such goods. In the event of export from Georgia, the place of supply of such goods shall be Georgia.

Article 166 – Place of service delivery

1. For the purposes of this Section, the place of service delivery shall be:

a) the place where immovable property is located, if services are related to immovable property, including:

a.a) services of property agents and experts;

a.b) services related to construction business preparation and coordination;

a.c) architectural and construction business supervision services.

b) the place where services are actually rendered, if:

b.a) services are related to movable property, including evaluation of movable property;

b.b) services are rendered in the sphere of culture, art, education, tourism, recreation, physical culture and sports;

b.c) additional transportation services such as loading and unloading are rendered.

c) the location of the transportation of cargo or passengers at the beginning of transportation, if service is related to that transportation;

d) if the persons receiving and delivering services are in different states, the place of registration or place of management of the person receiving services or the location of the permanent establishment of the person receiving the services, if the services are directly related to that permanent establishment. The provisions of this subparagraph shall apply to the following services:

d.a) transfer of patents, licenses, trademarks, copyrights or other similar intangible assets;

d.b) delivery of consulting, legal, accounting, engineering and other similar services, also processing and delivery of data and information;

d.c) provision of personnel;

d.d) renting out movable property, except for the renting of vehicles;

d.e) advertising services;

d.f) obligation to refrain from business activities or from exercising the right described in this subparagraph;

d.g) financial and insurance transactions, including reinsurance;

d.h) telecommunication, radio and television broadcasting services;

d.i) electronically delivered services;

d.j) delivery of services through an intermediary who acts in the name and on behalf of another person and takes part in the delivery of the services described in this paragraph.

e) the place of the economic activity of the person who delivers services.

2. If the place of service delivery is described in more than one subparagraph of the first paragraph of this article, the place of service delivery shall be determined according to the first of the paragraphs describing the services;

3. For the purposes of this article, electronically delivered services shall include:

a) supply of a website, web-hosting, remote maintenance of software and hardware;

b) delivery of software support and appropriate updating;

c) supply of images, texts and information to ensure access to databases;

d) supply of music, films and games (including gambling games), broadcasting and covering political, cultural, art, sports, scientific and entertaining programs;

e) delivery of remote teaching.

4. The Minister of Finance of Georgia may determine criteria for attributing certain activities to the types of services provided for in the third paragraph of this article.

Chapter XXIII – Rules Governing Exemption from VAT and VAT Exemption

Article 167 – VAT exemption and procedure for its application

1. VAT exemption may be with or without the right of deduction.

2. A transaction shall be regarded as exempt with the right of deduction when the transaction is not chargeable with VAT (is not taxed) and the right of deduction is applied.

3. A transaction shall be regarded as exempt without the right of deduction when the transaction is not chargeable with VAT (is not taxed) and the right of deduction is not applied.

4. A taxpayer is entitled not to apply VAT exemption without the right of deduction in respect of a taxable transaction, which means that the taxable transaction shall be charged with VAT and a deduction shall be obtained.

5. A taxpayer may exercise the right referred to in the fourth paragraph of this article:

a) from the first day of the reporting period following application to a tax authority;

b) within 12 months from the day of exercising the right, in respect of all taxable transactions.

6. When exercising the right referred to in the fourth paragraph of this article;

a) a tax authority shall register a taxpayer;

b) a taxpayer shall tax exempt transactions and for the purposes of this Section such transactions shall no longer be deemed as transactions exempt without the right of deduction.

7. The procedure for application of VAT exemption shall be determined by an order of the Minister of Finance of Georgia.

Article 168 – Tax exemption

1. The supply or importation or temporary admission of the following goods shall be exempt from VAT without the right of deduction:

a) supply and/or importation of national or foreign currency (other than those intended for numismatic or collection purposes) and of securities;

b) importation of gold and gold bars to be transferred to the National Bank of Georgia;

c) supply and/or importation of treasures, immovable property transferred into state ownership, the sales proceeds of which are transferred to the budget;

c^1) supply and/or import of immovable property transferred into state ownership, as well as transfer of property by leasing (supply) under the Law of Georgia on State-owned Property.

d) supply of state-owned property under the privatisation program;

e) importation of goods under Article 199(d)(n) of this Code, taking into account the note to the same article, except for the importation of goods from a Free Industrial Zone;

f) supply by the Patriarchate of Georgia of crosses, candles, icons, books, calendars and other liturgical items used only for religious purposes;

g) supply of goods (notebooks) indicated in the National Commodity Nomenclature of Foreign Economic Activities Code 4820 20 000 00;

h) importation and /or supply of goods indicated in the National Commodity Nomenclature of Foreign Economic Activities Codes 4801, 4802 55, 4802 61 100 00 and 4810 22;

i) supply and/or importation of liquorice roots indicated in the commodity subheading 1211 90 980 00, natural untreated shellac indicated in the commodity subheadings 1211 20 000 00, 1301 20 000 00 and 1301 90 000 00 of the National Commodity Nomenclature of Foreign Economic Activities, the goods indicated in the National Commodity Nomenclature of Foreign Economic Activities Codes 1504 20, 1515 30, 1520 00 000 00, 1702 11 000 00, 3912 12 000 00, 3912 31 000 00, 7010 10 000 00, 7010 90 790 00 and 9602 00 000 00 (gelatine capsules);

j) supply and/or importation of raw materials and substances under Groups 28 and 29 of the National Commodity Nomenclature of Foreign Economic Activities for curative (pharmaceutical) purposes, goods under Group 30, based on the list approved by a joint order of the Minister of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia and the Minister of Finance of Georgia;

j^1) supply and/or importation of goods designated for therapeutic/medical purposes based on the list determined by the joint order of the Minister of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia and the Minister of Finance of Georgia;

k) supply and/or importation of radiopharmaceutical agents specified under the National Commodity Nomenclature of Foreign Economic Activities Code 2844 that are registered by the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia; of goods specified under the National Commodity Nomenclature of Foreign Economic Activities Codes 8419 20 000 00, 9001 30 000 00, 9001 40, 9001 50, Codes 9018-9022 (except for Code 9022 29 000 00), Codes 9025 11 200 00 and 9402 90 000 00; wheelchairs and their parts and accessories, X-ray films, medical diagnostic testing systems, glucometers (testing systems of which are registered by the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia) specified under Codes 8713 and 8714 20 000 00; also, of goods specified under Code 9619 00 000 00 as defined by the joint order of the Minister of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia and the Minister of Finance of Georgia;

k^1) goods defined by the joint order of the Minister of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia and the Minister of Finance of Georgia, which are necessary for movement of a person with a disability from childhood, and of a person with a severe and persistent disability;

l) supply and/or importation of goods indicated in National Commodity Nomenclature of Foreign Economic Activities Codes 0102 21, 0103 10 000 00, 0104 10 100 00, 0104 20 100 00, 0105 11, 0511 10 000 00, 0602 10, 2503 00, 2803 00, 3101 00 000, 3103–3105 (except for a mechanical mixture), 3808 91, 3808 92 and 3808 93;

m) supply and/or importation of a motor car under the National Commodity Nomenclature of Foreign Economic Activities Code 8703 and/or a motor cycle (including a motor bicycle) under the National Commodity Nomenclature of Foreign Economic Activities Code 8711;

n) supply (including in an electronic form) and/or importation of goods (magazines, newspapers, and printed music) specified under the codes 4901, 4902 and 4904 00 000 00 of National Commodity Nomenclature of Foreign Economic Activities; also, delivery of lecture courses through electronic media (discs) that are of an educational nature and may also be published as a book;

o) importation or temporary admission of articles of personal consumption and household items, which are intended for the personal use of foreign citizens engaged in oil and gas prospecting and extracting operations (including the family members living with such persons);

p) (deleted – 30.7.2013, No 906)

q) supply and/or importation of baby food products and/or child hygiene products, marked as such at the time of supply, according to the list approved by a joint order of the Minister of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia and the Minister of Finance of Georgia;

r) supply and/or importation of diabetic bread, marked as such at the time of supply;

s) importation of chassis, bodies, parts and accessories indicated in the National Commodity Nomenclature of Foreign Economic Activities Codes 8706 00 190 00, 9706 00 990 00, 8706 00 990 00, 8707 90 100 00, 8707 90 900 00, 8708 10 900 00, 8708 29 100 00-8708 40 900 00, 8708 50 900 00-8708 70 100 00, 8708 80 , 8708 91, 8708 92, 8708 93, 8708 94 and 8708 99 intended for the tractors indicated in the National Commodity Nomenclature of Foreign Economic Activities Codes 8701 90 110 00-8701 90 500 00 as well as importation of the goods indicated in the National Commodity Nomenclature of Foreign Economic Activities Codes 8432 90 000 00 and 8433 90 000 00;

t) importation of natural gas (to thermal power stations) for generation of electricity;

u) importation of goods indicated under the National Commodity Nomenclature of Foreign Economic Activities Codes 8802 11 100 00, 8802 12 100 00, 8802 20 100 00, 8802 30 100 00 and 8802 40 100 00 and/or of the goods intended for them (for civil aviation) under the National Commodity Nomenclature of Foreign Economic Activities;

u^1) importation and/or supply of goods under heading 8903 of the National Commodity Nomenclature of Foreign Economic Activities;

v) supply of a land parcel;

w) supply of a partnership interest (the right of preliminary registration of title to property) if no property is attached/registered with respect to that interest (right), except where property is received in individual ownership instead of the interest (right);

x) supply (distribution) of property by a partnership to its members(partners), if the members of the partnership are only natural persons, the composition of the members of the partnership has not changed from the foundation of the partnership up to the transfer (distribution) of property and if at the moment of distribution the partnership is not a VAT payer. For the purposes of this subparagraph, in the case of a partner's death, the transfer of the partner's interest to his/her heir or the sale of the partner's interest under the Law of Georgia on Enforcement Proceedings shall not be regarded as a change in the composition of the members of the partnership;

y) supply of goods between Free Industrial Zone Enterprises;

z) supply and/or importation of excise marks by the Revenue Service and/or by a person selected by the Revenue Service under the legislation of Georgia;

z^1) (deleted – 20.12.2011, No 5556);

z^2) importation of agrarian pesticides and agrochemicals, seed and plant materials of agricultural plants according to the list approved by the Government of Georgia;

z^3) importation by a person chosen by the Revenue Service under the legislation of Georgia of goods intended for mandatory excise stamping/marking of excisable and/or non-excisable goods;

z^4) importation of fuel contained in a standard tank connected structurally and technologically to the engine feed system of the motor vehicle of a person who enters Georgia in a motor vehicle;

z^5) supply by a natural person of his/her own hotel assets/part of the assets specified in Article 26^1(1) of this Code, if the new owner (natural person) takes place of the previous owner in the contractual relationships existing between the previous owner and the tourist enterprise;

z^6) importation and/or provision of transport vehicle indicated in the National Commodity Nomenclature of Foreign Economic Activities Code 8703 10 110 00.

z^7) provision of an apartment (house) with the plot of land attached to it to a natural person if the provider provides this property to a natural person:

z^7.a) from whom he/she has received this property within the scope of the measure for securing performance of this and/or another natural person's contractual obligation;

z^7.b) whose property he/she has purchased by auction or another way for enforcing payment of this and/or another natural person's debt;

[z^7.c) supply of goods originated or produced within the occupied territory of Georgia from the occupied territory of Georgia to a person having the status of special enterprise. ***(Shall become effective from 1 January 2019)]***

2. The delivery of the following services shall be exempt from VAT without the right of deduction:

a) execution of financial transactions and/or delivery of financial services;

b) construction, restoration and painting of cathedrals and churches at the request of the Patriarchate of Georgia;

(The normative content of the words "at the request of the Patriarchate of Georgia" in paragraph 2(b), which exempts from VAT without the right of deduction only the services for construction, restoration and painting of cathedrals and churches delivered at the request of the Patriarchate of Georgia, has been declared unconstitutional; the unconstitutional provision shall be declared invalid from 31 December 2018) – Decision No 1/2/671 of the Constitutional Court of Georgia of 3 July 2018 – website 11.7.2018

c) performance by a person of restoration, rehabilitation, designing and research work on the monuments of cultural heritage, which are included in the World Heritage List, and which fall within the category of national importance and/or have a ceremonial-religious purpose, in agreement with the Ministry of Education, Science, Culture and Sport of Georgia;

d) delivery of ceremonial services (including by motor vehicle) related to a funeral;

e) delivery of medical services;

f) delivery of childcare services in fostering institutions and/or early and preschool fostering and educational institutions, and/or care services for the sick, persons with disabilities (including children), and for 60 and over 60 years old persons;

g) delivery of services with lotteries, gambling and other games of chance, except as provided for in paragraph 4(s) of this article;

h) transfer by lease of goods exempt from VAT under this article without the right of deduction;

i) delivery of services between Free Industrial Zone Enterprises, as well as delivery of services determined by the Government of Georgia by Free Industrial Zone Enterprises to non-residents (except for permanent offices of non-residents in Georgia) in accordance with Article 25(7) of this Code;

j) delivery of the sales services, print services in relation to goods (magazines, newspapers and printed music) specified under the National Commodity Nomenclature of Foreign Economic Activities Codes 4901, 4902 and 4904 00 000 00, and/or delivery of advertising services by newspapers and magazines;

k) delivery of art and sport training services to a natural person under the age of 18;

l) delivery of municipal and intraregional passenger transport (other than taxi) services at regulated prices and tariffs;

m) educational services delivered by educational institutions;

n) gratuitous delivery of easement services;

o) delivery by the person chosen by the Revenue Service under the legislation of Georgia of the services of mandatory excise stamping/marking of excisable and/or non-excisable goods;

p) delivery of janitorial, cleaning and waste management services to a local self-government in a populated area.

3. The transactions performed according to the intended purpose under the following laws, contracts and agreements shall be exempt from VAT without the right of deduction:

a) importation, supply and/or delivery of services related to the equipment and machinery, vehicles, spare parts and materials

intended for performing oil and gas operations under the Law of Georgia on Oil and Gas, as well as for performing operations related to oil and gas for investors and operating companies under agreements provided by said Law and/or under licenses granted for performing oil and gas operations;

b) importation of goods and/or delivery of construction and installation, restoration, design and development and/or geological survey services financed with soft loans for the rehabilitation of the power sector issued by foreign states and/or international organisations under international agreements of Georgia ratified by the Parliament of Georgia;

c) temporary admission of goods into Georgia for ensuring fulfilment of the obligations under international treaties of Georgia, namely, the construction of Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum Pipelines;

d) temporary admission of fully exempt goods provided for by this Code;

e) importation of goods returned under this Code;

f) importation of goods specified in grant agreements by grantors or grantees;

g) delivery of services under a contract financed by a foreign organisation for the relief from a natural disaster, accident, or catastrophe, or for the provision of humanitarian aid, and one of the parties to which is an appropriate government agency of Georgia;

h) importation of goods that are to be transferred to state and/or public organisations of Georgia for relief from a natural disaster, accident, catastrophe, or for the provision of humanitarian aid;

i) importation or temporary admission of goods that are intended for official use of foreign diplomatic and equivalent missions, for personal use of diplomatic and administrative-technical personnel (including family members living with them) of such missions as provided for in the relevant international treaties to which Georgia is a party;

j) importation of the property of Georgian diplomatic missions and consular offices abroad.

4. The following shall be exempt from VAT with the right of deduction:

a) re-export or export of goods only for the reporting period, in which the declaration for goods re-export or export was filed;

b) supply of goods and/or services intended for official use of foreign diplomatic and other equivalent missions, for the personal use of the diplomatic and administrative-technical personnel (including family members living with them) of such missions and the procedure for the use of which is determined by the Minister of Finance of Georgia;

c) carriage of goods placed under the export, re-export, outward processing or transit procedure and delivery of the services directly related to such carriage. At the same time, the services directly related to such carriage shall include:

c.a) services related to dispatching/receiving cargo and/or transport vehicles or means of carriage, also services delivered by airports, ports, railway and bus terminals;

c.b) air or sea navigation, dispatching and/or information services;

c.c) forwarding services;

c.d) services related to preparation of documents, inspection, examination and handling of goods (including, loading and unloading), packing for transportation and storage services;

c.e) agency services in ports.

c^1) carriage of goods between the points in Georgia before placing goods under the import, warehouse, temporary admission, inward processing or free zone procedures, and the delivery of services under subparagraph (c) of this paragraph directly related to such carriage, except for cargo storage services.

c^2) carriage of goods placed under import, warehouse, temporary admission, inward processing or free zone procedures before bringing them into the territory of Georgia from the customs border of Georgia to the point of destination indicated in the customs declaration and the delivery of services under subparagraph (c) of this paragraph directly related to such carriage, except for cargo storage services;

c^3) in carrying out railway transportation by a carriage/container owned by a non-resident in the territory of Georgia, delivery of carriage/container services by a non-resident, except for transferring a carriage/container under a leasing agreement;

c^4) in carrying out railway transportation by a carriage/container owned by a resident of Georgia outside the territory of Georgia, delivery of carriage/container services by a resident of Georgia, except for transferring a carriage/container under a leasing agreement;

d) delivery of passenger and cargo transportation services and the services directly related to such transportation, provided that the point of departure or destination is located outside Georgia and a single transport document is drawn up in respect of such transportation. At the same time, the services directly related to such transportation shall include:

d.a) services related to sending/receiving passengers and/or transport vehicles, as well as services delivered by airports, ports, and railway and bus terminals;

d.b) air or sea navigation, dispatching and/or information services, as well as air navigation supervision services;

d.c) inspection, examination, handling (including, loading and unloading), packing for transportation and storage services;

d.d) services related to the sale of travel tickets for international carriage of passengers;

d.e) passenger services within airport and port customs control zones, the cost of which is included in the travel tickets of international carriage of passengers;

d.f) agency services in ports.

e) importation and/or supply of goods intended to be supplied on board for carrying out international flights and international voyages, and importation and/or supply of fuel, lubricants and other auxiliary means intended to be supplied on board for performance of civil flights and aviation works within the state border of Georgia;

f) transportation, loading, unloading and storage services delivered with respect to empty means of transport (including containers and carriages) used in carriage;

g) supply of natural gas to thermal power stations;

h) removing assets, for the state and/or local self-government, from the capital of the enterprise in which more than 50% interest/shares are held by the State and/or local self-government;

i) gratuitous transfer of goods and/or gratuitous delivery of services to the State and/or local self-government;

j) transfer of goods by legal entities under public law that are implementing projects (including, preparatory stage) under international treaties ratified by the Parliament of Georgia, and with whom the Ministry of Finance of Georgia has signed a project implementation agreement, to other persons under those projects;

k) supply of Georgian goods to a duty free shop for sale and the sale of goods and/or delivery of catering services in a duty free shop;

l) delivery by a VAT payer (including an individual entrepreneur) of all the assets of an enterprise or an independently operating subunit of the enterprise under one transaction to another VAT payer if the delivering and receiving parties notify a tax authority of such delivery within 15 calendar days from the delivery. An independently operating subunit shall be a set of fixed assets and accompanying communications functionally related to each other, which operates independently (other than buildings and structures transferred under lease, rent or any other similar form) and the independent operation of which and the line of activity does not depend on the change of an owner;

m) supply of assets in the event of reorganisation of an enterprise;

n) supply of assets as a contribution to the capital of an enterprise or a partnership. At the same time, the person receiving the assets shall be deemed to have obtained a deduction for the respective goods in the accounting period in which the assets were supplied;

o) supply of gold to the National Bank of Georgia;

p) bringing of tourists to tourist sites in the territory of Georgia in an organised manner and delivery of tourist service packages to them in the territory of Georgia by tour operators;

q) services delivered to a ship when bringing goods into the customs territory of Georgia (namely, the services of the port, pilot service and services of the LEPL State Hydrographic Service of Georgia);

r) supply of foreign goods in a customs warehouse, except as provided for in Article 162(7) of this Code;

s) delivery of services with lotteries, gambling and other games of chance by those lottery organisers under the Law of Georgia on Organising Lotteries, Gambling and Games of Chance, in which over 50% interest is held by the State;

t) transfer of the property of a person (except for money) to the State, to an autonomous republic or local self-governing unit within the scope of enforcement measures, including tax enforcement measures in favour of the State Budget, republican budget of an autonomous republic or local self-governing unit's budget, also the sale/transfer of a person's property for the purpose of collecting penalties imposed under criminal or administrative procedures;

u) supply of agricultural produce produced in Georgia (other than the goods (eggs) indicated in National Commodity Nomenclature of Foreign Economic Activities Codes 0407 00 190 00 ,0407 00 300 00 and the goods under subheading 0207 11(gallus domesticus, uncut, fresh or frozen)), before their industrial processing (change of commodity code);

v) supply of products obtained from goods fully made in Georgia and indicated in National Commodity Nomenclature of Foreign Economic Activities Codes 0201, 0203 11 – 0203 19, 0204 10 000 00 – 0204 23 000 00, 0204 50 110 00 – 0204 50 390 00 (including, chopped/minced meat (forcemeat)), as well as supply of cheese made as a result of industrial processing of products obtained from animals living in Georgia and also supply of goods (shell-less nuts) indicated in National Commodity Nomenclature of Foreign Economic Activities Code 0802 22 000 00; w) supply by a Tourist Enterprise of hotel assets/part of the assets to another person for the purpose of receiving them back. If within two years after supplying the hotel assets/part of such assets to another person the Tourist Enterprise receives the same assets back under a commutative contract, the transaction shall also be exempt from VAT with the right of deduction and this shall be the basis for adjusting the amount of the taxable transaction. In that case, the Tourist Enterprise may adjust the amount of the taxable transaction under Article 179 of this Code;

x) gratuitous supply of hotel services (hotel accommodation) for a maximum of 60 days during a calendar year to the owner of the hotel assets/part of the assets by a Tourist Enterprise and/or by the person(s) invited under a relevant contract to ensure the functioning/operation of a facility/part of the facility as a hotel;

y) international call termination services in mobile or fixed networks in Georgia;

z) services specified in Article 234(1)(a–c and e) rendered for the purpose of processing goods placed under an inward processing procedure by a person who is carrying out this customs procedure (except when the processed goods are subsequently imported);

z^1) supply of electricity and firm capacity, except for supply of electricity to consumers (for persons under the Law of Georgia on Electricity and Natural Gas) and electricity transmission and/or dispatching services;

z^2) delivery of air carriage and air transportation services and performance of aviation works within the state border of Georgia;

$z^2$1) provision of technical services to the aircrafts and to the ships conducting international sea passages;

z^3) supply of ferrous and/or non-ferrous scrap metals and ferrous and/or non-ferrous metal waste if the goods receiving party can be identified. Further, it is considered that the goods receiving party has received a VAT deduction according to the accounting period of supplying goods.

Note: the goods referred to in this sub-paragraph shall not include ferrous castings, ingots, rolls, other raw materials and semi-products of primary conversion that are classified under commodity items 7201, 7202, 7203, 7205, 7206, 7207 and the commodity sub-item 7204 50 000 00 of the National Commodity Nomenclature of Foreign Economic Activities.

z^4) supply and/or importation of goods (books) indicated under the National Commodity Nomenclature of Foreign Economic Activities Codes 4901 and 4903 00 000 00; also, delivery of sales and printing services in relation to the goods.

[z^5) supply of goods by a person having the status of special enterprise to the occupied territory of Georgia. ***(Shall become effective from 1 January 2019)]***

5. Supply of goods and/or services and/or importation of goods shall be exempt from VAT with the right of deduction if the above is done under the international treaties ratified by the Parliament of Georgia that have taken effect and the supply of such goods and/or services and/or importation of goods under such treaties shall be exempt from VAT.

Law of Georgia No 4470 of 22 March 2011 – website, 1.4.2011

Law of Georgia No 4705 of 20 May 2011 – website, 1.6.2011

Law of Georgia No 4706 of 20 May 2011 – website, 1.6.2011

Law of Georgia No 4720 of 31 May 2011 – website, 10.6.2011

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5137 of 13 October 2011 – website, 31.10.2011

Law of Georgia No 5169 of 28 October 2011 – website, 11.11.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5452 of 9 December 2011 – website, 22.12.2011

Law of Georgia No 5557 of 20 December 2011 – website, 28.12.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5910 of 16 March 2012 – website, 19.3.2012

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.05.2012

Law of Georgia No 6439 of 12 June 2012 – website, 22.6.2012

Law of Georgia No 6446 of 12 June 2012 – website, 25.6.2012

Law of Georgia No 6547 of 22 June 2012 – website, 4.7.2012

Law of Georgia No 800 of 28 June 2013 – website, 15.7.2013

Law of Georgia No 906 of 30 July 2013 – website, 20.8.2013

Law of Georgia No 1901 of 27 December 2013 – website, 30.12.2013

Law of Georgia No 2874 of 11 December 2014 – website, 23.12.2014

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Law of Georgia No 4720 of 24 December 2015 – website, 29.12.2015

Law of Georgia No 5406 of 8 June 2016 – website, 17.6.2016

Law of Georgia No 5372 of 8 June 2016 – website, 24.6.2016

Law of Georgia No 97 of 16 December 2016 – website, 23.12.2016

Law of Georgia No 499 of 23 March 2017 – website, 27.3.2017

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 1378 of 15 November 2017 – website, 17.11.2017

Law of Georgia No 1701 of 7 December 2017 – website, 14.12.2017

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018

Law of Georgia No 2476 of 6 June 2018 – website, 21.6.2018

Decision No 1/2/671 of the Constitutional Court of Georgia of 3 July 2018 – website 11.7.2018

Law of Georgia No 3109 of 5 July 2018 – website, 11.7.2018

Chapter XXIV – Procedure for Calculation, Reporting and Payment of Taxes

Article 169 – VAT rates

1. VAT rate shall be:

a) 18% of the amount of taxable turnover or taxable import;

b) with respect to temporary admission of goods, 0.54% of the amount of temporary admission specified in Article 164(1)(a) of this Code for each complete and incomplete calendar month during which goods are located in the customs territory of Georgia, but not more than 18% of the temporary admission amount at the moment of temporary admission of goods;

c) 18% of the amount of the transaction subject to reverse charge.

2. Taxable turnover shall be the total of the amount of taxable transactions, export of goods and re-export of goods made in a reporting period.

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 170 – VAT payable to the budget

The amount of VAT payable to the budget comprises:

a) the VAT amount payable to the budget from taxable turnover is defined as the difference between the VAT amount assessed on taxable turnover and the amount of deductible VAT;

b) the VAT amount payable to the budget during the importation of goods;

c) the VAT amount payable to the budget during the temporary admission of goods;

d) the VAT amount payable to the budget from a transaction subject to reverse charge.

Article 171 – Filing a VAT return and payment of VAT

1. A person registered as a VAT payer shall file a VAT return with the relevant tax authority for each reporting period not later than the 15th day of the month following that reporting period and pay VAT within that timeframe.

1^1. A person registered as a VAT payer shall submit to a tax authority, within 15 days after the entry into force of a bankruptcy ruling delivered by a court in the manner provided for by the Law of Georgia on Insolvency Proceedings, unfiled returns for the complete/incomplete tax period(s) preceding the commencement of the bankruptcy proceedings. At the same time, the taxpayer shall not submit any VAT returns for the complete/incomplete tax period(s) after the commencement of the bankruptcy proceedings.

2. During the temporary admission of goods:

a) A person not registered as a VAT payer shall pay the charged VAT amount not later than the 15th day of the month following each month, and shall make the last payment on the day of completion of the customs procedure of temporary admission of goods. The declarant may pay the total amount due as a lump sum.

b) The obligation to charge a VAT shall not be imposed on a person registered as a VAT payer. Furthermore, it is assumed that he/she has received a deduction of a proper amount of VAT for the goods.

3. During importation of goods, payment of the VAT amount shall be made under the procedure established for making import payments, except as provided for in paragraph 3^1 of this article.

3^1. Payment of the VAT assessed during importation of goods under the National Commodity Nomenclature of Foreign Economic Activities Codes 8401 – 9033, the list of which is compiled by the Government of Georgia, shall be made not later than 45 after the goods are released.

4. In the case of a reverse charge, a withholding agent (except for a person registered as a VAT payer) shall pay the charged VAT amount under the procedure established by the Minister of Finance of Georgia not later than the 15th day of the month following the reporting period.

Law of Georgia No 6395 of 5 June 2012 – website, 19.6.2012

Law of Georgia No 6446 of 12 June 2012 – website, 25.6.2012

Law of Georgia No 3581 of 1May 2015 – website, 15.5.2015

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Article 172 – VAT reporting period

A VAT reporting period shall be a calendar month.

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Chapter XXV – Tax Invoice and VAT Deduction

Article 173 – VAT deduction

1. A deduction for VAT shall be the right of a person registered as a VAT payer to reduce the amount of VAT payable, based on the deduction documents obtained, except for the cases provided for by this Section.

2. Deduction documents shall be as follows:

a) tax invoice;

b) customs entry;

c) (deleted – 1.5.2015, No 3581);

d) (deleted – 1.5.2015, No 3581);

e) a document evidencing payment of charges for services delivered by legal entities under public law as defined by ordinance of the Government of Georgia; the rates for goods and/or services delivered by legal entities under public law are fixed gross of VAT, by law or by ordinance of the Government of Georgia;

f) (deleted – 15.5.2011, No 6211).

g) in the cases provided for by Article 176^1 of this Code – an appropriate document evidencing the purchase of goods by the buyer, indicating the amount of money (including VAT amount) paid for the purchase of goods;

h) a document evidencing payment to the budget by the taxpayer of VAT on import and/or temporary admission of goods, assessed by a decision of the tax authority.

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 3581 of 1May 2015 – website, 15.5.2015

Article 174 – Deductible VAT amount

1. A deductible VAT amount shall be:

a) the amount of VAT that has been paid or is payable as per deduction documents, including on the balance of inventory holdings available at the moment of entry into force of VAT registration;

b) in the case of the use of a building(s) or structure of one's own production as a fixed asset – the VAT amount accrued on the transaction and reflected in the VAT return, that shall be the basis for receiving a deduction;

c) in the case of transactions involving the exchange (barter) of goods/services between registered VAT payers – the amount of VAT paid and/or payable for the goods/services supplied to each party, provided each transaction is taxed with VAT. At the same time, the deduction shall be made at the moment of receiving the exchanged goods/services, taking into consideration the restrictions determined by this article for the goods/services received (except for the restriction provided for in paragraph 3 (e) of this article).

d) the amount of reverse charged VAT, which is charged by a person registered as a VAT payer in the case of reverse charge and included in the VAT return. At the same time, this amount is the basis for receiving a deduction.

2. VAT shall be deducted only if:

a) goods and/or services are used or will be used:

a.a) in taxable transactions other than taxable transactions exempt without the right to deduct;

a.b) in re-export and/or export of goods;

a.c) for delivering services outside the territory of Georgia.

a.d) for the supply of goods and/or delivery of services free of charge by a legal entity under public law to the State and/or to local self-governments;

b) goods and/or services are used for production of goods and/or delivery of services defined in paragraph (2)(a) of this article.

3. VAT shall not be deducted:

a) from VAT amounts paid by a person for entertainment events held for social purposes or for hospitality expenses other than the delivery by the person of goods/services within the framework of such events, where the goods and/or services purchased by such person within such costs are subject to VAT;

b) as per paragraphs (4-11) of this article, on VAT amounts paid on the costs to produce goods/services, which are used, and/or to be used in taxable transactions exempt without the right to deduct;

c) based on tax invoices, that do not provide the identity of the seller of the goods/services;

d) (deleted –26.12.2013, No 1886).

e) based on tax invoices not reflected by the payer (buyer/recipient of deduction) in at least one of the following VAT returns filed within the respective time frame:

e.a) VAT return filed between the end of the accounting period of a taxable transaction and not later than the term fixed according to the three following accounting periods (including, an amended return filed within the same time frame);

e.b) a VAT Return filed between the end of the accounting period of a taxable transaction and not later than the term fixed according to the accounting period of the month of December of the calendar year of the taxable transaction (including, an amended tax return filed within the same time frame).f) based on tax invoices for non-commodity operations or fictitious transactions. Further, the deductible input VAT shall be cancelled for the buyer.

g) (deleted – 12.12.2014, No 2946).

h) (deleted – 12.06.2012, No 6446).

3^1. The limitations under paragraph 3 (e) of this article shall not apply in the cases provided for by paragraph (7) (c.b) of this article or where a tax invoice is made out electronically.

4. Taking into consideration paragraphs (5 – 11) of this article, if the goods/services, on which VAT has been deducted/is deductible by a VAT payer, have been used in the transactions, on which the VAT payer is not entitled to deduct VAT, the VAT amount deducted shall be subject to cancellation during the accounting period when it was used in such transactions.

5. If the goods/services on which VAT has been deducted/is deductible by a VAT payer have been used:

a) only in a transaction, on which the VAT payer is entitled to the right to deduct, the amount of VAT deducted shall not be subject to cancellation;

b) only in a transaction, on which the VAT payer is not entitled to the right to deduct, the amount of VAT deducted shall be subject to cancellation in full.

6. If goods/services are used simultaneously in transactions with and without the right to deduct and cannot be separated, then:

a) the deductible VAT amount shall be calculated according to the specific weight of the amount payable on taxable transactions

exempt without the right to deduct in the amount payable on total turnover of the accounting period;

b) taking into consideration paragraph (6)(a) of this article, the amount of VAT deductible shall be defined according to the specific weight of the amount payable on taxable transactions exempt without the right to deduct during the year in the amount of total turnover in the tax return of the last accounting period of the current tax year.

7. On a fixed asset, if it has been used and/or is to be used:

a) only in a transaction, where a VAT payer is entitled to the right to deduct, the person shall have the right to receive full deduction on the fixed asset in the very first accounting period, and the amount of the VAT deducted shall not be subject to cancellation;

b) only in a transaction, where a VAT payer is not entitled to the right to deduct, the person shall not have the right to receive a deduction on the fixed asset;

c) simultaneously in transactions with and without the right to deduct and that cannot be separated, then:

c.a) if the VAT payer's amount payable on the transactions taxable without the right to deduct for the previous tax year is less than 20% of the total turnover, the person shall be entitled to a full deduction on the fixed asset in the very first accounting period, and, at the same time, to determine the amount of VAT to be cancelled at the end of each calendar year pro rata to the specific weight of the amount payable on transactions taxable without the right to deduct in the amount of total turnover of the calendar year;

c.b) except as provided for by paragraph (7) (c.a) of this article, the VAT payer shall be entitled to a deduction on the fixed asset only pro rata to the specific weight of the amount payable on transactions taxable with the right to deduct in the amount of total annual turnover in the tax return of the last accounting period of each calendar year.

8. For the purposes of paragraph (7)(c) of this article, the VAT amount subject to annual cancellation (under paragraph 7 (c.a)) or deduction (under paragraph 7 (c.b)) shall be calculated:

a) on buildings and structures – within ten calendar years from the year of commissioning – in the amount of one tenth of the VAT amount each year;

b) on other fixed assets – within five calendar years from the year of commissioning – in the amount of one fifth of the VAT amount each year.

9. A newly registered VAT payer shall deduct VAT amounts on fixed assets in compliance with paragraphs (7)(a), (b) and (c.a) of this article.

9^1. A person shall have the right, when delivering a fixed asset, on which such person has not received VAT deduction and/or such VAT deduction has been cancelled, under paragraphs (7-9) of this article, to reduce the VAT amount to be accrued on a taxable transaction to the extent of the VAT deduction not received and/or cancelled for such fixed asset, in the existence of the relevant document and/or basis.

10. It shall not be mandatory to recalculate and/or cancel the deductible VAT amount determined by this article, if the amount of transactions taxable without the right to deduct during the calendar year is less than 5% of the amount of total turnover.

10^1. In the cases provided for by Article 168 (4)(l) of this Code, if any tax audit performed after the parties have made a written notice and reported taxes determines that a transaction has not been performed by a given enterprise or by an independently operating sub-unit of such an enterprise, the buyer is entitled to deduction without the limitations provided for by paragraph (3)(e) and (f) of this article and the penalty under Article 275 of this Code shall not be imposed upon the supplier for such a transaction.

11. The deductible VAT amount shall not be subject to cancellation:

a) if inventory holdings are written off in the manner provided for by this Code;

b) on the lost goods.

12. For the purposes of this article, total turnover is the total value of goods supplied and services delivered by a person in the accounting period. At the same time, for a non-resident's permanent establishment, only the goods supplied and services delivered by the permanent establishment shall be taken into account.

13. The procedure for receiving a VAT deduction shall be determined by order of the Minister of Finance of Georgia.

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5791 of 13 March 2012 – website, 23.3.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6446 of 12 May 2012 – website, 25.6.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 2950 of 12 December 2014 – website, 23.12.2014

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Law of Georgia No 3581 of 1May 2015 – website, 15.5.2015

Article 175 – Tax invoice

1. A tax invoice, whose form shall be approved by the Minister of Finance of Georgia, shall be a strict accounting document, excluding the exceptions provided for by this article, the rules for issuing and submitting which shall be determined by the Minister of Finance of Georgia.

1^1. Where so provided by the Minister of Finance of Georgia, a tax invoice may be issued and submitted electronically (electronic tax invoice), in which case, it shall not be a strict accounting document.

2. A person registered as a VAT payer may issue a tax invoice and submit it to a recipient of the goods supplied/ to be supplied or services delivered/to be delivered only when performing a taxable transaction. At the same time, if the person keeps accounting of goods (electricity or thermal firm power, gas or water) by cyclic accrual, with consumers making payments not by a calendar month, but as per the volume of goods supplied over a certain period of time (cycle), that may include an accounting period, as well as the period preceding the accounting period, the tax invoice may be issued according to such period (cycle), irrespective of the fact that in such a case the time of performing the taxable transaction under Article 161(1)(a.b.b.) of this Code shall be deemed the time not later than the last day of each accounting period.

3. Upon request of the recipient of goods/services, a person registered as a VAT payer shall (except for transactions involving the exchange (barter) of goods/services, where each transaction is taxed with VAT) issue a tax invoice not later than 30 calendar days after the request and present it to the recipient of goods/services in compliance with the terms and conditions of paragraph 2 of this article. At the same time, the obligation to issue a tax invoice shall not arise with relation to a natural person not registered as a taxpayer, except for the cases provided for by order of the Minister of Finance of Georgia.

3^1. A tax invoice shall not be issued for a goods/services barter transaction. In such a case, the basis for receiving a deduction shall be an indication of the VAT amount payable on the goods supplied/services delivered in the VAT return filed with the tax authority.

4. The Minister of Finance of Georgia may:

a) introduce, on particular goods/services, as well as for a particular category of buyers, a special tax invoice of a different form and define a procedure for its issuance, registration and usage;

b) introduce, for certain VAT payers, a printed out tax invoice and define a procedure for its issuance, registration and usage.

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Law of Georgia No 97 of 16 December 2016 – website, 23.12.2016

Article 175[1] – (Deleted)

Law of Georgia No 6446 of 12 May 2012 – website, 25.06.2012

Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018

Chapter XXVI – Special Rules

Article 176 – Reverse charge

1. The following shall be subject to VAT reverse charge:

a) a service delivered by a non-resident natural person (other than a natural person being a citizen of Georgia) or by a non-resident enterprise to a tax agent on the territory of Georgia;

b) transfer by a person of a collateral (goods) to the possession of a creditor under a contractual obligation performance security measure (guarantee);

c) delivery of services and/or supply of goods/products (project documents, technical documents, production flow charts, software, etc.) to a tax agent outside the territory of Georgia by the Internet or any other electronic communication means, if it does not cross the customs border of Georgia by means of a federated schema or other information carrier;

d) in the case provided for by Article 162(7) of this Code, foreign goods purchased from a person in a customs warehouse, which are placed under an import customs procedure.

2. The following shall be considered tax agents:

a) for the purposes of paragraphs (1)(a) and (c) of this article – any resident taxpayer (except a non-entrepreneur natural person and a Free Industrial Zone enterprise) and a permanent establishment of a non-resident;

b) for the purposes of paragraph (1)(b) of this article – a person (creditor) who takes possession of collateral (goods) under a contractual obligation performance security measure (guarantee);

c) for the purposes of paragraph (1)(d) of this article – a person placing goods under an import customs procedure.

3. Where so provided for by the first paragraph of this article, a tax agent shall assess VAT:

a) as provided for by paragraphs (1)(a) and (c) of this article – on the amount to be paid for service;

b) as provided for by paragraph (1)(b) of this article – on the market price (net of VAT) of collateral (goods) taken possession of;

c) as provided for by paragraph (1)(d) of this article:

c.a) if the import and delivery of goods are not VAT exempt – on the amount of a positive difference between the value of purchase of foreign goods in a customs warehouse and the amount of import of goods;

c.b) if the import of goods is VAT exempt and the delivery of goods is subject to VAT – on the value of purchase of foreign goods in a customs warehouse.

4. In the case provided for by the first paragraph of this article:

a) if a tax agent is registered as a VAT payer, the assessed amount of a reverse charged VAT shall be included in a VAT return of an appropriate reporting period;

b) if a tax agent is not registered as a VAT payer, the procedure for submitting a report by the tax agent to the tax authority and paying the assessed tax to the budget shall be established by the Minister of Finance of Georgia.

5. As provided for by paragraph (3)(b) of this article, the obligation to have VAT assessed on the market price of goods shall not apply to a person registered as a VAT payer. At the same time, such person shall be deemed to have received a VAT deduction of the respective amount for such goods.

6. The following shall not be subject to VAT reverse charge:

a) supply of goods or delivery of services that are VAT exempt under this Section;

b) as provided for by paragraph (1)(b) of this article – transfer of a flat and a parcel of land assigned to it owned by a natural person.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 3581 of 1May 2015 – website, 15.5.2015

Article 176[1] – Charging VAT in certain cases

1. The sale of goods by auction, direct sale or in any other way, as part of a tax liability collection security measure or for any other pecuniary liability (except penalties imposed under criminal and administrative proceedings) shall attract VAT under this article, and the payment of the VAT assessed on such a transaction on behalf of the person (owner of goods) to the budget shall be ensured by an authorised person selling such goods. Furthermore, in such a case, VAT shall not be charged on:

a) selling a flat/dwelling house;

b) selling a parcel of land;

c) selling a motor car under Code 8703 and/or a motor cycle (including a motor bicycle) under Code 8711 of the National Commodity Classification of Foreign Economic Activity;

d) selling of property owned by a natural person (except for an individual entrepreneur).

2. Selling custodial property by auction, direct sale or in any other way in the manner provided for by the Law of Georgia on Insolvency Proceedings shall attract VAT as provided for by this article, and the payment of the VAT assessed on such a transaction on behalf of a person (owner of custodial property) to the budget shall be ensured by the authorised person selling

such goods. Furthermore, besides the cases where the custodial property is sold as an integrated complex, no VAT shall be assessed on:

a) selling a flat/dwelling house owned by an individual entrepreneur;

b) selling a parcel of land;

c) selling a vehicle;

d) selling agricultural machinery.

3. In the cases provided for by the first and second paragraphs of this article:

a) the selling price of goods (the amount of compensation paid/to be paid by the buyer) shall be gross of VAT;

b) Article 168 of this Code shall not apply to cases where VAT is charged on sale of goods.

4. The procedure for VAT assessment and VAT payment to the budget in the case provided for by this article shall be defined by an ordinance of the Government of Georgia.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6395 of 5 June 2012 – website, 19.6.2012

Law of Georgia No 1378 of 15 November 2017 – website, 17.11.2017

Article 177 – Composite transaction

1. A composite transaction shall be a transaction that involves a combination of supply of goods and delivery of services.

2. Supply of goods/delivery of services that is ancillary in relation to main supply of goods/delivery of services shall be considered a part of these goods/services.

3. Concurrent taxable and non-taxable supply of goods and/or delivery of services shall be considered as separate taxable and non-taxable transactions of supply of goods/delivery of services.

4. Delivery of a service that is ancillary in relation to import of goods shall be considered as a part of the import of these goods.

5. A transaction of supply of land with buildings attached to it shall be considered as a supply of buildings.

Article 178 – Agent's transaction

1. The supply of goods/delivery of services by an agent shall be considered as a client's transaction, except for services delivered by the agent to the client.

2. The first paragraph of this article shall not apply to supply of goods by a non-resident through a resident agent in Georgia, when the said non-resident is not a registered VAT payer in Georgia. In such a case, for the purpose of VAT assessment, supply shall be considered to be performed by the agent.

3. Provision of hotel services by a tourist enterprise with the hotel assets/part of the assets received from a natural person shall be regarded as a tourist enterprise transaction and shall be taxed according to the procedure prescribed under this Code for a tourist enterprise.

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Article 179 – Adjusting the amount of taxable transaction

1. The amount to be paid on a taxable transaction shall be adjusted on occurrence of the following circumstances:

a) the taxable transaction has been cancelled, including on the balance of goods deemed as goods supplied during the re-registration as a VAT payer while cancelling the previous registration;

b) type of taxable transaction has been changed;

c) the transaction compensation amount earlier agreed has been changed due to price reduction or other reasons, except for changes caused by changes in the exchange rate;

d) goods/services are fully or partially returned to the VAT payer.

2. Upon the occurrence of one of the conditions set forth in in the first paragraph of this article, the amount of the taxable transaction shall be adjusted, if the taxpayer:

a) has submitted to the tax authority and/or stated in the VAT return a VAT invoice that misstates the amount of VAT;

b) has misstated the amount of VAT in a VAT return;

c) has made out a VAT invoice misstating the amount of VAT.

3. An adjustment note tax invoice shall be a document of a form established by the Minister of Finance of Georgia that evidences the adjustment of a taxable transaction. The procedure for making out and submitting an adjustment note tax invoice shall be defined by the Minister of Finance of Georgia.

4. If the amount to be paid on a taxable transaction is adjusted, where the amount to be paid on the taxable transaction changes because of the occurrence of the circumstance causing the adjustment, the respective adjustment shall be made in the accounting period, in which the circumstance causing such adjustment occurred.

5. If a previously agreed transaction compensation amount has been changed due to price reduction or other reasons, power supply companies (qualified companies under the Law of Georgia on Electricity and Natural Gas) may adjust the amount to be paid on a taxable transaction by no later than the end of the current tax year, if a change in the amount to be paid on the taxable transaction is caused by a change in the cost (compensation amount) of electricity generated, imported, consumed (purchased) and/or exported by qualified companies, whether or not this results in a change in the electricity selling and/or purchasing tariff (price).

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Article 180 – VAT deduction or refund on goods/services purchased with grants and excess of the VAT amount deductible over the VAT amount charged

1. VAT deduction or refund for goods/services purchased with grants shall be performed in the manner provided for by Article 63 of this Code.

2. The excess of the VAT amount deductible over the VAT amount charged in the accounting period shall be refunded to the VAT payer in the manner provided for by Article 63 of this Code.

Article 181 – Refund of VAT amounts paid by foreign citizens on goods purchased in Georgia

1. In exporting goods purchased in Georgia from the territory of Georgia, foreign citizens may obtain a refund of the VAT amounts paid on these goods.

2. A VAT amount shall be refunded on the basis of the special receipt made out by an authorised seller of goods.

3. A VAT amount shall be refunded only if goods are exported from the territory of Georgia within 3 months after they have been purchased and the value of purchased goods per receipt exceeds GEL 200 (net of VAT).

4. The rules for VAT refund, the criteria that the authorised seller of goods must meet, as well as the list of the goods, to which this Article does not apply shall be defined by the Minister of Finance of Georgia.

Law of Georgia No 4935 of 24 June 2011 – website, 30.6.2011

Article 181[1] – Refund of the VAT amount to a VAT payer of an EU member state

1. A VAT payer of an EU member state shall be entitled to the refund of VAT paid when purchasing goods (other than real property) and/or services in Georgia, or when importing goods to Georgia if this person meets all the following conditions:

a) the person does not conduct economic activities in Georgia through his/her permanent establishment, or his/her place of business or permanent place of residence is not in Georgia;

b) goods/services purchased by the person in Georgia, or goods imported by him/her to Georgia are used in VAT taxable transactions;

c) when conducting a similar transaction, a person registered as a VAT payer in Georgia would have the right, under this Code, to set off the VAT paid.

2. In order to receive a VAT refund, a VAT payer of an EU member state shall appoint an authorised representative whom the obligations defined for a VAT payer by this Code will be imposed on, within the refund of the VAT amount provided for in this article.

3. The procedure and conditions for refunding the VAT provided for in this article, also the criteria to be met by the authorised representative shall be defined by an order of the Minister of Finance of Georgia.

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

SECTION VII

EXCISE TAX

Chapter XXVII – Excise Tax

Article 182 – Excise taxpayer

1. An excise tax payer shall be a person who:

a) produces excisable goods in Georgia;

b) imports excisable goods into Georgia;

c) exports excisable goods out of Georgia;

d) supplies natural gas condensate and/or natural gas to motor transport vehicles;

d[1]) supplies oil gases specified under the National Commodity Nomenclature of Foreign Economic Activity Codes 2711 12, 2711 13, 2711 14 000 00, 2711 19 000 00 to motor vehicles;

e) (deleted – 22.6.2016, No 5445);

f) provides termination services for international calls received from a resident or a non-resident person in a mobile or fixed network.

2. A manufacturer of goods produced in Georgia with raw materials of a customer shall be considered an excise taxpayer.

3. In cases provided for in subparagraphs (a–d^1) of this article, a person shall be considered an excise taxpayer only for the specified transactions.

4. During a sale of excisable goods by auction, direct sale or in any other way, as part of a tax liability collection security measure or for any other pecuniary liability (except penalties imposed under criminal and administrative proceedings), as well as during transfer of a collateral (excisable goods) to the possession of a creditor under a contractual obligation performance security measure (guarantee), the excise tax payer on the transaction shall be considered the person buying and/or receiving excisable goods, if such a transaction is excisable under Article 190^1 of this Code.

5. During sale of excisable goods transferred to state property, the excise taxpayer on such a transaction shall be considered the person buying the excisable goods.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 2874 of 11 December 2014 – website, 23.12.2014

Law of Georgia No 5445 of 22 June 2016 – website, 29.6.2016

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Article 183 – Excisable object

An excise taxable object shall be:

a) an excise taxable transaction;

b) import of excisable goods;

c) export of excisable goods.

Article 184 – Excisable transaction, the time of an excisable transaction

1. Excisable transactions and the moment of performing excisable transactions shall be:

a) the moment of supply by the producer of excisable goods produced in Georgia and/or removal of such goods from a company warehouse for sale;

b) the moment of transfer by the producer of excisable goods produced in Georgia with a customer's raw materials to the customer;

c) the moment of starting to use in-house manufactured excisable goods for producing non-excisable goods;

d) the moment of supply of natural gas condensate and/or natural gas to motor transport vehicles;

d^1) the moment of supplying oil gases specified under the National Commodity Nomenclature of Foreign Economic Activity Codes 2711 12, 2711 13, 2711 14 000 00, 2711 19 000 00 to motor vehicles;

e) the moment of delivering international call termination services in a mobile or fixed network in Georgia.

2. (Deleted – 20.12.2011, No 5556).

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 2874 of 11 December 2014 – website, 23.12.2014

Law of Georgia No 5445 of 22 June 2016 – website, 29.6.2016

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Article 185 – Determining the amount of an excisable transaction, import of excisable goods and export of excisable goods

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

a) (deleted – 19.4.2011, No 4547).

b) for an alcoholic beverage – by the volume of an alcoholic beverage or the volume of pure alcohol in an alcoholic beverage, or by percentage of alcohol content;

c) for tobacco products – by the quantity or weight of a tobacco product and/or according to the retail price;

d) for a petroleum product – according to the weight (volume) of a petroleum product;

e) for a motor car and a motor cycle (including a motor bicycle) – according to their age and engine displacement;

f) for a natural gas condensate and/or natural gas – according to the volume of gas;

g) in the case of delivering international call termination services in a mobile or fixed network in Georgia – according to the duration of the call.

h) for the liquid of an electronic cigarette – by the volume of the liquid.

2. When delivering international mobile communication services (except for international call termination services in a mobile or fixed network in Georgia), the amount of a taxable transaction shall not include the amount received from delivering such services to a non-resident company.

Law of Georgia No 4547 of 19 April 2011 – website, 5.5.2011

Law of Georgia No 2874 of 11 December 2014 – website, 23.12.2014

Law of Georgia No 2949 of 12 December 2014 – website, 23.12.2014

Law of Georgia No 5445 of 22 June 2016 – website, 29.6.2016

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 1378 of 15 November 2017 – website, 17.11.2017

Article 186 – Import of excisable goods and the time of import

1. The import of excisable goods shall be determined in accordance with this Code.

2. The import of excisable goods shall be performed when goods are taxed under this Code or, if not exempt, would have been

subject to import duty.

Article 187 – Export of excisable goods and the time of export

1. The export of excisable goods shall be determined in accordance with this Code.

2. The export of excisable goods shall be performed when a declaration on goods being placed under export is filed in accordance with this Code.

Article 188 – Excise tax rates for excise goods (except for alcoholic beverages)

1. The excisable goods indicated in this paragraph shall be subject to the following excise tax rates:

No	CN code	Description	Unit of measurement	Excise tax rate (GEL)
1		(Deleted – 23.12.2017, No 1935)		
2		(Deleted – 23.12.2017, No 1935)		
		Tobacco products (except raw tobacco)		
3	2402 10 000 01	--Cigars, cheroots, containing tobacco;	1 cigarette	1.9
	2402 10 000 02	--Cigarillos, containing tobacco;	20 cigarettes	2.2
	2402 20	Filter cigarettes, containing tobacco	20 cigarettes	1.7
		Non filter cigarettes containing tobacco	20 cigarettes	0.6
	2403 11 000 00*	--Water-pipe tobacco specified in subheading note 1 to this chapter	1 kg	35
	2403 19 000 00*	--Other	1 kg	35
	2403 99 100 00	---Chewing tobacco and snuff	1 kg	35
	2403 99 900 01	----- capsules and similar products, with tobacco content	20 pcs	1.7

	2403 99 900 02	----- tobacco products, without burning process, to be used for obtaining steam	20 pcs	1.7
Motor cars (according to the difference between the year of the taxable transaction and the motor car year of manufacture and in the event of import – the difference between the year of tax declaration registration and the motor car year of manufacture), 1 cm^3 of engine displacement				
4	8703	a) under 1 year old	1 cm^3	1.5
		b) 1 year old	1 cm^3	1.5
		c) 2 years old	1 cm^3	1.5
		d) 3 years old	1 cm^3	1.4
		e) 4 years old	1 cm^3	1.2
		f) 5 years old	1 cm^3	1.0
		g) 6 years old	1 cm^3	0.8
		h) 7 years old	1 cm^3	0.8
		i) 8 years old	1 cm^3	0.8
		j) 9 years old	1 cm^3	0.9
		k) 10 years old	1 cm^3	1.1
		l) 11 years old	1 cm^3	1.3
		m) 12 years old	1 cm^3	1.5
		n) 13 years old	1 cm^3	1.8
		o) 14 years old	1 cm^3	2.1
		p) over 14 years old	1 cm^3	2.4
A motor cycle (including a motor bicycle) (according to the difference between the year of a taxable transaction and the year of manufacture of a motor cycle (including a motor bicycle), and in the case of importation – the difference between the year of registration of a customs declaration and the year of manufacture of a motor cycle (including a motor bicycle), 1 cm^3 of the engine displacement				
		a) under 1 year	1 cm^3	1.5
		b) 1 year old	1 cm^3	1.3
		c) 2 years old	1 cm^3	0.7
		d) 3 years old	1 cm^3	0.7
		e) 4 years old	1 cm^3	0.7

4^1	8711 (except for a wheelchair under the commodity item 8711)	f) 5 years old	1 cm^3	0.7
		g) 6 years old	1 cm^3	0.8
		h) 7 years old	1 cm^3	0.8
		i) 8 years old	1 cm^3	0.8
		j) 9 years old	1 cm^3	0.8
		k) 10 years old	1 cm^3	1.0
		l) 11 years old	1 cm^3	1.3
		m) 12 years old	1 cm^3	1.5
		n) 13 years old	1 cm^3	1.8
		o) 14 years old	1 cm^3	2.1
		p) over 14 years old	1 cm^3	2.4
Petroleum gas product and natural gas (other than carried through a pipeline)				
5	2709 10 100 00	-Gas condensate, natural	1000 m^3	200
	2711 11 000 00	--Natural gas (liquefied)	1000 m^3	200
	2711 12	--Propane	1 tonne	120
	2711 13	--Butanes	1 tonne	120
	2711 14 000 00	--Ethylene, propylene, butylene and butadiene	1 tonne	120
	2711 19 000 00	--Other	1 tonne	120
	2711 21 000 00	--Natural gas (gaseous)	1000 m^3	200
Petroleum products, petroleum distillates and used oil products				
	2710 12	--light oils and preparations	1 tonne	500
	2710 19 110 00	----For undergoing a specific process	1 tonne	440
	2710 19 150 00	----For undergoing chemical transformation by a process other than those specified in respect of subheading 2710 19 110 00	1 tonne	440
	2710 19 210 00	-----Jet fuel	1 tonne	440
	2710 19 250 00	-----Other	1 tonne	440
	2710 19 290 00	-----Other	1 tonne	440

	2710 19 310 00	-----For specific refining processes	1 tonne	400
	2710 19 350 00	-----For chemical transformations in processes other than those indicated in subheading 2710 19 310 00	1 tonne	400
	2710 19 410 00	------With sulphur concentration of up to 0.05%	1 tonne	400
	2710 19 450 00	------With sulphur concentration of over 0.05% but not in excess of 0.2%	1 tonne	400
	2710 19 490 00	------With sulphur concentration of over 0.2%	1 tonne	400
	2710 19 710 00	-----For specific refining processes	1 tonne	800
	2710 19 750 00	-----For chemical transformations in processes other than those indicated in subheading 2710 19 710 00	1 tonne	800
	2710 19 810 00	------Motor oils, compressor lube oils, turbine lube oils	1 tonne	800
	2710 19 830 00	------Liquids for hydraulic purposes	1 tonne	800
	2710 19 850 00	------White oils, liquid paraffin	1 tonne	800
	2710 19 870 00	------Sprocket oils and reduction gear box oils	1 tonne	800
	2710 19 910 00	------Metal-working compounds, mould-release oils, anti-corrosion oils	1 tonne	800
6	2710 19 930 00	------Electrical insulating oils	1 tonne	800
	2710 19 990 00	------Other lubricating oils and other oils	1 tonne	800
	2710 20 110 00	------With sulphur concentration of up to 0.05%	1 tonne	400
	2710 20 150 00	------With sulphur concentration of over 0.05% but not in excess of 0.2%	1 tonne	400
	2710 20 190 00	------With sulphur concentration of over 0.2%	1 tonne	400

	2710 20 390 00	--Other	1 tonne	800
	2710 91 000 00	--Containing polychlorinated biphenyls (PCBs), polychlorinated terphenyls (PCTs) or polybrominated biphenyls (PBBs)	1 tonne	800
		Used oil products – bilge water (water contaminated with oil), tank (oil products storage tank) wash-down	1 tonne	100
	2710 99 000 00	Other used oil products	1 tonne	800
		Biodiesel		
7	3826 00 000 00	Biodiesel and mixtures thereof, not containing or containing less than 70 % by weight of petroleum oils or oils obtained from bituminous minerals	1 tonne	150
		Liquid product of pyrolysis		
8	3911 90	Liquid product of pyrolysis	1 tonne	400
		Oils and other products distilled at high temperature from coal tars		
	2707 99 110 00	----Crude light oils of which 90 % or more by volume distils at temperatures of up to 200° C	1 tonne	350
	2707 99 190 00	----Other	1 tonne	350
	2707 99 300 00	---Sulphurated light oils	1 tonne	350
9	2707 99 500 00	---Basic products	1 tonne	350
	2707 99 700 00	---Anthracene	1 tonne	350
	2707 99 990 00	----Other	1 tonne	350
		Admixture, solvent, anti-detonator		
	2707 10 100 00	--To be used as fuel	1 tonne	400
	2707 10 900 00	--For other purposes	1 tonne	400
	2707 20 100 00	--To be used as fuel	1 tonne	400
	2707 20 900 00	--For other purposes	1 tonne	400
	2707 30 100 00	--To be used as fuel	1 tonne	400
	2707 30 900 00	--For other purposes	1 tonne	400
	2707 50 100 00	--To be used as fuel	1 tonne	400
	2707 50 900 00	--For other purposes	1 tonne	400
	2707 99 800 00	---Phenols	1 tonne	400

	2712 20 100 00	--Synthetic paraffin with molecular mass of 460 or over 460 but not in excess of 1560	1 tonne	400
	2712 20 900 00	--Other	1 tonne	400
	2902 11 100 00	---To be used as fuel	1 tonne	400
	2902 11 900 00	---For other purposes	1 tonne	400
	2902 19 100 00	---Cyclic terpenes	1 tonne	400
	2902 19 800 00	---Other	1 tonne	400
	2902 20 000 00	-Benzol	1 tonne	400
	2902 30 100 00	--To be used as fuel	1 tonne	400
	2902 30 900 00	---For other purposes	1 tonne	400
	2905 11 000 00	--Methanol (methyl alcohol)	1 tonne	400
	2905 12 000 00	--Propan-1-ol (propyl alcohol) and propan-2-ol (isopropyl alcohol)	1 tonne	400
	2905 13 000 00	--Butan-1-ol (n butyl alcohol)	1 tonne	400
	2905 14 100 00	--2-methylpropan-2-ol (tert-butyl alcohol)	1 tonne	400
10	2905 14 900 00	---Other	1 tonne	400
	2905 16 100 00	---2-ethylhexan-1-ol	1 tonne	400
	2905 16 200 00	---Octan-2-ol	1 tonne	400
	2905 16 800 00	---Other	1 tonne	400
	3811 11 100 00	---Based on tetraethyl-lead	1 tonne	400
	3811 11 900 00	---Other	1 tonne	400
	3811 19 000 00	--Other	1 tonne	400
	3811 21 000 00	--Containing petroleum oils or oils obtained from bituminous minerals	1 tonne	400
	3811 29 000 00	---Other	1 tonne	400
	3811 90 000 00	--Other	1 tonne	400
	3814 00 100 00	-Based on butyl acetate	1 tonne	400
	3814 00 900 00	-Other	1 tonne	400

		Lubricants		
11	3403 11 000 00	--Preparations for the treatment of textile materials, leather, furskins or other materials	1 tonne	800
	3403 19 100 00	---Containing 70 % or more by weight of petroleum oils or of oils obtained from bituminous minerals	1 tonne	800
	3403 19 910 00	----Lubricants for machines, mechanisms and transport vehicles	1 tonne	800
	3403 19 990 00	----Other	1 tonne	800
	3403 91 000 00	--Preparations for the treatment of textile materials, leather, furskins or other materials	1 tonne	800
	3403 99 100 00	---Lubricants for machines, mechanisms and vehicles	1 tonn	800
	3403 99 900 00	---Other	1 tonne	800
12	**Liquids to be used in electronic cigarettes**			
	3824 90 980 01	-----liquids with or without nicotine content, intended for use in electronic cigarettes	1 ml	0.2

Note:

1. The goods listed under codes 2403 11 000 000 and 2403 19 000 000 of section 3 of the above table shall be taxed only if they are packed in original packaging of up to 500 g of net weight.

2. (Deleted – 23.12.2017, No 1935).

3. The excise rates in sub-paragraphs a-g of column 3 (Description) of cell 4 of this table for 0 through 6 years old motor cars that are provided for in the same sub-paragraphs under the commodity item 8703 of the Foreign Economic Activity National Commodity Nomenclature specified in cell 4 of the table in the case of hybrid motor cars shall be reduced by 60 %.

4. The excise rate for motor cars under the commodity item 8703 of the Foreign Economic Activity National Commodity Nomenclature specified in cell 4 of the table, which are right hand drive or with converted steering, shall be three times as much as the excise rate for a motor car of a respective category under cell 4 of the table.

1^1. The excise rate for 20 pieces of filter cigarettes containing tobacco, under Foreign Economic Activity National Commodity Nomenclature code 2402 20, for 20 pieces of non-filter cigarettes containing tobacco, for 20 pieces of the goods specified under Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 01, and for 20 pieces of the goods specified under Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 02 shall be the sum of the excise rate determined in paragraph 1 of this article and the 10% of this product retail price. For the purposes of calculating the excise amount, the retail price of the goods shall be determined based on the retail prices presented by the producer/importer of this product to a tax authority and other information available at the tax authority not later than 1 December of each year and shall be effective during one year from 1 January of the following year.

1^2. For the purposes of calculating excise amount for the filter cigarettes and non-filter cigarettes specified under the Foreign Economic Activity National Commodity Nomenclature code 2402 20, and for the goods specified under the Foreign Economic Activity National Commodity Nomenclature codes 2403 99 900 01 and 2403 99 900 02, the retail price and the procedure for its calculation shall be determined by the Minister of finance of Georgia.

2. (Deleted – 19.4.2011, No 4547).

3. The following shall be electronic communication service rates:

a) (deleted – 22.6.2016, No 5445);

b) for international call termination services in a mobile network in Georgia – 15 tetris per minute;

c) for international call termination services in a fixed network in Georgia – 8 tetris per minute.

4. (deleted – 22.6.2016, No 5445).

5. (Deleted – 23.12.2017, No 1935).

6. (Deleted – 23.12.2017, No 1935).

7. (Deleted – 23.12.2017, No 1935).

8. For the supply of oil gases specified under the Foreign Economic Activity National Commodity Nomenclature codes 2711 12, 2711 13, 2711 14 000 00, 2711 19 000 00 to motor vehicles, the excise rate for 1 tonne shall be GEL 180.

Law of Georgia No 4547 of 19 April 2011 – website, 5.5.2011

Law of Georgia No 4935 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 906 of 30 July 2013 – website, 20.8.2013

Law of Georgia No 2874 of 11 December 2014 – website, 23.12.2014

Law of Georgia No 2949 of 12 December 2014 – website, 23.12.2014

Law of Georgia No 4615 of 11 December 2015 – website, 22.12.2015

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Law of Georgia No 4941 of 13 April 2016 – website, 19.4.2016

Law of Georgia No 5445 of 22 June 2016 – website, 29.6.2016

Law of Georgia No 97 of 16 December 2016 – website, 23.12.2016

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 1378 of 15 November 2017 – website, 17.11.2017

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Article 188[1] – Excise tax rates for alcoholic beverages

1. The alcoholic beverages provided for in this paragraph shall be taxable at the following excise rates:

	Description/Name of goods	Unit of measurement	Rate
1	Beer	1 litre/1% Vol	0.12
2	Any other fermented beverage in which alcohol content exceeds 5%	1 litre	5
3	Any other fermented beverage in which alcohol content is 5% or less than 5%	1 litre	0.6
4	Intermediary alcoholic beverage	1 litre	5
5	Beverage with high concentration of ethanol (except for goods under the Foreign Economic Activity National Commodity Nomenclature codes 2208 20, 2208 60, 2208 90 330 00, 2208 90 380 00, 2208 90 480 00 and 2208 90 710 00)	1 litre of pure alcohol	22.5
6	Goods under the Foreign Economic Activity National Commodity Nomenclature code 2207	1 litre of pure alcohol	7.5
7	Goods under the Foreign Economic Activity National Commodity Nomenclature codes 2208 20, 2208 60, 2208 90 330 00, 2208 90 380 00, 2208 90 480 00 and 2208 90 710 00	1 litre of pure alcohol	15

Note: the following items in the table:

a) 'Beer' includes the goods specified under the Foreign Economic Activity National Commodity Nomenclature code 2203, and goods under codes 2206 00 590 01 and 2206 00 890 01 (a mixture of one or more than one non-alcoholic beverage specified under the Foreign Economic Activity National Commodity Nomenclature code 2206 and beer), in which alcohol content exceeds 0.5%;

b) 'Any other fermented beverage' includes the goods specified under the Foreign Economic Activity National Commodity Nomenclature codes 2205 and 2206 (except for beer and wine):

b.a) in which alcohol content exceeds 1.2% and does not exceed 10%;

b.b) in which alcohol content exceeds 10% and does not exceed 15% provided that the alcohol contained in the product is completely obtained through fermentation;

c) 'Intermediary alcoholic beverage' includes the goods specified under the Foreign Economic Activity National Commodity Nomenclature codes 2205 and 2206 (except for beer, wine and other fermented beverages), in which alcohol content exceeds 1.2% and does not exceed 22%;

d) 'Beverage with high concentration of ethanol' includes:

d.a) the goods specified under the Foreign Economic Activity National Commodity Nomenclature code 2208, in which alcohol content exceeds 1.2%;

d.b) the goods specified under the Foreign Economic Activity National Commodity Nomenclature codes 2205 and 2206, in which alcohol content exceeds 22%.

2. Wine includes the goods specified under the Foreign Economic Activity National Commodity Nomenclature codes 2204 and

2205 produced with the use of grapes, in which alcohol content exceeds 1.2% and does not exceed 18% provided that the alcohol contained in the final product is completely obtained through fermentation and without any additives.

3. The amount of excise tax to be paid on the goods specified in column 1 of the table in paragraph 1 of this article shall be the product of a respective excise rate and the figure of the volume of goods by the percentage of alcohol content in the goods.

4. The amount of excise tax to be paid on the goods specified in columns 2–4 of the table in paragraph 1 of this article shall be the product of a respective excise rate by the figure of the volume of the goods.

5. The amount of excise tax to be paid on the goods specified in columns 5–7 of the table in paragraph 1 of this article shall be the product of a respective excise rate by the figure of the volume of pure alcohol in the goods.

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Article 189 – Excise tax deductions

1. Unless otherwise provided for by this article, a person carrying out a taxable transaction or export of excisable goods shall be entitled to an excise tax deduction in the amount of excise tax paid or payable on excisable goods (raw materials) used for the production of supplied excisable goods (including delivered, removed from a warehouse for sale, or exported excisable goods) or to a refund of excise tax in accordance with the procedure established for refunding the excess amount paid, but not more than the excise tax calculated on goods produced using such goods.

2. The procedure for deducting or refunding excise tax provided for by the first paragraph of this article shall apply with respect to excisable goods (raw materials) imported by a manufacturer for the production of excisable goods.

3. Under the first and second paragraphs of this article, excise tax shall be deducted or refunded if the manufacturer presents an invoice and/or a customs entry evidencing that he/she has paid excise tax as a manufacturer of excisable goods (raw materials) and/or on import of excisable goods (raw materials).

3^1. Where so provided for by Article 190^1 of this Code, the basis for obtaining an excise tax deduction shall be the excise tax amount assessed on transactions provided for by the same article and indicated in the excise tax declaration.

4. If other excisable and non-excisable goods are concurrently manufactured from excisable goods (raw materials), a deduction shall be made in proportion to the amount of the excisable goods produced, but not more than the excise tax calculated on such excisable goods.

5. In the event of importing or purchasing immature excisable goods, a person shall be entitled to obtain a tax deduction in the amount of the excise tax paid or payable on such excisable goods (raw materials) or to receive a refund of the respective excise tax in accordance with the procedure for refunding an excess payment.

6. (Deleted – 22.6.2016, No 5445).

7. (Deleted – 22.6.2016, No 5445).

8. If, after a motor car specified under Code 8703 or a motor cycle (including a motor bicycle) specified under Code 8711 of the National Classification of Economic Activities is registered under an import commodity transaction, a transportation vehicle is registered under an export commodity transaction within 90 calendar days and leaves the territory of Georgia, an importer may, under the established procedure, get a refund of an excise tax paid on the transportation vehicle in the amount of 100%.

Law of Georgia No 4935 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 5445 of 22 June 2016 – website, 29.6.2016

Law of Georgia No 1378 of 15 November 2017 – website, 17.11.2017

Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018

Article 190 – Excise tax payment procedure

1. The accounting period for excise tax shall be a calendar month.

2. Excise tax shall be subject to payment by the 15th day of the month following the accounting period of performing an excisable transaction except as provided for by the third paragraph of this article.

3. Excise tax on the import of goods shall be paid in accordance with the procedure applicable to payment of import duty.

4. (Deleted – 20.12.2011, No 5557).

Law of Georgia No 4547 of 19 April 2011 – website, 05.5.2011

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 4935 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5557 of 20 December 2011 – website, 28.12.2011

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Article 190^1 – Charging excise tax in certain cases

1. The sale of excisable goods by auction, direct sale or in any other way, as part of a tax liability collection security measure or for any other pecuniary liability (except penalties imposed under criminal and administrative proceedings), as well as during transfer of collateral (excisable goods) to the possession of a creditor under a contractual obligation performance security measure (guarantee), shall be subject to excise tax under this article.

1^1. Selling excisable goods transferred to state property shall be taxed in accordance with this article.

2. In this article:

a) the first paragraph shall not apply to:

a.a) sold/transferred excisable goods, if the owner of such goods has not produced them;

a.b) goods with affixed excise stamps, if excise tax has been paid at the time of buying excise stamps;

a.c) excisable goods received in the possession of a natural person, if such person does not further supply these goods and/or use such goods for the production of other goods;

b) paragraph (1^1) shall not apply to:

b.a) excised or excisable goods;

b.b) excised goods received in the possession of a natural person, if such person does not further supply these goods and/or use such goods for the production of other goods.

3. Where so provided for by this article, an excise taxpayer shall file an excise return, according to paragraphs (1) and (1^1) of this article, if he/she:

a) supplies excisable goods – by no later than the 15th day of the month following the month of supply;

b) uses excisable goods for the production of non-excisable goods – by no later than the 15th day of the month following the month of using excisable goods for the production of non-excisable goods;

c) uses excisable goods for the production of other excisable goods – by no later than the 15th day of the month following the month of supply of such other excisable goods.

4. Where so provided in this article, the excise taxpayer shall pay the excise tax payable to the budget within the time determined by the third paragraph of this article for filing an excise return.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 4680 of 18 December 2015- website, 29.12.2015

[Article 190[2] – Charging excise tax to a person having the status of special enterprise

For a person having the status of special enterprise, an object of excise taxation, and the procedures for calculation, reporting and payment of the excise tax shall be determined by an ordinance of the Government of Georgia. ***(Shall become effective from 1 January 2019)]***

Law of Georgia No 2476 of 6 June 2018 – website, 21.6.2018

Article 191 – Filing a Return

1. For each accounting period, no later than the 15th day of the month following the accounting period of the tax authority, an excise return indicating performed taxable transactions shall be filed by:

a) a manufacturer of excisable goods;

b) an excise tax payer defined under Article 182(1)(d, d[1] and f) of this Code;

c) an excise tax payer defined by Article 192(6) and (7) of this Code, if the obligation to pay excise tax provided by the same paragraphs arises.

1[1]. To enjoy the tax benefit under Article 194(5)(g) of this Code, an excise tax payer shall file an excise return for each accounting period with the tax authority, by no later than the 15th day of the month following the accounting period.

2. The Minister of Finance of Georgia shall determine the procedure for filing an excise return and the excise return form.

Law of Georgia No 6547 of 22 June 2012 – website, 4.7.2012

Law of Georgia No 3581 of 1May 2015 – website, 15.5.2015

Law of Georgia No 5445 of 22 June 2016 – website, 29.6.2016

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Article 192 – Excise stamps

1. Before performing an excisable transaction and/or import of goods, also in cases provided for in Article 190[1] of this Code (except

for cases of selling alcoholic beverages that are transferred into state ownership), before the transfer of goods to persons purchasing and/or receiving them, the following shall be subject to mandatory affixing of excise stamps:

a) excisable alcoholic beverages;

b) tobacco products.

1^1) In cases of selling alcoholic beverages that are transferred into state ownership, the mandatory affixing of excise stamps to excise goods shall be performed by persons purchasing and/or receiving them immediately after finishing transportation of the goods from a relevant agency to the place of storage.

2. Except as determined by the Minister of Finance of Georgia, the following goods shall be exempt from mandatory affixing of excise stamps:

a) domestically manufactured goods intended for export;

b) goods to be supplied to a duty-free shop;

c) goods under import procedure, intended for the official use of foreign diplomatic missions and representations equated with them, and for personal use of the diplomatic and administrative-technical personnel (including their family members residing with them) of such representations;

d) goods under import procedure, intended for the personal use of foreign citizens (including their family members residing with them) employed for the fulfilment of obligations under the international treaties of Georgia (construction of Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum Pipelines);

e) goods subject to mandatory affixing of excise stamps, returned in accordance with the requirements of Article 223 of this Code;

f) alcoholic beverages bottled in containers of 50 grams or less or in containers of more than 10 litres (except for beer);

g) imported alcoholic beverage of up to 4 litres – if delivered by parcel post;

g^1) alcoholic beverage imported by a passenger – within the limited amount provided for in Article 194(5)(b^2);

h) smoking (pipe) tobacco;

i) imported (including those delivered by parcel post) 200 cigarettes or 50 cigars or 50 cigarillos, or 200 pieces of tobacco product provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 02 or 10 units of capsules provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 01 and similar products, or 250 grams of any other tobacco product, or a collection of sorts of tobacco product specified in this sub-paragraph if the sum of percentage values (a percentage value in relation to the respective limited amount) of portions of each sort of tobacco product contained therein does not exceed 100.

3. It shall be prohibited to:

a) perform a taxable transaction with and/or import goods missing excise stamps if such goods are subject to the mandatory affixing of excise stamps (except those provided for by the second paragraph of this article) and transfer the goods to the persons purchasing and/or receiving goods in the cases provided for in Article 190^1 of this Code;

b) supply to a retail network any on tap alcoholic beverages (except beer) and/or those bottled in containers of 10 litres or more in volume.

3^1. An excise stamp may be in material or immaterial form. In the cases determined by the Minister of Finance of Georgia, the mandatory affixing of excise stamps shall be performed by a person selected by the Revenue Service in the manner provided for by the legislation of Georgia.

4. Manufacturers and importers of excisable goods in the territory of Georgia (declarants), as well as payers of excise tax under Article 182(4) and (5) of this Code shall pay the nominal value of an excise stamp. The nominal value, the procedure for its payment and for labelling of goods shall be determined by order of the Minister of Finance of Georgia.

5. Tax authorities shall, in accordance with the established procedure, confiscate excisable goods imported or received for sale without excise stamps, in violation of the rules, when such goods are subject to mandatory affixing of excise stamps. Upon confiscation, such goods shall be considered state property and shall be sold or destroyed in the manner determined by the Minister of Finance of Georgia.

6. For the purposes of this Section, a lack of excise stamps in any form (loss, destruction and other cases except force-majeure) shall be regarded as import and supply of goods corresponding to the respective type of excise stamp by importers and as supply of goods corresponding to the respective type of excise stamp by local manufacturers and shall be subject to excise tax at the highest excise tax rate fixed for 1 piece/litre of goods corresponding to the respective type of excise stamp, manufactured/imported by a person.

7. If goods are not imported within 6 months after obtaining excise stamps by importers, such excise stamps shall be subject to be returned. Failure to return excise stamps on the day following the expiration of the six-month period shall be regarded, for the purposes of this Section, as the domestic supply of excisable goods subject to mandatory affixing of excise stamps and respectively, shall be subject to excise tax, whereas if goods with affixed unreturned excise stamps are imported, the excise tax amount payable shall be recalculated, in the following period, pro rata to the amount of import actually carried out.

8. Excise marks may not be transferred to any other person except in the case when an importer of excisable goods subject to mandatory affixing of excise stamps transfers excise stamps to a foreign manufacturer of excisable goods to have the manufacturer affix the excise stamps to such goods.

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 4935 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5557 of 20 December 2011 – website, 28.12.2011

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Law of Georgia No 4680 of 18 December 2015- website, 29.12.2015

Law of Georgia No 97 of 16 December 2016 – website, 23.12.2016

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Article 192[1] – Mandatory marking of non-excisable goods

1. The Minister of Finance of Georgia shall be authorised to compile a list of non-excisable goods subject to mandatory marking and the terms of marking.

2. The service of mandatory marking in material and immaterial forms shall be provided by a person selected by the Revenue Service in the manner provided for by the legislation of Georgia.

3. The nominal value of marking shall be levied for mandatory marking. The nominal value and payment terms shall be determined by an order of the Minister of Finance of Georgia.

Law of Georgia No 5557 of 20 December 2011 – website, 28.12.2011

Article 193 – Tax invoice

During the sale of excisable goods, an excise tax payer shall provide to the recipient of goods, if so requested by the latter, a tax invoice provided for by Article 175 of this Code.

Article 194 – Rules governing excise tax exemption

1. Excise exemption may be with or without the right to deduct.

2. Exempting a transaction with the right to deduct means that the transaction is not subject to excise tax assessment (is not excised) and the right of deduction applies.

3. Exempting a transaction without the right to deduct means that the transaction is not subject to excise tax assessment (is not excised) and the right of deduction does not apply.

4. The procedure of applying excise exemption shall be determined by an order of the Minister of Finance of Georgia.

5. The following shall be excise tax exempt without the right to deduct:

a) alcoholic beverages produced by a natural person for personal use;

b) import by a passenger of 200 cigarettes or 50 cigars or 50 cigarillos, or 200 pieces of tobacco product provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 02, or 10 units of capsules provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 01 and similar products, or 250 grams of another tobacco product, or a collection of sorts of tobacco product specified in this sub-paragraph if the sum of percentage values (a percentage value in relation to the respective limited amount) of portions of each sort of tobacco product contained therein does not exceed 100, or 50 ml of goods provided for under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01, which are carried in a baggage and/or hand luggage during passenger transportation and which are not intended for economic activities;

b^1) 200 cigarettes or 50 cigars or 50 cigarillos, or 200 pieces of tobacco product provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 02 or 10 units of capsules provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 01 and similar products, or 250 grams of another tobacco product, or a collection of sorts of tobacco product specified in this sub-paragraph if the sum of percentage values (a percentage value in relation to the respective limited amount) of portions of each sort of tobacco product contained therein does not exceed 100, or 50 ml of goods provided for under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01, and 4 litres of an alcoholic beverage imported by parcel post;

b^2) import by a passenger in total of 1 litre of alcoholic beverage with 22% and more than 22% alcohol content or of nondenatured ethanol with 80% and more than 80% alcohol content, or 2 litres of alcoholic beverage with less than 22% alcohol content, or import of collection of sorts of alcoholic beverages specified in this subparagraph (except for beer and wine) if the sum of percentage values (percentage value in relation to the respective limited amount) of portions of each sort of alcoholic beverage (except for beer and wine) contained in the collection does not exceed 100; also, import of 16 litres of beer, which is carried in a baggage and/or hand luggage during a passenger transportation and which is not intended for economic activities;

c) fuel in the standard tank of the transport vehicle of a person entering Georgia by a transport vehicle, which is structurally and technologically related to the engine feed system;

d) import of goods in accordance with the requirements of Article 168(1)(o) and Article 168(3)(i) of this Code;

e) import and/or supply of goods intended for supply on board during international flights and international sea passages, and importation and/or supply of fuel, lubricants and other auxiliary means intended to be supplied on board for performance of civil flights and aviation works within the state border of Georgia;

f) import and/or supply of petroleum products for performing oil and gas transactions provided for by the Law of Georgia on Oil and Gas;

g) import of goods provided for by section 10 of the table in Article 188 of this Code provided that they are not used for the production of excised goods.

Note: Excise tax shall be levied on the above-mentioned goods at the moment of import, and if an excise return has been filed, the taxpayer shall be entitled to a refund and/or a deduction on future tax liabilities in the amount of excise tax paid;

h) import of a motor car under Article 199(d.d) and (d.e) of this Code;

i) import of excisable goods returned in accordance with the requirements of Article 223 of this Code;

j) import of the property of diplomatic missions and consular establishments of Georgia abroad;

k) electric engine transportation vehicles specified under commodity items 8703 and 8711 of the National Commodity Classification of Foreign Economic Activities;

k^1) a transportation vehicle specified under the commodity item 8703 of the National Commodity Classification of Foreign Economic Activities, which is designed for use by a disabled person if the import of the transportation vehicle is performed by a disabled person who needs a wheelchair to move. The procedure for enjoying the privilege under this subparagraph shall be defined by the order of the Minister of Finance of Georgia;

Note: an appropriate person may enjoy the privilege under this subparagraph once in three years.

l) alcoholic beverage (liquid) used for preparation of a pharmaceutical product;

m) alcoholic beverage, used for production of a drink, in which alcohol content does not exceed 1.2%.

Note:

1. If the amount of an alcoholic beverage and/or tobacco product, or of the goods specified under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01 exceeds the limited quantity provided for in subparagraph b), b^1) or b^2) of this paragraph, the excise tax exemption under this article shall be applied within the above quantity limits of the goods.

2. A natural person shall gain the right to enjoy the tax privileges under subparagraphs b–b^2) of this paragraph from the age of 18.

3. During the importation/manufacturing of the goods under subparagraphs l) and m) of this paragraph an excise tax shall be levied, and if an excise tax return is submitted, a person purchasing the goods from the importer/manufacturer may obtain a refund of the excise amount paid and/or set it off for future tax liabilities.

4. For the purposes of subparagraphs b) and b^2) of this paragraph, it shall be deemed that the goods are not intended for economic activities if their import is one-off and they are intended to be used by the passenger personally or by his/her family members, and/or as a gift. In addition, the import of goods shall be one-off if the import of the goods is carried out not more than once during one calendar day when they are brought in by an air transport, and in other cases – during 30 calendar days.

6. The following shall be excise tax exempt with the right to deduct:

a) import of excisable goods only for the accounting period, for which the taxpayer presents the following documents to the tax authority:

a.a) a tax invoice and a document evidencing payment of the amount indicated in the tax invoice to the supplier (if other excisable goods (raw materials) manufactured by another person have been used for manufacturing of exported excisable goods;

a.b) a customs entry on the export of goods;

b) supply of Georgian goods to a duty-free shop for sale;

c) transfer of a person's property (excisable goods) to the state, autonomous republic or local self-governing unit, as part of a measure to secure collection (including tax liability collection) to the state budget, the budget of an autonomous republic or the budget of a local self-governing unit, as well as sale/transfer of a person's property (excisable goods) for collection of penalties imposed under criminal and administrative proceedings;

d) supply, by a producer of alcohol produced by distilling grape wine listed under sub-item 2208 20 of the National Commodity Classification of Foreign Economic Activities, to a producer of goods under the same sub-item, for production of goods;

e) production of alcohol obtained by distilling grape wine provided for under the Foreign Economic Activity National Commodity Nomenclature commodity sub-item 2208 20 by a producer with the raw materials of a customer and its passing to the customer if the customer uses these goods for production of the goods provided for under the same commodity sub-item.

Note: where a tax privilege under sub-paragraph d) or e) of this article applies, if a purchaser/customer of the alcohol obtained by distilling grape wine provided for under the Foreign Economic Activity National Commodity Nomenclature commodity sub-item

2208 20 does not use these goods for production of the goods provided for under the same commodity sub-item, the purchaser/customer of the goods shall be considered as an excise payer in relation to the goods purchased/passed. In such a case, the moment when the purchaser/customer starts using the goods in another activity shall be considered the time of conducting a taxable transaction.

7. Import of goods and/or supply of goods and/or delivery of services shall be excise tax exempt with the right to deduct, if it is performed under international agreements ratified by the Parliament of Georgia, that entered into force, where import of goods and/or supply of goods and/or delivery of services is excise tax exempt in accordance with such international agreements.

Law of Georgia No 4470 of 22 March 2011 – website, 01.4.2011

Law of Georgia No 4547 of 19 April 2011 – website, 5.5.2011

Law of Georgia No 4720 of 31 May 2011 – website, 10.6.2011

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6439 of 12 June 2012 – website, 22.6.2012

Law of Georgia No 6547 of 22 June 2012 – website, 4.7.2012

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 1378 of 15 November 2017 – website, 17.11.2017

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018

SECTION VIII

IMPORT DUTY

Chapter XXVIII – Import Duty

Article 195 – Payer of import duty

The payer of import duty shall be a person moving goods across the customs border of Georgia, except for export.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 196 – Dutiable object

An object of import duty shall be the customs value of goods crossing the customs border of Georgia from outside Georgia, unless otherwise provided for by this Code.

Article 197 – Import duty rates

1. A 12% rate of import duty shall apply to the customs value of the following goods:

No	CN code	Description
1	0105	Live poultry, that is to say, fowls of the species Gallus Domesticus, ducks, geese, turkeys and guinea fowls
2	0201	Meat of bovine animals, fresh or chilled
3	0202	Meat of bovine animals, frozen
4	0204	Meat of sheep or goats, fresh, chilled or frozen
5	0205 00	Meat of horses, asses, mules or hinnies, fresh, chilled or frozen
6	0206	Edible offal of bovine animals, swine, sheep, goats, horses, asses, mules or hinnies, fresh, chilled or frozen
7	0207	Meat and edible offal, of the poultry of Heading 0105, fresh, chilled or frozen
8	0208	Other meat and edible meat offal, fresh, chilled or frozen
9	0210	Meat and edible meat offal, salted, in brine, dried or smoked; edible flours and meals of meat or meat offal
10	0401 10 100 00	--- In immediate packings of a net content not exceeding 2 l
11	0401 20 110 00	--- In immediate packings of a net content not exceeding 2 l
12	0401 20 910 00	--- In immediate packings of a net content not exceeding 2 l
13	0401 40 100 00	--- In immediate packings of a net content not exceeding 2 l
14	0401 50 110 00	--- In immediate packings of a net content not exceeding 2 l
15	0401 50 310 00	--- In immediate packings of a net content not exceeding 2 l
16	0401 50 910 00	--- In immediate packings of a net content not exceeding 2 l
17	0402 10 110 00	--- In immediate packings of a net content not exceeding 2.5 kg
18	0402 10 910 00	--- In immediate packings of a net content not exceeding 2.5 kg
19	0402 21 110 00	---- In immediate packings of a net content not exceeding 2.5 kg
20	0402 21 910 00	---- In immediate packings of a net content not exceeding 2.5 kg

21	0402 29 150 00	-----In immediate packings of a net content not exceeding 2.5 kg
22	0402 29 910 00	---- In immediate packings of a net content not exceeding 2.5 kg
23	0402 91 110 00	---- In immediate packings of a net content not exceeding 2.5 kg
24	0402 91 310 00	---- In immediate packings of a net content not exceeding 2.5 kg
25	0402 91 510 00	---- In immediate packings of a net content not exceeding 2.5 kg
26	0402 91 910 00	---- In immediate packings of a net content not exceeding 2.5 kg
27	0402 99 110 00	---- In immediate packings of a net content not exceeding 2.5 kg
28	0402 99 310 00	---- In immediate packings of a net content not exceeding 2.5 kg
29	0402 99 910 00	---- In immediate packings of a net content not exceeding 2.5 kg
30	0403	Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa
31	0407	Birds' eggs, in shell, fresh, preserved or cooked
32	0408	Birds' eggs, not in shell, and egg yolks, fresh, dried, cooked by steaming or by boiling in water, moulded, frozen or otherwise preserved, whether or not containing added sugar or other sweetening matter
33	0409 00 000 00	Natural honey
34	0410 00 000 00	Edible products of animal origin, not elsewhere specified or included
35	0701	Potatoes, fresh or chilled
36	0702 00 000 00	Tomatoes, fresh or chilled
37	0703	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled
38	0704	Cabbages, cauliflowers, kohlrabi, kale, and similar edible brassicas, fresh or chilled
39	0706	Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh or chilled
40	0707 00	Cucumbers and gherkins, fresh or chilled
41	0708	Leguminous vegetables, shelled or unshelled, fresh or chilled
42	0709	Other vegetables, fresh or chilled
43	0710	Vegetables (uncooked or cooked by steaming or boiling in water), frozen
44	0711	Vegetables provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption

45	0712 20 000 00	-- Onions
46	0712 31 000 00	-- Mushrooms of the genus Agaricus
47	0712 32 000 00	-- Wood ears (Auricularia spp).
48	0712 33 000 00	-- Jelly fungi (Tremella spp.)
49	0712 11 000 00	-- Other
50	0713	Dried leguminous vegetables, shelled, whether or not skinned or split
51	0714	Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar roots and tubers with high starch or inulin content, fresh, chilled, frozen or dried, whether or not sliced or in the form of pellets; sago pith
52	0802	Other nuts, fresh or dried, whether or not shelled or peeled
53	0803	Bananas, including plantains, fresh or dried
54	0805	Citrus fruit, fresh or dried
55	0806	Grapes, fresh or dried
56	0807	Melons (including watermelons) and papaws (papayas), fresh
57	0808	Apples, pears and quinces, fresh
58	0809	Apricots, cherries, peach (including nectarines), plum and sloe, fresh
59	0810	Other fruit, fresh
60	0811	Fruit and nuts, uncooked or cooked by steaming or boiling in water, frozen, whether or not containing added sugar or other sweetening matter
61	0812	Fruit and nuts, provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption
62	0813	Fruit, dried, other than that of headings 0801 to 0806; mixtures of nuts or dried fruits of this chapter
63	0902	Tea, whether or not flavoured
64	1101 00	Wheat or meslin flour
65	1102	Cereal flours other than of wheat or meslin
66	1103	Cereal groats, meal and pellets
67	1105	Flour, meal, powder, flakes, granules and pellets of potatoes
68	1106	Flour, meal and powder of the dried leguminous vegetables of heading 0713, of sago or of roots or tubers of heading 0714 or of the products of Chapter 8
69	1108	Starches; inulin

70	1109 00 000 00	Wheat gluten, whether or not dried
71	1512 19 900 00	--- Other
72	1601 00	Sausages and similar products, of meat, meat offal or blood; food preparations based on these products
73	1602 10 00	-- Homogenised preparations
74	1602 20	-- Of liver of any animal
75	1602 31	_ _ Of turkeys
76	1602 32	_ _ Of fowls of the species Gallus domesticus
77	1602 39	_ _ Other
78	1602 41	_ _ Hams and cuts thereof
79	1602 42	_ _ Shoulders and cuts thereof
80	1602 49	_ _ Other, including mixtures
81	1602 50	-of bovine animals
82	1701 12	_ _ Beet sugar
83	1701 91 000 00	_ _ Containing added flavouring or colouring matter
84	1701 99	_ _ Other
85	1702	_ _ Other sugars, including chemically pure lactose, maltose, glucose and fructose, in solid form; sugar syrups not containing added flavouring or colouring matter; artificial honey, whether or not mixed with natural honey; caramel
86	1703	Molasses resulting from the extraction or refining of sugar
87	1704	Sugar confectionary (including white chocolate) not containing not include cocoa
88	19	Food preparations made of grain crops, grain, flour, starch or milk; pastry
89	2001	Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid
90	2002	Tomatoes prepared or preserved otherwise than by vinegar or acetic acid
91	2003	Mushrooms and truffles, prepared or preserved otherwise than by vinegar or acetic acid
92	2004	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading 2006
93	2005	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading 2006
94	2006 00	Vegetables, fruit, nuts, fruit-peel and other parts of plants, preserved by sugar

		(drained, glacé or crystallised)
95	2007	Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter
96	2008 19	_ _ Other, including mixtures
97	2008 20	_ Pineapples
98	2008 30	_ Citrus fruit
99	2008 40	_ Pears
100	2008 50	_ Apricots
101	2008 60	_ Cherries
102	2008 70	_ Peaches, including nectarines
103	2008 80	_ Strawberries
104	2008 91 000 00	_ _ Palm hearts
105	2008 93 000 00	-- Cranberries (Vaccinium macrocarpon, Vaccinium oxycoccos, Vaccinium vitis-idaea)
106	2008 97	_ _ Mixtures
107	2008 99	_ _ Other
108	2009	Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter
109	2101	Extracts, essences and concentrates, of coffee, tea or maté and preparations with a basis of these products or with a basis of coffee, tea or maté; roasted chicory and other roasted coffee substitutes, and extracts, essences and concentrates thereof
110	2103	Sauces and preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard
111	2106 90	- Other
112	2201 10 190 09	Other
113	2201 10 900 00	_ _ Other
114	2201 90 000 09	--- Other
115	2201 90 000 99	_ _ Other
116	2202	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of heading 2009
117	2203 00	Beer made from malt

118	2302 10	- Beer made from maize (corn)
119	2302 30	- Beer made from wheat
120	2302 40	- Beer made from other cereals
121	24	Tobacco and industrial tobacco substitutes. The goods under 24 03 11 000 00 and 24 03 19 000 00 shall be taxed only if they are packaged in immediate packing of a net content not exceeding 50 kg
122	25	Salt; sulphur; soils and stone; plastering materials, limestone and cement
123	3402	Organic surface-active agents (other than soap); surface-active preparations, washing preparations (including auxiliary washing preparations) and cleaning preparations, whether or not containing soap (other than those of heading 3401)
124	3918	Floor coverings of plastics, whether or not self-adhesive, in rolls or in the form of tiles; wall or ceiling coverings of plastics, as defined in note 9 to this chapter
125	3922	Baths, shower-baths, sinks, washbasins, bidets, lavatory pans, seats and covers, flushing cisterns and similar sanitary ware, of plastics
126	3923	Articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics
127	3924	Tableware, kitchenware, other household articles and hygienic or toilet articles, of plastics
128	3925 20 000 00	- Doors, windows and their frames and thresholds for doors.
129	3925 30 000 00	
130	3925 90	- Other
131	3926 90	- Other
132	4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm
133	4408	Sheets for veneering (including those obtained by slicing laminated wood), for plywood or for similar laminated wood and other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded, spliced or end-jointed, of a thickness not exceeding 6 mm
134	4409	Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, moulded, rounded or the like) along any of its edges, ends or faces, whether or not planed, sanded or end-jointed
135	4413 00 000 00	Densified wood, in blocks, plates, strips or profile shapes
136	4418	Builders' joinery and carpentry of wood, including cellular wood panels, assembled flooring panels, shingles and shakes
137	4420	Wood marquetry and inlaid wood; caskets and cases for jewellery or cutlery, and similar articles, of wood; statuettes and other ornaments, of wood; wooden articles of furniture not specified in group 94
138	4421	Other articles of wood

139	6801 00 000 00	Setts, curb-stones and flagstones, of natural stone (except slate)
140	6802	Worked monumental or building stone (except slate) and articles thereof, other than goods of heading 6801; mosaic cubes and the like, of natural stone (including slate), whether or not on a backing; artificially coloured granules, chippings and powder, of natural stone (including slate)
141	6804	Millstones, grindstones, grinding wheels and the like, without frameworks, for grinding, sharpening, polishing, trueing or cutting, hand sharpening or polishing stones, and parts thereof, of natural stone, of agglomerated natural or artificial abrasives, or of ceramics, with or without parts of other materials
142	6805	Natural or artificial abrasive powder or grain, on a base of textile material, of paper, of paperboard or of other materials, whether or not cut to shape or sewn or otherwise made up
143	6806	Slag-wool, rock-wool and similar mineral wools; exfoliated vermiculite, expanded clays, foamed slag and similar expanded mineral materials; mixtures and articles of heat-insulating, sound-insulating or sound-absorbing mineral materials, other than those of heading 6811 or 6812 or of Chapter 69
144	6807	Articles of asphalt or of similar material (for example, petroleum bitumen or coal tar pitch)
145	6808 00 000 00	Panels, boards, tiles, blocks and similar articles of vegetable fibre, of straw or of shavings, chips, particles, sawdust or other waste of wood, agglomerated with cement, plaster or other mineral binders
146	6809	Articles of plaster or of compositions based on
147	6810	Articles of cement, of concrete or of artificial stone, whether or not reinforced
148	6811	Articles of asbestos-cement, of cellulose fibre-cement or the like
149	6812 91 000 00	- Clothing, clothing accessories, footwear and headgear
150	6812 92 000 00	- Paper, millboard and felt
151	6812 93 000 00	-- Compressed asbestos fibre jointing, in sheets or rolls
152	6815	Articles of stone or of other mineral substances (including carbon fibres, articles of carbon fibres and articles of peat), not elsewhere specified or included
153	6902 10 000 00	- Containing, by weight, singly or together, more than 50 % of the elements Mg, Ca or Cr, expressed as MgO, CaO or Cr_2O_3
154	6902 20 100 00	-- Containing, by weight, 93 % or more of silica (SiO_2)
155	6902 20 910 00	--- Containing, by weight, more than 7 % but less than 45 % of alumina (Al_2O_3)
156	6902 20 990 00	--- Other
157	6902 90 000 00	- Other
158	7113	Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metals

159	7115 90 100 00	-- of precious metal
160	7116	Articles of natural or cultured pearls, precious or semi-precious stones (natural, synthetic or reconstructed)
161	7117	Imitation jewellery
162	7308 10 000 00	- Bridges and bridge-sections
163	7308 40	- Equipment for scaffolding, shuttering, propping or pit-propping
164	7308 90	- Other
165	7309 00 100 00	- For gases (other than compressed or liquefied gas)
166	7309 00 300 00	-- Lined or heat-insulated
167	7309 00 590 00	--- Not exceeding 100 000 l
168	7309 00 900 00	- For solids
169	7310	Tanks, casks, drums, cans, boxes and similar containers, for any material (other than compressed or liquefied gas), of iron or steel, of a capacity not exceeding 300 l, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment
170	7311 00	Containers for compressed or liquefied gas, of iron or steel
171	7314	Cloth (including endless bands), grill, netting and fencing, of iron or steel wire; expanded metal of iron or steel
172	7315	Chain and parts thereof, of iron or steel
173	7318	Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter pins, washers (including spring washers) and similar articles, of iron or steel
174	7320	Springs and leaves for springs, of iron or steel
175	7321	Stoves, ranges, grates, cookers (including those with subsidiary boilers for central heating), barbecues, braziers, gas rings, plate warmers and similar non-electric domestic appliances, and parts thereof, of iron or steel
176	7323	Table, kitchen or other household articles and parts thereof, of iron or steel; iron or steel wool; pot scourers and scouring or polishing pads, gloves and the like, of iron or steel

2. A 5% rate of import duty shall apply to the customs value of the following goods:

No	**Code**	**Name of goods**
1	0203	Meat of swine, fresh, chilled or frozen
2	0406	Cheese and curd
3	1806 31 000 00	_ _ Filled

4	1806 32	_ _ Not filled
5	1806 90	- Other
6	3305	Preparations for use on the hair
7	3307	Pre-shave, shaving or aftershave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included; prepared room deodorisers, whether or not perfumed or having disinfectant properties
8	3401	Soap; organic surface-active products and preparations for use as soap, in the form of bars, cakes, moulded pieces or shapes, whether or not containing soap; organic surface-active products and preparations for washing the skin, in the form of liquid or cream and put up for retail sale, whether or not containing soap; paper, wadding, felt and nonwovens, impregnated, coated or covered with soap or detergent
9	3405	Polishes and creams, for footwear, furniture, floors, coachwork, glass or metal, scouring pastes and powders and similar preparations (whether or not in the form of paper, wadding, felt, nonwovens, cellular plastics or cellular rubber, impregnated, coated or covered with such preparations), excluding waxes of heading 3404
10	3916	Monofilament of which any cross-sectional dimension exceeds 1 mm, rods, sticks and profile shapes, whether or not surface-worked but not otherwise worked, of plastics
11	3917 10	- Artificial guts (sausage casings) of hardened protein or of cellulosic materials
12	3917 21 100 00	--- Seamless and of a length exceeding the maximum cross-sectional dimension, whether or not surface-worked, but not otherwise worked
13	3917 21 900 09	---- Other
14	3917 22 100 00	--- Seamless and of a length exceeding the maximum cross-sectional dimension, whether or not surface-worked, but not otherwise worked
15	3917 22 900 09	---- Other
16	3917 23 100 00	--- Seamless and of a length exceeding the maximum cross-sectional dimension, whether or not surface-worked, but not otherwise worked
17	3917 23 900 09	---- Other
18	3917 29 120 00	---- By regrouping chemically modified or unmodified condensation products or polymerization products
19	3917 29 150 00	---- of addition polymerization products
20	3917 29 190 00	---- Other
21	3917 29 900 09	---- Other
22	3917 31 900 00	--- Other
23	3917 32	---- Other, not reinforced or otherwise combined with other materials, without fittings

24	3917 33 900 00	--- Other
25	3917 39 120 00	---- By regrouping chemically modified or unmodified condensation products or polymerization products
26	3917 39 150 00	---- of addition polymerization products
27	3917 39 190 00	---- Other
28	3917 39 900 09	---- Other
29	3917 40 900 00	_ _ Other
30	3919	Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls
31	3920	Other plates, sheets, film, foil and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other
32	3921	Other plates, sheets, film, foil and strip, of plastics
33	3925 10 000 00	- Reservoirs, tanks, vats and similar containers, of a capacity exceeding 300 litres
34	3926 10 000 00	- Office or school supplies
35	3926 20 000 00	- Articles of apparel and clothing accessories (including gloves, mittens and mitts)
36	3926 30 000 00	- Fittings for furniture, coachwork or the like
37	3926 40 000 00	- Statuettes and other ornamental articles
38	7308 20 000 00	- Towers and lattice masts
39	7308 30 000 00	- Doors, windows and their frames and thresholds for doors
40	8544 11	-- of copper
41	8544 19	_ _ Other
42	8544 20 000 00	-- Coaxial cable and other coaxial electric conductors
43	8544 30 900 00	_ _ Other

3. The goods listed in this Paragraph shall be subject to the following import duty rates (euro/%/vol/HL means that the import duty amount payable per hectolitre (100 litres) is the import duty rate multiplied by the percentage of alcohol content of the given good):

No	Code	Name of goods	Import duty rates
1	2204 10	– Sparkling wine	1.5 euro/l
2	2204 21	– – In containers holding 2 litres or les	0.5 euro/l
3	2204 29	_ _ Other	0.2 euro/l

4	2204 30	– Other grape must	0.2 euro/l
5	2205 10	– – In containers holding 2 litres or less	0.5 euro/l
6	2205 90	- Other	0.2 euro/l
7	2206 00	Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included	0.5 euro/l
8	2207	Non-denatured ethyl alcohol of an alcoholic strength by volume of 80 % vol. or higher; ethyl alcohol and other spirits, denatured, of any strength	3 euro/l
9	2208 20	– Spirits obtained by distilling grape wine or grape marc	1.5 euro/l/HL
10	2208 30	– Whiskies	1.5 euro/l/HL
11	2208 40	– Rum and other spirits obtained by distilling fermented sugar-cane products	1.5 euro/l/HL
12	2208 50	– Gin and Geneva	1.5 euro/l/HL
13	2208 60	– Vodka	1.5 euro/l/HL
14	2208 70	– Liqueurs and cordials	1.5 euro/l/HL
15	2208 90	- Other	1.5 euro/l/HL
16	2209 00	Vinegar and substitutes for vinegar obtained from acetic acid	0.4 euro/l

4. Goods temporarily admitted to the customs territory of Georgia, starting from the day of registration of their customs declaration, for each complete and incomplete calendar month of their stay in the customs territory of Georgia, shall be subject to 3% of the import duty amount that would have been levied on the day of registration of the temporary admission declaration, during placing such goods under an import procedure. The above amount must be paid by no later than the 15th day of the month following each given month, and the last payment shall be made on the day of expiry of the transaction of temporary admission of the goods. The above amount must be paid by no later than the 15th day of the month following each month, and the last payment shall be made on the day of completion the customs procedure of temporary admission of goods. The declarant may pay the total amount due as a lump sum.

5. The total sum of the amounts payable under the fourth paragraph of this article (not including penalty) shall not exceed the import duty amount that would have been levied on the day of registration of the temporary admission declaration, during placing such goods under an import procedure.

6. The import duty rate of a motor car under heading 8703 of the National Commodity Nomenclature of Foreign Economic Activities, during its placing under an import procedure, shall be the sum of GEL 0.05 for each cm^3 of its engine displacement and 5% of the import duty amount for each year the motor car's operation.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6547 of 22 June 2012 – website, 4.7.2012

Law of Georgia No 1898 of 27 December 2013 – website, 30.12.2013

Article 198 – Procedure for accrual and paying import duty

1. Import duty shall be accrued according to the customs value of goods, except for the cases provided for in Article 197(3) and (6) of this Law.

2. Import duty shall be paid according to the procedure established for paying import duty.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6446 of 12 May 2012 – website, 25.6.2012

Article 199 – Import duty exemption

The following shall be exempt from import duty:

a) import of goods meant for natural disaster response measures, as well as for humanitarian purposes;

b) import of goods provided for by grant agreements, in the manner determined by an ordinance of the Government of Georgia;

c) import of goods financed with grants or with a concessional loan granted by the state authority of a foreign country and/or an international organisation, of which at least 25% accounts for a grant element. The Ministry of Finance of Georgia shall calculate the grant element in accordance with a resolution of the Parliament of Georgia;

d) a natural person's:

d.a) import (including import by parcel post), once in a calendar day, of food products, not meant for economic activity, of the total value of up to GEL 500 and of the total weight of up to 30 kg under Groups 02, 04, 06-12, 15-21 and headings 0302-0307, 2201-2202 of the National Commodity Nomenclature of Foreign Economic Activities;

d.b) import, once in 30 calendar days, of goods provided for under the Foreign Economic Activity National Commodity Nomenclature groups 28 – 97 (except for the goods provided for under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01) that are not intended for the economic activity and that are valued at up to GEL 500 with the total weight of up to 30 kg;

d.c) import of 200 cigarettes or 50 cigars or 50 cigarillos, or 200 pieces of tobacco product provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 02, or 10 units of capsules provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 01 and similar products, or 250 grams of another tobacco product (except for tobacco raw materials), or a collection of sorts of tobacco product specified in this sub-paragraph if the sum of percentage values (a percentage value in relation to the respective limited amount) of portions of each sort of tobacco product contained therein does not exceed 100, or 50 ml of goods provided for under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01, which are carried in a baggage and/or hand luggage during a passenger transportation and which are not intended for economic activities;

d.c^{1}) import by a passenger in total of 1 litre of alcoholic beverage with 22% and more than 22% alcohol content or of nondenatured ethanol with 80% and more than 80% alcohol content, or 2 litres of alcoholic beverage with less than 22% alcohol content, or import of collection of sorts of alcoholic beverage specified in this subparagraph (except for beer and wine) if the sum of percentage values (percentage value in relation to the respective limited amount) of portions of each sort of alcoholic beverage (except for beer and wine) contained in the collection does not exceed 100; or import of 4 litres of wine and 16 litres of beer, which are carried in a baggage and/or hand luggage during a passenger transportation and which are not intended for economic activities.

d.d) import of goods of up to GEL 15 000 in value, not meant for economic activity under Groups 28-97 (except for Group 87) of the National Commodity Nomenclature of Foreign Economic Activities, by a person entering Georgia after having stayed abroad for more than 6 months at a time, and for a diplomatic official recalled from his/her work mission at a Georgian diplomatic mission or a consular institution abroad as part of a rotation procedure – additionally, import of goods intended for his/her personal use

(one vehicle, refrigerator, computer and TV-set per family);

d.e) import of goods (including furniture, household goods, one vehicle per family) not meant for economic activity, when entering Georgia for permanent residence (as evidenced by a respective document issued under the established procedure by the Ministry of Justice of Georgia);

d.f) import, by parcel post, of goods provided for under the Foreign Economic Activity National Commodity Nomenclature groups 28 – 97 (except for the goods provided for under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01) that are not intended for the economic activity and that are valued at up to GEL 300 with the total weight of up to 30 kg, import of 200 cigarettes or 50 cigars or 50 cigarillos, or 200 pieces of tobacco product provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 02 or 10 units of capsules provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 01 and similar products, or 250 grams of another tobacco product (except for tobacco raw materials), or a collection of sorts of tobacco product specified in this sub-paragraph if the sum of percentage values (a percentage value in relation to the respective limited amount) of portions of each sort of tobacco product contained therein does not exceed 100, or 50 ml of goods provided for under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01, as well as import of 4 litres of all alcoholic beverage types;

d.g) import, by air transport, of goods, not meant for economic activity, of the total value of up to GEL 3 000 and of the total weight of up to 30 kg under Groups 28 – 97 of the National Commodity Nomenclature of Foreign Economic Activities;

e) import of infant food products and diabetic food products labelled as such for wholesale or retail supply; import of X-ray films, insulin syringes (needles), glucometers, and diagnostic test systems;

f) import of goods intended for supply on board performance of international flights and international voyages, and import of fuel, lubricants and other auxiliary means intended to be supplied on board for performance of civil flights and aviation works within the state border of Georgia;

g) import of equipment and machinery, vehicles, spare parts and materials for performing oil and gas operations provided for by the Law of Georgia on Oil and Gas;

h) goods seized, confiscated, abandoned and transferred to state ownership and/or a vehicle transferred to the state's disposal or ownership in the manner provided for by the legislation of Georgia;

i) import of raw tobacco carried out before 1 January 2023;

j) import and temporary admission of goods under Article 168(1)(o) and (3)(c), (d), (i), (j) of this Code;

k) customs procedures with goods (except for import and temporary admission of goods provided for by this article) under this Code, as well as placing goods in a duty-free shop;

l) import of goods manufactured in a Free Industrial Zone from the Free Industrial Zone; the Minister of Finance of Georgia may establish criteria for considering goods as having been manufactured in a Free Industrial Zone;

m) import of goods returned under Article 223 of this Code;

n) import, by parcel post (except as provided for by subparagraph d.f) of this article), of goods provided for under the Foreign Economic Activity National Commodity Nomenclature groups 28 – 97 (except for the goods provided for under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01) that are not intended for the economic activity and that are valued at up to GEL 300 with the total weight of up to 30 kg, and import of 200 cigarettes or 50 cigars or 50 cigarillos, or 200 pieces of tobacco product provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 02 or 10 units of capsules provided for under the Foreign Economic Activity National Commodity Nomenclature code 2403 99 900 01 and similar products, or 250 grams of another tobacco product (except for tobacco raw materials), or a collection of sorts of tobacco product specified in this sub-paragraph if the sum of percentage values (a percentage value in relation to the respective limited amount) of portions of each sort of tobacco product contained therein does not exceed 100, or 50 ml of goods provided for under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01, as well as import of 4 litres of all alcoholic beverage types;

o) import of goods under headings 1704 90 510 00, 2207 10 000 00, 2501 00 310 00, 2501 00 510 00, 2506, 2507, 2508, 2509, 2511, 2522, 2524, 2525, 2526 (except for 2526 20 000 00), 6805 20 000 00 and 6805 30 800 00 of the National Commodity Nomenclature of Foreign Economic Activities;

p) electric engine vehicles under heading 8703 of the National Commodity Nomenclature of Foreign Economic Activities;

q) import of goods originating in the territory of a state being a party to the International Agreement on Creation of a Free-Trade Area of 15 April 1994 from such a state, irrespective of the itinerary of such goods (irrespective of passing by such goods of the territory of a state not being a party to the Agreement, during their movement from the territory of the country of export).

Note:

1. If the amount of an alcoholic beverage and/or tobacco product or of the goods under the Foreign Economic Activity National Commodity Nomenclature code 3824 90 980 01 imported by a natural person or imported by parcel post exceeds the limited quantity provided for in subparagraphs d.c), d.f) or n) of this article, the excise tax exemption under this article shall be applied within the above quantity limits of the goods.

2. A natural person shall gain the right to enjoy the tax privileges under subparagraphs d.c) and d.f) of this article for excise goods from the age of 18.

3. For the purposes of subparagraphs d.c) and d.c[1]) of this article, it shall be deemed that the goods are not intended for economic activities if their import is one-off and they are intended to be used by the passenger personally or by his/her family members, and/or as a gift. In addition, the import of goods shall be one-off if the import of the goods is carried out not more than once during one calendar day when they are brought in by an air transport, and in other cases – during 30 calendar days.

Law of Georgia No 4470 of 22 March 2011 – website, 1.4.2011

Law of Georgia No 4720 of 31 May 2011 – website, 10.6.2011

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6015 of 10 April 2012 – website, 30.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6439 of 12 June 2012 – website, 22.6.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 1046 of 6 September 2013 – website, 23.9.2013

Law of Georgia No 1447 of 4 October 2013 – website, 16.10.2013

Law of Georgia No 1897 of 27 December 2013 – website, 30.12.2013

Law of Georgia No 2952 of 12 December 2014 – website, 23.12.2014

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

SECTION IX

LOCAL TAXES

Chapter XXIX – Property Tax

Article 200 – Meanings of term for the purposes of this Section

1. Property – taxable property and land.

2. Land – agricultural, non-agricultural and forest land.

3. Agricultural land:

a) arable land (including land under perennial crops, under fruit and vegetable crops);

b) grassland (including, natural and cultivated);

c) pastureland (including, natural and cultivated);

d) homestead land (plot of land attached to a farm house).

4. Non-agricultural land – any land other than agricultural land.

4^1. (Deleted – 28.12.2012, No 189).

5. Agricultural land to be cultivated:

a) non-agricultural land to be transformed into agricultural land. Such lands include:

a.a) virgin land;

a.b) land to be cultivated by means of melioration (irrigation and drainage);

a.c) land under brushwood to be cultivated by felling and uprooting;

a.d) land to be cultivated by terracing slopes;

a.e) land, degraded by mining and construction, to be cultivated by restoration of its agro-biological productivity;

b) low-intensity agricultural land transformed into high-intensity agricultural land (arable land and land under perennial crops), swampland and salty land.

6. Location of taxable property – the place where the real estate is actually located and movable property is registered, in the manner provided for by the legislation of Georgia. If there is no movable property place of registration, the location of taxable property shall be the place where the movable property is actually located.

7. State-owned land – land owned by the State, an autonomous republic or a self-governing unit.

8. Melioration infrastructure – irrigating, draining and dual regulation systems, reservoirs, pumping stations, and individual hydro-technical structures.

Law of Georgia No 3968 of 10 December 2010 – LHG III, No 74, 24.12.2010, Art. 449

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Law of Georgia No 5382 of 8 June 2016 – website, 17.6.2016

Article 201 – Property tax payer and taxable object

1. A property tax payer shall be:

a) a resident enterprise/organisation – on assets, uninstalled equipment, and unfinished construction registered on its balance sheet as fixed assets and/or investment property, as well as its leased property;

b) a non-resident enterprise – on property based in the territory of Georgia, provided for by the first paragraph of this article (including property based in the territory of Georgian transferred under a lease, rent, usufruct or any similar agreement);

c) a natural person:

c.a) on a real estate (including an unfinished construction, building or structure, or a part thereof), yachts (cutters), helicopters, airplanes, and motor cars specified under Code 8703 of the National Commodity Nomenclature of Foreign Economic Activities that are owned by him/her;

c.b) on property received by him/her from a non-resident under a lease agreement;

c.c) in the case of carrying out economic activities, on assets, uninstalled equipment, and unfinished construction registered on his/her balance sheet as fixed assets, as well as his/her leased property.

2. For the purposes of the first paragraph of this article, a person shall be a property tax payer on taxable property owned and/or used by him/her, registered under the name of a deceased person, except where the property is used under a lease, rent, usufruct or any similar agreement.

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Law of Georgia No 97 of 16 December 2016 – website, 23.12.2016

Article 202 – Property tax rate

1. The annual property tax rate for an enterprise/organisation shall be determined in the maximum amount of 1% of the value of the taxable property. For the purposes of this paragraph, the value of taxable property shall be the average annual net book value (calculated according to the average value of assets at the beginning and at the end of a calendar year) that in the cases set forth below must be increased only in relation to real estate:

a) for assets acquired before 2000 – by 3 times;

b) for assets acquired from 2000 up to 2004 – by 2 times;

c) for assets acquired in 2004 – by 1.5 times;

d) for assets on which the acquisition date is unavailable – in the amount determined by paragraph (1)(a) of this article.

2. The rates referred to in paragraphs (1)(a-d) of this article shall not apply to:

a) an enterprise, if it has the real estate recorded on its balance sheet under the revaluation model and has its financial statement audited; furthermore, an audited financial statement can be applied for only four years;

b) state-owned enterprises defined by the Government of Georgia.

3. Except as provided for by paragraph (3) of this article, the annual property tax rate for an enterprise/organisation shall be determined in the maximum amount of 1% of the average annual net book value (calculated according to the average value of

assets at the beginning and at the end of a calendar year) of leased taxable property. For the purposes of this paragraph, the book value of leased taxable property shall be its value at the moment of its transfer, and for each following year, the net book value of such property, as if it had not been leased, shall be the value of such property.

3^1. The annual tax rate on leased taxable property for a leasing company shall be determined, during the entire period of lease agreement, in the maximum amount of 0.6% of the initial book value of the taxable property at the moment of its first transfer.

4. (Invalidated – Decision No 2/7/667 of the Constitutional Court of Georgia of 28 December 2017 – website 9.1.2018)

4^1. In the cases provided for under the procedure approved by the order of the Minister of Finance of Georgia, a tax authority may, during a tax audit, determine the value of a taxable property of a taxpayer at its market price. This provision shall not apply to the cases under paragraph 2 of this article. If the market price of the taxable property exceeds its book value:

a) the property tax principal amount shall be assessed to a person on the difference of the taxable property value. Further, a tax surcharge shall be imposed on the above amount only from the 30th day after the date a notice of tax liability was submitted, and the above difference shall not be considered as a tax reduction;

b) a person shall use the above market price in relation to the respective taxable property for the following three tax years.

5. The annual tax rate on taxable property of a natural person shall be differentiated according to income earned by the taxpayer's family during the tax year and determined in the following amounts:

a) for families with income of up to GEL 100 000 – at least 0.05% but not more than 0.2% of the market value of the taxable property at the end of the tax year;

b) for families with income of GEL 100 000 and more – at least 0.8% but not more than 1% of the market value of the taxable property at the end of the tax year.

6. For the purposes of this Section, taking into consideration the seventh paragraph of this article, income earned by a natural person's family during the tax year shall include all income, including income irrespective of tax benefits, particularly:

a) taxable income earned from economic activity except as provided for by paragraph (6)(d);

b) any income, including income not related to economic activity;

c) gross salary;

d) for a person having the status of a small business:

d.a) 25% of income taxable under special treatment;

d.b) taxable income not subject to small business special treatment.

[e) for a natural person conducting trade within the market territory:

e.a) 15% of the income gained by selling goods within the market territory;

e.b) taxable income, which does not belong to the income under subparagraph e.a) of this paragraph. ***(Shall become effective from 1 January 2020)]***

7. For the purposes of the sixth paragraph of this article:

a) income shall not include:

a.a) value of property received from family members through succession, as a gift or as a result of divorce;

a.b) income received by a natural person (including by a first devisee, as an aggregate of his/her and his/her deviser's) from sale of a residential apartment (house) having been in his/her possession for a period of over two years;

a.c) income received from the original sale of property provided for by Article (82)(1)(m) of this Code;

a.d) income of a fixed taxpayer and a person having the status of a micro-business, received from such economic activity;

a.e) income exempted from income tax under Article 82 (1)(b^1 and b^2)

b) income of a non-resident natural person being a citizen of Georgia shall be determined as per income received at a Georgia based source.

8. Tax liability on taxable property shall be defined at the rates applicable on 31 December of the tax year.

Law of Georgia No 3882 of 7 December 2010 – LHG III, No 72, 22.12.2010, Art. 428

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5118 of 13 October 2011 – website, 31.10.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6547 of 22 June 2012 – website, 4.7.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 2950 of 12 December 2014 – website, 23.12.2014

Law of Georgia No 5387 of 8 June 2016 – website, 24.6.2016

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Decision No 2/7/667 of the Constitutional Court of Georgia of 28 December 2017 – website 9.1.2018

Law of Georgia No 2327 of 4 May 2018 – website, 11.5.2018

Article 203 – Payer of property tax on land and taxable object

The payer of property tax on land shall be a person as of 1 April of the tax year:

a) on land in his/her possession;

b) on land possessed by the state and used or owned by him/her;

c) on a parcel of land in his/her possession and/or use that is registered as property of a deceased person, except for the cases when the parcel of land is used under a lease, rent, usufruct or similar agreement.

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Article 204 – Property tax rate on land

1. The annual basic property tax rates on agricultural land and forest land shall be differentiated according to administrative-territorial units and land categories, and calculated for 1 ha, in GEL:

a) on arable land (including land under perennial crops, under fruit and vegetable crops) and homestead land (a plot of land attached to a farm house):

	Basic rate (GEL/ha)

Name of administrative unit	Arable land and homestead land
1. Tbilisi (other than Tbilisi settlements (villages), Marneuli	100
2. Bolnisi, Gardabani, Tbilisi settlements (villages): Tsavkisi, Kojori, Tabakhmela, Shindisi, Dideba, Kveseti, Samadlo, Kiketi, Nasagurali, Akhaldaba, Didi Lilo, Varketili	95
3. Rustavi, Batumi, Gagra, Gali, Gudauta, Gulripshi, Ochamchire, Sukhumi, Tkvarcheli	94
4. Kobuleti, Khelvachauri, Gurjaani, Dedoplistskaro	87
5. Telavi, Lagodekhi, Signagi	86
6. Kvareli, Gori, Mtskheta, Akhmeta, Dmanisi, Eredvi, Tigvi, Tbilisi settlements (villages): Digomi, Mshralkhevi, Zahesi Settlement, Gldani, Didgori, Zurgovana, Telovana, Dzveli Vedzisi, Agaraki, Tkhinvali, from Gldani Village to Avchala Settlement – garden plots, Giorgitsminda – garden plots, garden plots adjacent to Mukhiani, Avshiani Settlement adjacent to Khevdzmari, Lotkini Settlement – plant nursery, settlement adjacent to Resi, Tbilisi Sea settlement	82
7. Kaspi, Tetritskaro, Samtredia	81
8. Sagarejo, Kareli, Khashuri	79
9. Kurta, Tsalka	77
10. Abasha, Zugdidi	77
11. Akhalkalaki, Akhaltsikhe	77
12. Martvili, Senaki, Khobi, Poti	76
13. Ninotsminda	76
14. Akhalgori, Vani, Zestaponi, Lanchkhuti, Ozurgeti	73
15. Bagdati, Terjola, Khoni, Kutaisi	71
16. Tsalenjikha, Tskaltubo, Chkhorotsku	67
17. Sachkhere, Tsageri, Tskhinvali	65
18. Ambrolauri, Dusheti, Tianeti, Adigeni, Borjomi	61
19. Aspindza, Tkibuli, Khulo, Keda	60
20. Shuakhevi, Kharagauli, Chiatura, Lentekhi, Oni, Chokhatauri, Mestia, Stepantsminda, Java	56

b) for grassland and pastureland (natural and cultivated):

Name of administrative unit	Basic rate (GEL/ha)	
	Grassland	Pastureland
1. Abasha, Akhalkalaki, Gori, Batumi, Bolnisi, Gagra, Gali, Gardabani, Gudauta, Gulripshi, Gurjaani, Dmanisi, Zugdidi, Tbilisi, Tetritskaro, Telavi, Lagodekhi, Lanchkhuti, Marneuli, Mtskheta, Ninotsminda, Ozurgeti, Ochamchire, Rustavi, Samtredia, Senaki, Signagi, Sukhumi, Kutaisi, Kobuleti, Kvareli, Tsalka, Tskaltubo, Khelvachauri, Khobi, Poti	20	16
2. Dedoplistskaro	20	7
3. Adigeni, Aspindza, Akhalgori, Bagdati, Borjomi, Vani, Zestaponi, Terjola, Tianeti, Kaspi, Martvili, Sagarejo, Sachkhere, Tkibuli, Kareli, Keda, Shuakhevi, Chokhatauri, Chkhorotsku, Tsalenjikha, Kharagauli, Khashuri, Khoni, Khulo, Akhaltsikhe	19	15
4. Ambrolauri, Dusheti, Lentekhi, Mestia, Oni, Kazbegi, Tsageri, Tskhinvali, Chiatura, Java	16	10
5. Akhmeta	16	5

c) for forest land used in agriculture – in the amounts provided for in paragraphs (1)(a) and (1)(b) respectively;

d) the tax rate shall be determined by a decision of the representative body of local self-government, and such rate shall not exceed 150% of the annual basic rate fixed by this paragraph.

1^1. (Deleted – 28.12.2012, No 189).

2. Property tax rates on non-agricultural land for a particular parcel of land shall be calculated taking into consideration the location of such parcel of land, according to the following procedure:

a) the basic tax rate shall be fixed at GEL 0.24 per m^2 of land per year;

b) by the decision of a representative authority of local self-government, the relevant basic rate shall be multiplied by a territorial coefficient. However, a territorial coefficient shall not exceed 1.5.

3. The land allocated to a person using natural resources under an appropriate licence for the use of natural resources, or in other form as determined by the legislation of Georgia shall be taxable by a maximum of GEL 3 per 1 ha.

4. Property tax on land tax liability shall be determined at the rates applicable as of 1 April of the tax year.

5. For the purposes of levying property tax, the list of the information to be submitted to the tax authority by the National Agency of Public Registry, other registration authorities, as well as local self-governments, and the procedure for submitting such information to the tax authority shall be determined by the Government of Georgia.

Law of Georgia No 3882 of 7 December 2010 – LHG III, No 72, 22.12.2010, Art. 428

Law of Georgia No 3968 of 10 December 2010 – LHG III, No 74, 24.12.2010, Art. 449

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 3581 of 1May 2015 – website, 15.5.2015

Article 205 – Calculation and payment of property tax

1. The tax period for property tax shall be a calendar year.

2. An enterprise/organisation shall file a property tax return with the tax authority by no later than 1 April of a calendar year, and pay the property tax within the same time frame, except as provided for by the seventh paragraph of this article. The data on taxable property shall be recorded in the tax return according to the past tax year and on the taxable land – according to the current tax year.

3. An enterprise/organisation shall pay property tax for the current tax year in the form of current payment, in the amount of annual tax paid for past tax year, by no later than 15 June of the current tax year.

4. If the amount of expected property tax liabilities for the current tax year, taking into consideration tax benefits, is reduced by at least 50%, compared to the past tax year, and the taxpayer gives the tax authority a notice of this by no later than 1 June of the current year, the taxpayer may reduce the current tax payment or not make a current tax payment.

5. If the submitted actual annual results do not evidence a reduction of expected property tax liabilities by at least 50%, and the taxpayer has not fully made the current payment during the tax year, then the taxpayer shall pay a penalty under this Code during the period from the date when the current payment is due to the date when filing a tax return is due.

6. If the tax rate is changed, compared to the past tax period, the taxpayer may make the current payment at the tax rate applicable for the current year.

7. An enterprise/organisation shall pay property tax on land by no later than 15 November of a calendar year.

8. If a taxpayer enterprise/organisation exists only during a partial calendar year, it shall pay property tax pro rata to such period.

9. If a legal person is founded after the beginning of a calendar year, it shall have no obligation to make a current payment for the respective tax period. At the same time, the amount of the current payment for the following tax period shall be determined as the full amount of the annual tax for the past tax year.

10. A liquidation commission shall file a property tax return with the tax authority concerned within 15 calendar days after making a decision to liquidate the enterprise.

10^1. A taxpayer shall submit to the tax authority, within 15 days after entry into force of a bankruptcy ruling delivered by court in the manner provided for by the Law of Georgia on Insolvency Proceedings, and before the commencement of bankruptcy proceedings, the property tax returns that have not been submitted before, pertaining to complete/incomplete tax period(s). At the same time, a taxpayer shall not submit property tax returns for the complete/incomplete tax period(s), after commencement of a bankruptcy proceeding.

11. A property tax levied on a natural person shall be calculated by the tax authority concerned, based on the filed tax return.

12. A natural person shall file a property tax return with the tax authority no later than 1 November of a calendar year. The data on taxable property shall be recorded in the tax return according to the past tax year, and on taxable land – according to the current tax year.

13. A natural person may not file a property tax return if:

a) he/she incurs no tax obligation during the tax period, taking into consideration the privileges under this Code. At the same time, if the natural person was a property tax declarant for the past tax year, he/she shall give a notice to the tax authority of his/her decision not to file a tax return in the form approved by the Minister of Finance of Georgia, by no later than 1 November of the tax year;

b) the property tax return for the period preceding the tax year has been filed or the tax authority has assessed property tax. According to the data of the previous tax year, the tax authority shall assess property tax on the taxpayer automatically. In such a case, a taxpayer shall be deemed to have reported tax and the tax authority shall be deemed to have levied tax liabilities on him/her, under which the tax liability period under question is equal to the one last reported (assessed). Furthermore, if a tax return for such periods is later filed, it shall be deemed to be an amended tax return.

13[1]. Where property tax on land is assessed by the tax authority based on the data of the National Agency of Public Registry, the person shall be released from the obligation to file a property tax return on land. In such a case, based on the data of the National Agency of Public Registry, a tax demand notice shall be served on the person in the manner approved by the Minister of Finance of Georgia.

14. A natural person shall pay property tax and property tax on land no later than 15 November of a calendar year.

15. The procedure for calculation and payment of property tax shall be defined by the Minister of Finance of Georgia.

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6330 of 25 May 2012 – website, 8.6.2012

Law of Georgia No 6395 of 5 June 2012 – website, 19.6.2012

Article 206 – Tax exemption

1. According to an object of taxation, the following shall be property tax exempt:

a) a natural person's taxable property (except land) if the person's family income received during the year preceding the tax year does not exceed GEL 40 000;

b) (deleted – 24.6.2011, No 4963);

c) (deleted – 24.6.2011, No 4963);

d) traffic roads, power transmission lines, and cable lines of communication networks;

e) property of an organisation, and property leased to the organisation, except land and the property used for economic activity;

f) property used for oil and gas operations (activities) as provided for by the Law of Georgia on Oil and Gas;

g) the part of a state-owned parcel of land that is transferred to a budgetary organisation, except land used for economic activity;

h) land areas of natural and historical monuments protection organisations, where buildings considered by the state as historical, cultural and/or architectural monuments are situated, if they are not used for economic activity, which does not include the sale of entry tickets;

i) land occupied by natural parks, botanical and dendrological gardens, municipal cultural and recreational parks, cemeteries, zoological gardens and/or parks, oceanaria, parks, alleys, protected territories, forest organisations, parks belonging to agencies open to the public, gardens and forest-gardens, except for parcels of land on such territory used for economic activity;

j) city water reservoirs and their water areas; land used for transport and underground communications, if not used for agricultural produce production and economic activity;

k) land occupied by water reservoirs intended for supplying drinking water to the population, for operation of power stations and melioration systems and their functioning, and the sanitary, protection and technical areas adjacent to the above facilities;

l) parcels of land used for performing oil and gas operations (activities) provided for by the Law of Georgia on Oil and Gas, if they are not used for other purposes;

m) parcels of agricultural land, whose topsoil is damaged as a result of a natural disaster (hurricane, hail, drought, flood, landslide, etc.) by half or more, as evidenced by a certificate issued by a representative body of local self-government;

n) property on the territories defined by the Law of Georgia on Occupied Territories – temporarily, pending resolution of the conflict and improvement of the economic situation;

n^1) land possessed/owned by a person, adjacent to the territories defined by the Law of Georgia on Occupied Territories, that makes using such parcels of land impossible, as evidenced by a certificate issued by a local self-government authority;

n^2) property possessed/owned by a person and parcels of land attached to it, if such a person cannot use such property due to the property being used as a dwelling for IDPs, and if the property has been registered as a unit of compact (organised) accommodation of IDPs, as evidenced by a certificate issued by the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia;

o) stated-owned unused grassland, pastureland agricultural land intended for cultivation and spare agricultural land;

p) land used as aerodrome, airport, helidrome and air navigation safety zones and for underground communications, as well as parcels of land identified for prospective development as ports, if they are not used for economic activity;

q) natural and legal persons, who have received agricultural land to be cultivated – for five years after receiving such land;

r) for families of citizens settled in the territories of abandoned villages, as well as families of citizens settled under state accommodation measures – on parcels of agricultural land in such territories – for five years after settlement;

s) parcels of agricultural land of up to five hectares in the possession of a natural person as of 1 March 2004;

Note: The privilege under this subparagraph also applies where a household member or a first/second devisee receives such property as a gift/through succession, or an agricultural cooperative receives such property from its members (shareholders) as a contribution (share);

t) for primary water users – melioration infrastructure and a part of the land parcel with the melioration infrastructure attached to it transferred to legal entities under private law under the procedure established by the legislation of Georgia;

u) parcels of land received through privatisation by the World War II invalids and persons equated with them;

v) a parcel of land owned by a person who has the status of a person permanently residing in a high-mountain settlement and located in that high-mountain settlement;

w) scientific-research, educational, trial-selection, experimental and trial of breed land, used for scientific and educational purposes, where the activities are financed from the budget;

x) parcels of land used by budget-funded nursing homes/asylums for 60 and over 60 years old persons and/or persons with disabilities, educational or day care centres for persons (including children) with disabilities and/or children/adolescents without adequate family support, legal entities under public law – general education institutions (schools) for performing their main functions; parcels of land used by child fostering institutions, special residential schools, children's villages, and early and preschool fostering and educational institutions that provide care and education to children for free, unless they are used for economic activity;

y) a parcel of agricultural land, where more than half of the crops have been destroyed as a result of natural disaster (hurricane, hail, drought, flood, landslide, etc.) or other force-majeure, as evidenced by a certificate issued by a representative body of the local self-government;

z) property within a Free Industrial Zone;

aa) biological assets;

bb) property received by leasing from a Georgian resident;

cc) property, except land used for medical activities, which is in the possession of or leased to medical institutions;

dd) parcels of land used for medical activities, attached to medical institutions;

ee) property related to hotel services of an entrepreneur in a tourist zone until 1 January 2026;

ff) movable property in the possession of a person engaged in an activity provided for under Code 01 (agriculture) of the Georgian National Classification of Economic Activities, as well as movable property leased to such person, that such person uses in the same activity;

ff[1]) property (except land) owned by an agricultural cooperative, used in agricultural activity and movable property leased to it for the same activity before 1 January 2023;

gg) property (including land) used in general educational activities by a legal entity under public law – a public school, authorised in the manner established by the Minister of Education, Science, Culture and Sport of Georgia.

gg[1]) a taxable object (parcel of land) determined pro rata to the space co-owned by a natural person in a residential apartment house;

gg[2]) parcels of land attached to residential houses and/or garages, located in the territories of self-governing cities and municipalities, within the limited space defined by the representative authorities of local self-governments;

gg[3]) goods under heading 8903 of the National Commodity Nomenclature of Foreign Economic Activities;

gg[4]) property of a person under bankruptcy proceedings in the manner provided for by the Law of Georgia on Insolvency Proceedings;

gg[5]) real estate gratuitously transferred by the national and/or local self-government authority to and owned by any state-founded higher education institution and used for educational activity;

gg[6]) the property owned by a high-mountain settlement enterprise and located in that high-mountain settlement – for 10 calendar years after the granting of the status (including the calendar year in which the status was granted).

2. The tax privileges defined shall not apply to a parcel of land (or a part of it) transferred by a person to another person by lease, usufruct, rent or any other similar form, and/or buildings (or a part of them) transferred by an enterprise/organisation in the same form.

3. If after the expiry of the term for filing a tax return a person transfers a parcel of land by lease, usufruct, rent or any other similar form, no tax privilege shall apply to such person. At the same time, a person shall be obliged to file a tax return with the tax authority by the end of the accounting year and pay the tax as per the tax notice.

Law of Georgia No 4061 of 15 December 2010 – LHG III, No 75, 27.12.2010, Art. 469

Law of Georgia No 4142 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 515

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5118 of 13 October 2011 – website, 31.10.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6395 of 5 June 2012 – website, 19.6.2012

Law of Georgia No 6547 of 22 June 2012 – website, 4.7.2012

Law of Georgia No 817 of 12 July 2013 – website, 5.8.2013

Law of Georgia No 1873 of 26 December 2013 – website, 28.12.2013

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 2540 of 26 July 2014 – website, 6.8.2014

Law of Georgia No 2953 of 12 December 2014 – website, 23.12.2014

Law of Georgia No 4037 of 16 July 2015 – website, 28.7.2015

Law of Georgia No 5382 of 8 June 2016 – website, 17.6.2016

Law of Georgia No 5372 of 8 June 2016 – website, 24.6.2016

Law of Georgia No 5491 of 22 June 2016 – website, 29.6.2016

Law of Georgia No 499 of 23 March 2017 – website, 27.3.2017

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Law of Georgia No 3109 of 5 July 2018 – website, 11.7.2018

SECTION X

MOVEMENT OF GOODS IN THE CUSTOMS TERRITORY OF GEORGIA

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Chapter XXX – General Provisions

Article 207 – Definition of terms

The terms used in this Section shall have the following meanings:

a) baggage – any item to be carried separately from a passenger;

b) processed goods – a product obtained or produced as a result of processing goods placed undera processing procedure;

c) declarant – a person declaring goods on his/her own behalf or on whose behalf goods are declared in the manner provided for by this Section;

d) export duty – a tax, the obligation to pay which arises in connection with the export of goods from the customs territory of Georgia;

e) import duties and taxes– import duty, excise tax, and VAT, the obligation to pay which arises in connection with the import of goods into the customs territory of Georgia;

f) passenger – a natural person legally crossing the customs border of Georgia;

g) personal effects – objects intended for personal use and consumption of a passenger, that is carried in a baggage and/or handbags accompanying the passenger;

h) customs checkpoint – the control zone located at the customs border of Georgia where passengers, goods and transport vehicles are subjected to the procedures defined by this Code;

i) trade policy – tariff (import duty) and non-tariff (permits, licenses, bans restrictions, etc.) measures applicable under the acts governing the movement of goods across the customs border of Georgia;

j) customs entry – the document, by which a person declares his/her intention to place goods under a customs procedure;

k) Rate of yield of goods – the quantity or percentage of compensating products obtained as a result of processing certain goods placed under a processing procedure;

l) Possessor of goods – the person who is, in the procedures related to crossing of the customs border of Georgia by goods, the owner of goods, or who has a right similar to the right to dispose of goods, or who has physical control over such goods;

m) presenting goods – submitting information on the delivery of goods to the place identified by the Revenue Service;

n) releasing goods – granting the declarant the right to dispose of goods and/or use goods subject to the terms of the customs procedure applied with respect to goods;

o) clearance of goods – implementing the measures necessary for releasing goods;

p) declaring goods – the act, by which a person declares his/her intention to place goods under a customs procedure;

q) transport vehicle – a motor, air, sea and railway transport vehicle, as well as a power transmission line, pipeline, container, trailer, semi-trailer and any other means, which are used for carrying passengers and/or goods;

r) customs supervision – the integrity of measures to be taken by the Revenue Service, the goal of which is to observe trade policy measures with respect to goods;

s) customs control – individual acts performed by the Revenue Service, the goal of which is to ensure the observance of the legislation of Georgia while importing goods to, and while exporting goods from, the customs territory of Georgia;

t) customs terminal – a Revenue Service customs control zone, where goods are stored;

u) hand baggage – an item personally carried by a passenger;

v) economic clearance zone – a customs control zone specially set up by the Revenue Service, where goods are cleared;

w) general declaration – presenting the general details of goods, which are necessary for exercising customs supervision and customs control.

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 207[1]- Language of the procedures related to the movement of goods across the customs territory of Georgia

1. Procedures related to the movement of goods across the customs territory of Georgia shall be performed in Georgian and in Abkhazia – in Abkhazian, as well.

2. Where so provided for by the tax legislation of Georgia, the procedures related to the movement of goods across the customs territory of Georgia may be performed and/or the documents to be submitted to the tax authority may be produced in a foreign language, as well.

3. If documents submitted by a declarant to the tax authority have been made in a foreign language and their meaning is unclear to an authorised person of the tax authority, such person may request that the documents be translated into the official language.

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 208 – Customs territory of Georgia

1. The customs territory of Georgia shall comprise the land area, territorial and inland waters of Georgia and their air space. The customs territory of Georgia shall also include areas under installations and structures and artificial islands, located within the exclusive maritime economic zone, to which exclusive jurisdiction of Georgia applies.

2. The customs border of Georgia shall coincide with the state border of Georgia.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 209 – Status of goods

1. For the purposes of crossing the customs border of Georgia, goods shall be any tangible property, money, securities, electric and thermal energy, natural gas and water.

2. For the purpose of implementing commercial policy measures and procedures, goods shall be given the status of Georgian goods or foreign goods.

3. Georgian goods shall include:

a) goods fully manufactured or obtained within the customs territory of Georgia (except a Free Zone) (except waste, scrap and used items obtained as a result of manufacturing operations and to be placed under an import procedure, which have been gathered in Georgia and are used only as raw materials for processing);

b) goods imported from a foreign country/Free Zone and placed under an import procedure;

c) goods disposed of by the Revenue Service;

d) imported goods provided for in Article 235(11) of this Code;

e) goods manufactured or obtained from Georgian goods;

f) a product obtained as a result of processing foreign goods placed under an export procedure.

4. For the purposes of this Code, foreign goods shall be goods not meeting the requirements set forth in the third paragraph of this article. If the Georgian goods have been exported from the customs territory of Georgia (except if placed in a Free Zone) they shall lose the status of Georgian goods.

5. Fully manufactured or obtained goods shall include:

a) mineral resources mined from the subsoil, territorial waters or sea bed of Georgia;

b) plant products grown or gathered in Georgia;

c) animals born or grown in Georgia;

d) products obtained from animals with a habitat in Georgia;

e) products obtained as a result of hunting and fishing in Georgia;

f) a product obtained as a result of sea fishing or any other product of sea origin that have been obtained by means of a vessel registered in Georgia;

g) a product obtained on a fishing vessel, manufactured only from a product indicated in paragraph (5)(f) of this article;

h) a product obtained from the sea bed or sea bottom subsoil located beyond the territory of Georgia, only provided that Georgia has special rights to mine the sea bed or sea bottom subsoil on the given area;

i) waste, scrap and used items obtained as a result of manufacturing operations, gathered in Georgia and used only for processing, as raw material;

j) goods manufactured in Georgia from products indicated in paragraphs (5)(a-i) of this article.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Chapter XXXI – Conditions for Applying Import Duties and Other Norms Governing Foreign Trade

Article 210 – Integrated Georgian tariff

1. The Integrated Georgian tariff shall be a systematized integrity of data comprising:

a) the National Commodity Nomenclature of Foreign Economic Activities (the NCN FEA);

b) import duty rates and/or preferences applied to commodities listed in the NCN FEA;

c) preferences under international agreements ratified by the Parliament of Georgia and in effect;

d) bans and restrictions applied under the legislation of Georgia to commodities listed on the NCN FEA.

2. The integrated Georgian tariff shall be fixed by an ordinance of the Government of Georgia.

Article 211 – Classification of goods

1. Goods shall be identified and classified based on the NCN FEA.

2. The code of goods shall be defined by the declarant.

Article 212 – Defining country of origin of goods

1. The country of origin of goods shall be defined with the aim to implement trade policy measures.

2. The criteria for defining the country of origin of goods, the form of the certificate of origin, and the procedure for filling in and issuing the certificate shall be determined by an ordinance of the Government of Georgia.

Article 213 – Customs valuation of goods

1. For the purposes of applying trade policy measures, the customs valuation of goods shall mean valuing goods as of the date of declaring such goods.

2. The declarant shall value the goods. The Revenue Service shall control the accuracy of the customs valuation of goods and, if it does not agree with the declared customs value, value the goods itself.

3. For the customs valuation of declared goods being imported, the following methods shall be applied:

a) transaction value of goods (Method 1);

b) transaction value of identical goods (Method 2);

c) transaction value of similar goods (Method 3);

d) deductive value (Method 4);

e) computed value (Method 5);

f) fall-back method (Method 6).

4. Each subsequent method set out in the third paragraph of this article shall apply if the previous method cannot reasonably apply. A declarant may switch the sequence in the application of the methods of the customs valuation of goods indicated in paragraphs (3)(d) and (e) of this article.

5. If a customs procedure of goods or the purpose of application of such goods has been changed, the procedures set forth by this article for customs valuation may apply to the import of such goods.

6. For the purposes of this article, persons shall be deemed interdependent, if:

a) they are the managers or directors of each other's enterprises/companies;

b) they are lawfully recognised business partners;

c) they are an employer and an employee;

d) there is a third person who directly or indirectly holds or controls both persons or holds 5 or more per cent of voting shares of both persons;

e) one of them directly or indirectly controls the other;

f) both persons are directly or indirectly controlled by a third person;

g) they jointly, directly or indirectly control a third person;

h) they are members of one family.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Chapter XXXII – Customs Control and Customs Supervision

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 214 – Exercising customs control

1. To determine the accuracy of declared data, customs control shall be exercised in the control zone that is a part of the customs territory of Georgia.

2. The following shall be subject to customs control:

a) a person when crossing the border;

b) goods and transport vehicles subject to customs supervision;

c) the territory where goods and transport vehicles subject to customs supervision are located;

d) the business of a person related to goods and transport vehicles within the customs territory of Georgia.

3. The forms of customs control shall include:

a) checking documents and data;

b) interview;

c) taking statements;

d) observation (video- and audio recording);

e) visual inspection of goods, a transport vehicle and a territory;

f) taking samples and patterns for laboratory examination;

g) inspection of a natural person;

h) inspection of goods subsequent to release.

4. Only goods, the entry or exit of which is not prohibited, shall be permitted to cross the customs border of Georgia.

5. Customs control shall also include phyto-sanitary quarantine border control, veterinary quarantine border control and sanitary quarantine control at the customs border that is provided in accordance with the procedure established by the Government of Georgia.

6. While executing customs control, the tax authority shall mark goods and/or transport vehicles by means of identification marking, if it is necessary for subsequent identification of such goods, unless otherwise provided for by the customs legislation of Georgia.

7. To detect or prevent offences, based on the request of the competent authorities of a foreign state, the Revenue Service shall, in cooperation with law-enforcement authorities, perform delivery subject to customs control.

8. The Government of Georgia, under the respective ordinances, shall define the procedure for phyto-sanitary quarantine border control, veterinary quarantine border control and sanitary quarantine control, the integrated Georgian tariff, the procedure for setting up a free zone, and the procedures for issuing warehouse and duty-free shop permits.

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 214[1] – Preliminary information

A person performing international air carriages shall submit to a tax authority preliminary information on a means of transportation performing international air carriages, on the goods and/or passengers to be transported by the means of transportation under the procedure determined by the Minister of Finance of Georgia.

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Article 215 – Bringing goods into and taking goods out of the customs territory, and customs clearance of goods

1. Bringing goods into/out of the customs territory of Georgia shall be performed by passing a customs checkpoint or any other place defined by the Minister of Finance of Georgia and, therefore, it is mandatory to present the goods. The obligation shall not apply to goods carried by means of a pipeline or a power transmission line, or sea or air transport across the territorial waters or air space of Georgia.

2. Goods shall be subject to customs control from the moment of entry into the customs territory of Georgia to the moment when clearance is over, and in the case of end-use clearance – from the moment of entry into the customs territory of Georgia to the moment when the target end-use clearance is over.

3. A general declaration shall be performed before the entry of goods into the customs territory of Georgia or while presenting

such goods.

4. The goods to be brought out of the customs territory of Georgia shall be subject to customs supervision from the moment when customs clearance is over to the moment when they leave the customs territory.

5. A general declaration shall be made before the exit of goods out of the customs territory of Georgia.

6. Goods shall be subject to customs clearance, at a customs checkpoint, customs terminal or any other place defined by the Minister of Finance of Georgia, after or before they have been brought into the customs territory of Georgia.

7 Goods shall be subject to customs clearance, at a customs checkpoint, customs terminal or any other place defined by the Minister of Finance of Georgia, before they have been taken out of the customs territory of Georgia.

8. Goods taken out of the customs territory of Georgia, including those placed under a customs procedure may be placed under another customs procedure.

9. A customs checkpoint, customs terminal or any other places defined by the Minister of Finance of Georgia shall be customs control zones, and goods shall be moved among them under customs control.

10. The obligation to present and clear goods shall rest with the declarant and/or the owner of goods.

11. A transport vehicle moving across the customs border of Georgia as goods may be cleared by an authorised agency of the Ministry of Internal Affairs of Georgia in the manner provided for by a joint order of the Minister of Finance and the Minister of Internal Affairs of Georgia and within the powers delegated by them.

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 216 – Temporary storage of goods

Goods may be stored temporarily, before a customs procedure has been selected or after the selected customs procedure has been applied.

Article 217 – The period for defining a commodity transaction

1. After a general declaration has been made, the procedures for defining a commodity transaction shall be carried out within 30 days after the general declaration.

2. The Revenue Service may reduce the period indicated in paragraph 1 of this article, as well as extend the period by 60 days.

3. In the event of temporary storage of goods in a customs warehouse, the period indicated in paragraph 1 of this article shall be 180 days.

4. The goods, for which a commodity transaction (except for export) has already been defined, may, at the request of a person, be temporarily stored in a customs warehouse for not more than 180 days, and in case of export – for not more than 120 days.

5. The Revenue Service shall be authorised to extend the periods indicated in paragraphs 3 and 4 of this article by not more than 180 days.

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Article 218 – Customs Entries

1. In order to clear goods, a Customs Entry shall be presented, based on which a customs procedure shall be defined.

2. From the day of filing, the Customs Entry shall be a document evidencing the facts of legal significance unless otherwise provided for by this Code.

3. Consumer goods delivered on board international air flights, train trips or sea voyages for personal consumption of passengers and the crew, or intended to be sold to them, as well as water, fuel and lubricants (other than spare parts and equipment) carried on board for ensuring normal operating conditions, shall not be subject to declaration in the manner provided for by this Code.

4. A filed Customs Entry may be modified:

a) before goods are released, on the initiative of a tax authority, while checking the Customs Entry, if wrong data is identified on the entry;

b) before goods are released, on the initiative of a declarant, if a tax authority has not informed the declarant of the intention to check the Customs Entry or has not identified any erroneous data declared;

c) after goods are released, on the initiative of a declarant, before the decision of a tax authority on conducting an inspection subsequent to release of goods has been communicated, before the decision of a court or tax authority on conducting a tax audit has been communicated, or before drawing up of a tax offence report.

5. The total amount of tax liability in a Customs Entry shall be calculated in whole GEL. For this purpose, any tax obligation under 1 GEL shall be rounded to zero.

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Article 219 – Exemption from customs control

1. The President of Georgia, the Head of the Apostolic Autocephalous Orthodox Church of Georgia, the Chairman of the Parliament of Georgia, the Prime Minister of Georgia, a member of Parliament of Georgia, a member of the Government of Georgia, the Chairman of the Supreme Court of Georgia, the Chairman of the Constitutional Court of Georgia, the General Auditor, the Public Defender of Georgia, a member of the Board of the National Bank of Georgia, a Head of Georgian Diplomatic Mission abroad and a person having a diplomatic rank, a family member accompanying him/her, and their personal effects shall not be subject to customs control, except in the cases provided for by the legislation of Georgia.

2. The diplomatic and administrative-technical personnel (except for Georgian citizens) of diplomatic missions of a foreign state in Georgia and of representations equated with them shall not be subject to customs control, except in the cases provided for by the laws of Georgia.

3. It shall be prohibited to open or seize a foreign state's diplomatic mail or diplomatic pouch when they are crossing the customs border of Georgia. The Revenue Service may request opening of a diplomatic pouch in the presence of an authorised persons of the diplomatic mission concerned. In the event of a refusal to open the diplomatic pouch, it shall be returned.

4. The diplomatic mail and diplomatic pouch shall have a visible external distinguishing mark.

5. The exemption from customs control shall not imply release from liability in the event of any violation.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6439 of 12 June 2012 – website, 22.6.2012

Law of Georgia No 6550 of 22 June 2012 – website, 29.6.2012

Article 220 – Release of goods

1. If the verification determines that a Customs Entry fully complies with the legislation of Georgia, the goods shall be released immediately.

2. Goods declared under one Customs Entry shall be released concurrently, except for decisions which shall be made by the tax authority.

3. If different types of goods are declared under one Customs Entry, each type of goods shall be deemed as separately declared.

4. Releasing goods does not preclude prolongation of the period of customs control and customs supervision.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 221 – Disposal of goods

1. The following measures of disposal of goods carried across the customs border of Georgia can be applied to such goods:

a) seizure of goods and/or a transport vehicle, as a tax penalty, in case of a tax violation;

b) sale or abandonment to the State of goods seized to secure tax liability collection compliance;

c) destruction of goods;

d) abandonment of goods to the State;

e) transfer of goods to a self-governing unit.

2. On the initiative of the tax authority, the measures of disposal of goods under paragraphs (1)(c) and (d) of this article shall be applied to goods:

a) which cannot be released, as the procedure cannot be implemented (identifying the type of customs procedure) within the applicable terms due to the declarant's fault, or import or export duties have not been paid and/or a guarantee has not been produced;

b) whose entry to or exit from the customs territory of Georgia is banned or restricted;

c) which, within five business days after their release, were not removed from the customs control zone, except where the laws of Georgia permit the stay of released goods in the customs control zone for a certain period of time;

d) on which a commodity transaction (including on temporarily stored goods) has not been defined within the period determined by the legislation of Georgia, or in relation to which a measure of disposal of goods provided for in paragraph 4 of this article has not been implemented before expiry of the above period;

e) on which a commodity transaction has been defined and the period defined under Article 217(4) of this Code has been expired if a commodity transaction has not been completed or another commodity transaction has not been defined, or in relation to

which a measure of disposal of goods provided for in paragraph 4 of this article has not been implemented;

f) for which the period of storage under the customs warehousing procedure has been expired and this period has not been extended or another commodity transaction has not been defined, or a measure of disposal of goods provided for in paragraph 4 of this article has not been applied.

3. The tax authority shall give a declarant written notice of its intention to dispose of goods, and set the term, not exceeding 30 days, for correcting the shortcomings referred to in the second paragraph of this article. If the declarant corrects the shortcomings, or the goods are re-exported within the set term, the tax authority shall not abandon the goods to the State or destroy them.

4. On a declarant's initiative, and under the supervision of the tax authority, the following measures of disposal of goods shall be applied:

a) abandonment of goods to the State;

b) destruction of goods;

c) transfer of goods to a self-governing unit.

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Article 222 – Time of origin of tax obligation

1. Where a customs procedure is performed, the time of origin of an obligation shall be the date of filing a Customs Entry. If placing goods under a customs procedure does not require filing a Customs Entry, the time of origin of an obligation shall be the date of filing the relevant document at a customs checkpoint, customs terminal or any other place determined by the Minister of Finance of Georgia.

2. Before a customs procedure is performed, the date of origin of an obligation shall be the day of performing any action in relation to goods, not agreed with the Revenue Service, if such agreement is mandatory.

3. The rates of export or import duties applicable on the date of origin of an obligation shall be used to determine such an obligation.

4. Performing any action without agreement of the tax authority, prior to performing a customs procedure, or any violation of the terms of a customs procedure that has resulted in an unlawful disposal, loss or destruction of goods and/or a transport vehicle under customs supervision shall give rise to the declarant's obligation, that shall be defined as the amount of import/export duties payable.

5. Where the measure of disposing goods referred to in Article 221(1) of this Code is implemented or goods are destroyed as a result of force-majeure or where seizure of goods is administered as a penalty in criminal proceedings, no tax obligation shall arise with respect to such goods, and any tax obligations shall be deemed to be discharged.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Chapter XXXIII – Special Provisions

Article 223 – Taxation of returned goods

1. Georgian goods (except for processed goods) exported from the customs territory of Georgia, if so identified, may be returned within a period of three years after declaration (and goods exported temporarily, on the condition of return – at any time), without payment of import duty.

2. Relief from import duty under this article may be granted only if the goods are returned to the customs territory of Georgia in the same condition they were when being exported from the customs territory of Georgia.

3. The amount of import duty for processed goods that, after having been placed under an inward processing procedure, have been exported from the customs territory of Georgia, returned in an unchanged condition, shall be determined according to Article 235(2)(b) of this Code.

4. The import duty for Georgian goods exported from the territory of Georgia (except for processed goods), that were placed under a processing procedure and that are returned to the territory of Georgia within a period of three years after being declared (and goods exported temporarily, on the condition of return – at any time), if so identified, shall be determined according to Article 236(2) of this Code.

5. The import duty for a transport vehicle registered in Georgia and temporarily moved out of the customs territory of Georgia that was placed under a processing procedure, shall be determined upon its return to the customs territory of Georgia, according to Article 236(2) of this Code.

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6446 of 12 May 2012 – website, 25.6.2012

Article 224 – Authorised economic operator

1. A tax authority shall grant a tax payer the status of authorised economic operator if he/she meets the conditions under paragraph 7 of this article.

2. The status of authorised economic operator shall include:

a) the authorisation for simplification of the goods registration procedures;

b) the authorisation for simplification of customs control based on the compliance with the safety and security requirements.

3. An authorised economic operator may simultaneously hold the authorisation under paragraph 2(a) and the authorisation under paragraph 2(b) of this article.

4. If a person applying for the right to the simplified using of the procedure under the tax legislation Georgia has the status of authorised economic operator and complies with the requirements related to such simplification, a tax authority must grant him/her the right to using such simplification. In addition, the tax authority shall not recheck the criteria that were checked when the status of authorised economic operator was granted.

5. An authorised economic operator shall enjoy the favourable conditions during the customs control compared to another tax payer, which also implies that the inspection of his/her documents and details and the examination of his/her goods, transportation vehicle and territory are conducted less frequently.

6. A tax authority shall grant the right of using the simplified procedures related to the status of authorised economic operator to a person based in a foreign country who complies with the obligations and conditions provided for by the appropriate legislation of the country, which are recognised by Georgia as the equivalent to the obligations and conditions determined for an economic operator authorised in Georgia. The granting of this right must be based on the principle of reciprocity provided for by an international agreement of Georgia, unless otherwise defined by the same agreement.

7. The status of authorised economic operator may be granted to a tax payer who meets the following conditions:

a) he/she has not violated the tax and administrative legislations of Georgia, and has not committed any offence related to economic activities;

b) he/she has a commercial accounting and, if necessary, a transportation accounting management system which ensures implementation of an appropriate customs control;

c) he/she is solvent and financially stable;

d) he/she has performed the goods registration procedures and/or he/she/a person hired by him/her meets the professional qualification requirements – only in relation to the authorisation under paragraph 2(a) of this article;

e) he/she ensures compliance with the safety and security standards – only in relation to the authorisation under paragraph 2(b) of this article.

9. Conditions for granting the status of authorised economic operator, the procedure for using the respective authorisation, and the list of goods to which the simplified procedures related to the holding of the status of authorised economic operator do not apply shall be defined by an order of the Minister of Finance of Georgia.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 97 of 16 December 2016 – website, 23.12.2016

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Article 224[1] – Golden List

By being put on the Golden List, a person shall be entitled to simplified procedures of importing and/or exporting goods into/from the customs territory of Georgia.

Law of Georgia No 97 of 16 December 2016 – website, 23.12.2016

Article 225 – Putting goods to end-use relief

1. If goods are put to import duty end-use relief and import duty privileges are applied to them, they shall remain under customs supervision.

2. Customs supervision shall end if:

a) the condition for end-use of the goods has been fulfilled;

b) the goods have been declared to be used in export;

c) the applicable import duty has been paid;

d) the goods have been disposed of.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 226 – Duty-free shop

1. A duty-free shop shall be a customs control zone selling at retail to natural persons leaving the customs territory of Georgia, as well as for the official use of foreign diplomatic missions and representations equated with them, and for personal use of members

of such representations and diplomatic missions (including family members living with them):

a) foreign goods without application of tariff or non-tariff measures;

b) Georgian goods.

2. A duty-free shop shall perform its activities based on a permit granted by the Revenue Service.

3. A license/permit provided for under the legislation of Georgia must be produced when goods are brought into a duty-free shop.

4. Any goods other than those identified by the Ministry of Finance of Georgia may be sold at a duty-free shop.

5. Goods stored in a duty-free shop shall remain in an unchanged condition, except for changes caused by natural wear and tear, natural loss characteristic for normal storage conditions.

Law of Georgia No 4720 of 31 May 2011 – website, 10.6.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 226[1] – Ferrous and/or non-ferrous scrap metal export service rates

The amount and procedure of payment of export service tariff on ferrous and/or non-ferrous scrap metal and ferrous and/or non-ferrous metal waste shall be determined by an ordinance of the Government of Georgia.

Law of Georgia No 4547 of 19 April 2011 – website, 5.5.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Chapter XXXIV – Customs Procedures

Article 227 – Customs procedures

1. The following customs procedures shall be used in clearing goods:

a) import;

b) export;

c) re-export;

d) transit;

e) warehouse;

f) (deleted – 13.10.2011, No 5120);

g) free zone;

h) temporary admission;

i) inward processing;

j) outward processing.

2. Goods shall be declared during clearance.

3. The obligation to pay amounts and/or provide a guarantee shall arise during clearing goods, in accordance with the conditions of the customs procedure.

4. The obligation of paying applicable amounts and/or providing a guarantee shall rest with the declarant or the holder of goods.

5. The Minister of Finance of Georgia shall define the procedures for placing goods under customs procedures and for applying customs procedures.

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Article 228 – Import

1. Goods shall be granted the status of Georgian goods upon importation, commercial policy measures shall apply to, and applicable import duties shall be payable on, them in accordance with the legislation of Georgia.

2. A declarant may apply for a preferential import duty rate and/or preferences, if:

a) it is provided in the tax legislation in force on the date of filing the Customs Entry;

b) the import duty rate was reduced under the legislation of Georgia after filing of the Customs Entry but not later than the release of goods;

c) the declarant presents a certificate of origin providing for such preferential import duty rate and/or preferences.

3. The provision under paragraph (2)(b) of this article shall not apply, if goods have not been released solely due to the declarant's act or omission.

4. Products of sea-fishing and other sea products obtained by a vessel registered in Georgia and flying the Georgian flag, as well as other products obtained from the above products on board a factory-ship, shall not be placed under import customs procedure and shall be exempt from import duty.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 229 – Export

1. Under the export customs procedure, Georgian goods may be taken out of the customs territory of Georgia, including temporarily, on the condition of return. Export customs procedure shall apply if, when being exported from the customs territory of Georgia, goods were in the same condition as they were on the day of filing the export declaration, except for changes resulting from natural loss.

2. Commercial policy measures shall apply to export.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6446 of 12 May 2012 – website, 25.6.2012

Article 230 – Transit

1. Under a transit customs procedure, foreign goods may move through the customs territory of Georgia without application of tariff measures, under customs control.

2. The license/permit, if any, provided in the legislation of Georgia, shall be provided during transit.

3. A declarant and/or carrier of goods shall:

a) present goods to a customs control zone within the fixed term and in an unchanged condition, without damage to their identification means (marks), and their accompanying documents;

b) produce guarantees ensuring compliance with obligations that may arise with respect to goods;

c) fulfil any other obligations related to transit customs procedure.

4. Transit shall be performed if:

a) goods cross the customs territory of Georgia;

b) goods are placed under another customs procedure;

c) goods have been disposed.

5. Transited goods shall remain in an unchanged condition except for changes resulting from natural wear and tear, transportation or natural loss characteristic of normal storage conditions.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 231 – Customs warehousing procedure and customs warehouse

1. Under the customs warehousing procedure, the following may be stored in customs warehouse/customs terminal/other places of storage:

a) foreign goods, without application of tariff measures;

b) Georgian goods, if the purpose of storing goods placed under a customs warehousing procedure is to take them out from the customs territory of Georgia.

2. The period of storage of goods placed under the customs warehousing procedure must not exceed 2 years. The declarant may extend this period as many times as possible provided that each extended period does not exceed 2 years.

3. When goods are placed under a customs warehousing procedure, a license/permit provided for under the legislation of Georgia, if any, must be provided.

4. The activities of a customs warehouse shall be conducted based on a permit issued by the Revenue Service. The permit may not be transferred to another person.

5. The customs warehouse shall be a customs control zone.

6. In the customs warehouse, any person may:

a) store goods placed under a customs warehousing procedure;

b) temporarily store goods, for which a customs procedure has been identified or has not been identified;

c) temporarily place goods and/or transport vehicles being under customs control.

7. Without placing under a customs warehousing procedure or temporary storing, a customs warehouse may, by the consent of the tax authority:

a) store Georgian goods for up to three months;

b) perform processing transactions in respect to goods placed under an inward processing customs procedure.

8. Title to goods stored in a customs warehouse may be transferred.

9. Goods stored in a customs warehouse shall remain in an unchanged condition except for changes resulting from:

a) natural wear and tear;

b) natural loss characteristic for normal storage conditions;

c) procedures performed to ensure storage, and facilitate transportation and sale of goods.

10. Measures permitted to ensure storage, and facilitate transportation and sale of goods in a customs warehouse shall be identified by an order of the Minister of Finance of Georgia.

11. Goods damaged or spoiled in a customs warehouse as a result of force-majeure shall be subject to be placed under a customs procedure chosen by the declarant in the same form, in which the customs procedure would have been applied to damaged or spoiled goods entering the customs territory of Georgia.

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Article 232 – Free zone

A free zone shall be part of the customs territory of Georgia, where:

a) entry of foreign goods for the implementation of commercial policy measures shall not be considered as placing such goods under an import procedure and, subsequently, they shall not be subject to import duty;

b) when placing Georgian goods, the same provisions as those applicable to placing goods under an export procedure (including, granting the status of foreign goods) shall apply.

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 233 – Re-export

1. Under the re-export customs procedure, foreign goods imported into the customs territory of Georgia may be taken out of the customs territory of Georgia.

2. Re-export of foreign goods shall be duty free.

3. When re-exporting foreign goods, the amount paid shall be refunded to and/or deducted from the account of future liabilities, taking into consideration the conditions determined for the customs procedure under which such goods were placed.

4. The goods placed under an import customs procedure, which have a confirmed defect or whose quantity, quality, packaging or description do not conform to the transaction and, due to that, are returned to the supplier or any other person indicated by the supplier, may be placed under re-export.

5. Goods placed under re-export, shall remain in an unchanged condition except for the changes resulting from natural wear and tear, transportation or natural loss characteristic for normal storage conditions.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 234 – Inward processing and outward processing

1. Processing procedures shall include:

a) handling goods, including installing, assembling or adjusting to other goods;

b) manufacturing goods;

c) repairing goods, including restoration and putting into working condition;

d) destroying goods;

e) using goods that are not part of goods to be processed, facilitating or simplifying manufacturing of a compensating product irrespective of the fact that such goods are fully or partly expended in the course of processing.

2. Under the processing customs procedure, goods may be placed under one or more processing procedures.

3. For a processing procedure to be performed, a license/permit provided for under the legislation of Georgia must be produced.

4. Applying a processing customs procedure shall be subject to the following conditions:

a) the possibility of identifying the goods to be processed in processed goods, except as provided for by paragraph (1)(e) of this article;

b) the economic non-profitability of restoring the goods to be processed to their original condition.

5. Where a processing customs procedure applies, the term for processing goods shall not exceed three years. The Head of the Revenue Service shall be authorised to set a different term.

6. The declarant determines the rate of yield of goods placed under a processing customs procedure.

7. Processed goods, as well as goods and waste to be processed in cases other than a processing customs procedure, shall remain in an unchanged condition except for the changes resulting from natural wear and tear, transportation, or natural loss characteristic for normal storage conditions.

Article 235 – Inward processing

1. The inward processing customs procedure shall apply to:

a) foreign goods that, when brought into the customs territory of Georgia, are import duty and tariff measures exempt, and the processed goods obtained from them, when taken out from the customs territory of Georgia, are export duty exempt;

b) foreign goods that, when brought into the customs territory of Georgia, are import duty and tariff measures exempt, and the processed goods obtained from them , when placed underimport, are subject to import duty and commercial policy measures;

c) goods placed under import, for which the import duty paid must be subject to refund or deduction, if the import duty paid has not been refunded or deducted, and the processed goods obtained from the above are taken out from the customs territory of Georgia.

2. If the import of any unprocessed and/or processed goods gives rise to any obligation with respect to such goods, the payable amount shall be determined:

a) for unprocessed goods – based on the type, customs value and quantity of goods indicated in the Customs Entry of inward processing, at the import duty rates for unprocessed goods in force on the date of registration of the import entry of goods;

b) for processed goods – as per the rate of yield based on the type and customs value of the relevant unprocessed goods expended

to manufacture (obtain) such goods, at the import duty rates for unprocessed goods in force on the date of registration of the import entry of goods.

3. If goods placed under an inward processing procedure are carried out of the territory without agreement of the Revenue Service or lost, the obligation to pay the import duty shall be imposed on the declarant except where the loss of goods is caused by natural loss characteristic for normal storage conditions.

4. Waste and/or remainder of unprocessed goods left as a result of goods processing, when placed under import, shall be subject to import duty in the same way as goods imported in the same condition into the customs territory of Georgia.

5. If a customs procedure type (other than import) has been identified for waste left as a result of processing goods, the obligation for such goods shall arise in accordance with the provisions governing the identified customs procedure type.

6. During the inward processing procedure, unprocessed goods, processed goods and/or waste, in agreement with the Revenue Service, may be temporarily taken out of the customs territory of Georgia for processing, before the expiry of the term of the processing procedure, on the condition of being returned.

7. If unprocessed goods, processed goods and/or waste temporarily taken out, as provided for in the sixth paragraph of this article, are returned before the expiry of the term of the processing procedure in the form of processed goods, unprocessed goods and/or waste, no import duty shall be levied.

8. When goods and/or waste temporarily taken out and processed outside the customs territory of Georgia, as provided for in the sixth paragraph of this article, are returned, the difference between the customs values of goods taken out and goods returned must be added to the customs value of goods, as identified in inward procedure customs entry.

9. Goods to be admitted for the inward processing procedure, by the consent of the Revenue Service, may be replaced with Georgian goods (equivalent goods), if their description, quality, technical characteristics and customs value correspond to those of the goods to be admitted for the inward processing procedure.

10. Processed goods, remainder of goods and/or waste obtained as a result of processing equivalent goods shall be deemed as processed goods, remainder of goods and/or waste obtained as a result of processing goods admitted for the inward processing procedure.

11. Equivalent goods shall have the status of foreign goods, and admitted goods – the status of Georgian goods.

12. Processed goods, remainder of goods and/or waste obtained from equivalent goods may be taken out of the customs territory of Georgia or placed under import only before admission into the customs territory of Georgia of the goods to be admitted for the inward processing procedure. The Revenue Service shall set the time limit for admission of such goods.

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 236 – Outward processing

1. The outward processing procedure shall apply to Georgian goods, whose temporary export is subject to export duty and commercial policy measures, as well as to the procedures applicable to export; and processed products obtained from such goods shall be subject to the applicable import duty, when brought into the customs territory of Georgia.

2. Import duty shall be determined taking into consideration the difference between the customs values of goods taken out for outward processing and processed goods returned, as well as the type and quantity of processed goods and import duty rates.

3. In the event a document evidencing processing of goods free of charge (including a document evidencing a manufacturing defect) is provided, the import of processed goods shall be import duty exempt.

4. The privilege referred to in the third paragraph of this article shall not apply, if a manufacturing defect was taken into consideration while placing goods under import, before applying the outward processing procedure.

5. In agreement with the Revenue Service, processed goods to be imported may be substituted with foreign goods (substitute

goods) before exporting goods to be processed.

6. Substitute goods shall have the same commodity code, quality and technical characteristics that processed goods to be admitted would have had.

7. When admitting substitute goods, the temporary admission customs procedure shall be identified for such goods for the term needed to import processed goods. Before the expiry of such term, substitute goods must be exported from the territory of Georgia, or any other customs procedure must be identified for them.

8. In the event any obligation arises for the substitute goods left in the territory of Georgia, import duty shall be determined taking into consideration the type, quantity and customs value of the substitute goods, as well as the import duty rates in force on the day when such obligation arises.

9. For any goods placed under an outward processing procedure, an export customs procedure may be identified, before the expiry of the term of processing.

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 237 – Temporary admission

1. Under the temporary admission customs procedure, foreign goods may be temporarily brought into the customs territory of Georgia.

2. When admitted temporarily, goods shall be subject to a total or partial relief from import duty. The Minister of Finance of Georgia shall define the list of goods subject to total import duty relief.

3. Under import duty partial relief, the foreign goods remaining in the ownership of a foreign enterprise/organisation or a non-resident natural person may be placed under the temporary admission procedure.

4. To perform the temporary admission procedure, the license/permit provided for under the legislation of Georgia shall be produced.

5. Goods admitted temporarily shall be re-exported in an unchanged condition or placed under any other customs procedure, except for the changes resulting from operation, transportation or natural loss characteristic for normal storage conditions.

6. The foreign goods, for which any other customs procedure has been identified, may also be placed under a temporary admission procedure.

7. The term for placing goods under a temporary admission procedure shall not exceed three years, except when the Revenue Service determines a different term.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

SECTION XI

TAX COLLECTION COMPLIANCE SECURITY MEASURES

Chapter XXXV – Tax Collection Compliance Security Measures

Article 238 – Securing tax collection compliance by the tax authority

1. To secure tax collection compliance, the tax authority may apply the following measures:

a) imposing a tax lien/mortgage;

b) levying a tax on a third person;

c) seizing property;

d) selling seized property;

e) presenting a collection order to a bank account;

f) collecting cash from the cash register of the taxpayer;

g) (deleted).

2. The tax authority shall select the order of priority of apply tax collection compliance security measures, unless otherwise provided for by this Code.

3. The procedure for apply the measures provided for by this Chapter shall be determined by an order of the Minister of Finance of Georgia.

4. If the Revenue Service and the registration authority and/or a banking institution have signed an agreement on electronic exchange of information (including information on tax collection compliance security measures), the measures provided for under this Chapter may be applied using electronic technologies, subject to the terms and conditions stipulated by such an agreement.

5. In accordance with the proceedings under the Law of Georgia on Insolvency Proceedings, the measures provided for under this article in relation to companies shall apply only for payment of outstanding tax liability arising after a court decision on filing the application for insolvency has been made.

6. Any measure provided for under this Chapter, that has commenced to secure tax collection compliance, shall be cancelled upon cancellation of the tax liability, unless otherwise provided for by this Code.

7. The measures provided for under this Chapter may be cancelled:

a) by the decision of the Minister of Finance of Georgia or the head of the Revenue Service;

b) where so provided for by the eighth paragraph of this article – by the decision of the head of the tax authority. At the same time, the head of the tax authority cannot cancel a measure provided for under Article 239 of this Code, if the person's assets are liened/mortgaged in order to postpone the payment of any outstanding tax liability.

8. By the decision of the head of a tax authority, payment of an acknowledged outstanding tax liability may be postponed for a maximum of three years, if, to secure the collection compliance of a taxpayer, a surety agreement has been signed or a bank guarantee or insurance policy has been provided, and/or the taxpayer's property, the value of which ensures payment of the acknowledged tax liability, has been liened/mortgaged. Postponing payment of the acknowledged outstanding tax liability shall not suspend the accrual of penalties.

8^1. By decision of a tax authority, collection of an acknowledged outstanding tax liability may be postponed for a maximum of one year without presentation of a guarantee specified in paragraph 8 of this article, provided the acknowledged outstanding tax liability does not exceed GEL 50 000.

9. An agreement on postponing the payment of an acknowledged tax liability shall be signed with a taxpayer, which shall reflect the terms and conditions for payment of the acknowledged tax liability.

10. If the taxpayer fails to fulfil the terms and conditions of the agreement on postponing the payment of an acknowledged tax liability, the decision of a tax authority on postponing the payment of the acknowledged outstanding tax liability shall be cancelled.

11. An acknowledged outstanding tax liability shall be restructured by decision of the Government of Georgia, according to the procedure established by the Law of Georgia on Restructuring Outstanding Tax Liabilities and Government Loans.

12. When administering the measures under this article to a licensed central security depositary, a stockbroker, a bank as a stockbroker, a brokerage firm, notary or a payment service provider, as a taxpayer, such measures cannot be enforced against assets that are placed on the nominal holder's account and/or which are not his/her property and are his/her client's assets (particularly, securities and money in the possession of a nominal holder, as well as money and securities on a notary's deposit account, a client's monetary funds placed on the payment service provider's account). Such assets of the client shall be registered in a separate account in accordance with the legislation of Georgia.

12^1. The tax collection compliance security measures provided for by this Chapter shall not apply to a financial pledge (object of a financial pledge) provided for in the Law of Georgia on Payment System and Payment Services.

12^2. The tax collection compliance security measures provided for by this Chapter, except for those indicated in Article 243 of this Code shall not apply to the significant system participant's settlement account referred to in the Law of Georgia on Payment System and Payment Services.

13. (Deleted).

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 6312 of 25 May 2012 – website, 12.6.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Law of Georgia No 3581 of 1May 2015 – website, 15.5.2015

Law of Georgia No 649 of 21 April 2017 – website, 10.5.2017

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 1898 of 23 December 2017 – website, 11.1.2018

Article 239 – Tax lien/mortgage

1. Imposing a tax lien/mortgage shall be the right of the State to secure payment of outstanding tax liabilities from the property of a taxpayer or any other liable person.

2. The right to register a tax lien/mortgage shall arise when the tax liability arises and upon registration with the registration authority, and shall extend, within the scope of the tax liability, to any property owned by and/or recorded on the balance sheet (other than property held under a lease) of the person, including the property acquired after the tax liability arose. Imposition of a tax lien/mortgage may be exercised where provided for by Article 265 of this Code.

3. A notice on exercising the right to impose a tax lien/mortgage shall be sent to the taxpayer/liable person and to the relevant registration authority that shall be obliged to register the tax lien/mortgage no later than the day following the day of receipt of such notice.

4. As a result of selling property under a tax lien/mortgage, as provided for by the legislation of Georgia, all the real rights arising after the registration of the tax lien/mortgage shall be cancelled, while any other tax lien/mortgage registered before the registration of the tax lien/mortgage shall remain in force.

5. If the property under a tax lien/mortgage is sold or in any other way transferred to any other holder without cancelling the tax lien/mortgage, the tax lien/mortgage shall continue to apply to such property with respect to its new holder. Such property shall

be seized and sold in accordance with Articles 241 and 242 of this Code.

6. If any tax lien/mortgage on a person's property was registered in favour of commercial banks, microfinance organisations, insurance companies, international financial institutions and financial institutions of developed countries, identified in paragraph (1)(e) of the Law of Georgia on Commercial Bank Activities, prior to the registration of the tax lien/mortgage, and such property is sold, the proceeds of such sale shall first clear the claims of such financial institutions to the extent of liabilities arising prior to the registration of the tax lien/mortgage, and after that the claim for the outstanding tax liability shall be satisfied. A tax lien/mortgage shall not apply to the new owner of such property. If the remaining amount is not enough to fully pay the tax liability, any outstanding tax liability shall remain in force for the person whose property was liened/mortgaged.

7. After completing proceedings under the Law of Georgia on Insolvency Proceedings or a restructuring scheme, the order of priority of a tax lien/mortgage claim shall be defined according to the same procedure that applied before commencement of the proceedings under the Law of Georgia on Insolvency Proceedings or a restructuring scheme.

8. (Deleted – 28.12.2012, No 189).

9. Tax lien/mortgage shall be cancelled:

a) if the liened/mortgaged property has been sold by the competent authority identified under Article 242 of this Code for the purpose of clearing the tax liability;

b) if by written consent of the tax authority the taxpayer has sold the property or a part of it and directed the proceeds in full towards clearing the outstanding tax liability;

c) if the property has been abandoned to the state according to procedures provided for by the legislation of Georgia;

d) if the liened/mortgaged property has been sold in accordance with the Law of Georgia on Insolvency Proceedings;

d^1) in the cases provided for by Article 40^1(5) of the Law of Georgia on Enforcement Proceedings;

e) if no tax liability arises as a result of applying the procedures provided for by Article 265 of this Code;

f) (Deleted – 28.12.2012, No 189);

g) in others cases provided for by this Code.

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5169 of 28 October 2011 – website, 11.11.2011

Law of Georgia No 5978 of 30 March 2012 – website, 19.4.2012

Law of Georgia No 6145 of 8 May 2012 – website, 17.5.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Article 240 – Levying tax on a third person

1. For the purpose of enforcing payment of a taxpayer's acknowledged overdue tax liability, the tax authority may give a Tax Notice to a third person and enforce payment of tax from his/her property, if the taxpayer's property is so small that applying other tax liability security measures by the tax authority has not ensured payment of an acknowledged overdue tax liability, and a court decision or any other evidence has established that the third person has an outstanding tax liability that is due.

2. Upon fulfilment of the Tax Notice in full or in part, the taxpayer's tax liability shall be cancelled or reduced respectively.

3. If the third person fails to satisfy the Tax Notice in 30 days after its receipt, the tax authority may apply the measures provided for by paragraphs (1)(a) and (c)-(f) of Article 238 of this Code in relation to such person.

4. The tax authority shall select the order of priority of carrying out tax collection compliance security measures.

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Article 241 – Seizure of property

1. The tax authority, without any court decision, may seize any assets owned by and/or recorded on the balance sheet (other than property held under lease) of a person to the extent of the amount necessary to secure the acknowledged outstanding tax liability. Regarding the seizure of assets, an authorised person of the tax authority shall issue an individual administrative-legal act.

1^1. Under the contract between the tax authority and the National Bureau for Enforcement, the tax authority may delegate to the National Bureau for Enforcement carrying out procedures for seizure of the taxpayer's property.

2. For the purposes of this Code, the seizure of property means taking inventory of the property of a person, and prohibiting the disposal of such property (any form of alienation of the property by the person, pledge, mortgage, usufruct, easement, encumbering with building leasehold, lending, signing tenancy or lease agreements, transfer to any other person in temporary or permanent possession by the person). A representative of the tax authority shall record seized items in a Property Seizure Record.

2^1. In the cases provided for by paragraph (11) of this article, the tax authority shall send an individual administrative-legal act on seizure of the taxpayer's property, to ensure the seizure of the property of the person indicated in the act, to the National Bureau for Enforcement that performs, in the manner provided for by the legislation of Georgia, procedures for seizure of the property.

3. By written consent of the tax authority, a person may dispose of seized property, if the proceeds are fully put towards satisfying the outstanding tax liability. If property or any part of it has been sold with the consent of the tax authority and the proceeds have been fully put towards satisfying the outstanding tax liability, the seizure of the property shall be cancelled.

4. A Property Seizure Record shall be signed by a representative of the tax authority/National Bureau for Enforcement, the depositary of property, the taxpayer/liable person and other persons present at the seizure of the property. If such persons refuse to sign, a relevant note shall be made in the Record.

5. The tax authority/the National Bureau for Enforcement shall promptly send a Property Seizure Record to the registration authority concerned.

6. An expert or an auditor may be contracted to evaluate the seized property.

7. If there is a risk that a person may transfer property in a way that will complicate or prevent enforcement of payment of the outstanding tax liability, the tax authority may promptly seize the property (including bank accounts) irrespective of whether such tax liability has or has not been acknowledged. In such a case, seizure may be performed by affixing a seal. Under a contract with the National Bureau for Enforcement, the tax authority may assign the National Bureau for Enforcement to perform the seizure of and the respective procedures for affixing a seal to the property (other than bank accounts).

8. In the case provided for in paragraph 7 of this article, within 48 hours after performing procedures for seizure of property, the tax authority or the National Bureau of Enforcement shall file a motion to a court for confirmation of the seizure of a person's property (including bank accounts). The court shall, within five days, consider the motion by oral hearing and deliver a ruling on granting the motion in full or in part or on refusing to grant the motion. Failure of a party to appear or the impossibility to invite a party to a court hearing shall not result in deferring consideration of the motion of the tax authority or the National Bureau of Enforcement. If, within that period, the tax authority or the National Bureau of Enforcement fails to file a motion to the court or the court fails to deliver a ruling on the confirmation of seizure of property (including bank accounts), the seizure shall be deemed cancelled, and any seal affixed to the property shall be removed.

9. Seizure of property shall be cancelled in the cases provided for by Article 239(9) of this Code.

10. Seizure of a bank account shall mean the limitation by the tax authority of a person's right to dispose of the funds available in or transferred to his/her bank account to the extent of the amount of the seizure, except for the case when such person pays the tax, fines and penalty amounts payable under this Code to the budget, or pays state duties payable on the cases under consideration at the Constitutional Court of Georgia or a general court. The decision of the tax authority on seizure of a taxpayer's bank account shall indicate the person's identification number and the payable amount.

10^1. For the purposes of liquidation of a commercial bank, the liquidator of the commercial bank may, according to Article 37(14)

of the Law of Georgia on Commercial Bank Activities, transfer the seized accounts to another commercial bank and/or the National Bank of Georgia.

11. In the case provided for by paragraph (10) of this article, the person shall not have the right to open a bank account with the same or any other banking institution.

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Law of Georgia No 4206 of 22 February 2011 – website, 10.3.2011

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Decision No 2/8/734 of the Constitutional Court of Georgia of 28 December 2017 – website, 9.1.2018

Law of Georgia No 1898 of 23 December 2017 – website, 11.1.2018

Law of Georgia No 2640 of 27 June 2018 – website, 6.7.2018

Article 242 – Sale of seized property

1. The court shall consider an application of the tax authority or the National Bureau for Enforcement (if the procedures for seizure of property are performed by the National Bureau for Enforcement) to sell a person's seized property or abandoning it directly to the state in the manner provided for by the Administrative Procedure Code of Georgia. The tax authority/the National Bureau for Enforcement may require abandoning of a person's seized property directly to the state only if the acknowledged outstanding tax liability equals or exceeds the market value of the property.

2. If any outstanding tax liability is acknowledged as a result of a public notice, the tax authority shall apply to court to sell the person's seized property 10 days after expiry of the term for appealing the Tax Notice.

3. The sale of a debtor's liened/mortgaged and seized property by auction shall be performed by the relevant authority – the National Bureau for Enforcement – a legal entity under public law within the jurisdiction of the Ministry of Justice of Georgia, based on the order of a judge in the manner provided for by the Law of Georgia on Enforcement Proceedings, except for property referred to in the fourth paragraph of this article, the sale of which shall be performed by the tax authority.

4. The sale of any seized perishable goods can be performed immediately. Perishable goods shall be seized and sold without a court decision.

5. The proceeds of the sale of property shall primarily cover:

a) the enforcement fee and enforcement expenses – if the property is sold by the National Bureau for Enforcement;

b) costs related to seizing and keeping/storing property, and in the case of sale of property referred to in the third paragraph of this article – costs related to the sale of such property as well;

c) payable tax;

d) payable fine and penalty.

6. Funds remaining after the amounts that were to be covered primarily with the proceeds from sale of property have been paid shall be returned to the taxpayer within five working days.

7. The appropriate tax authority shall be immediately notified of the sale of a debtor's seized property in the manner provided for by the third paragraph of this article and be furnished with the documents evidencing the sale of such property, after which the tax authority shall perform the appropriate measures provided for under this Code in relation to the taxpayer (debtor) and the new owner of the sold property.

Law of Georgia No 3969 of 10 December 2010 – LHG III, No 72, 22.12.2010, Art. 433

Law of Georgia No 4206 of 22 February 2011 – website, 10.3.2011

Article 243 – Presenting a collection order to a bank account

1. In the cases provided for by this Code, the tax authority may, to the extent of the acknowledged outstanding tax liability, charge the amounts of taxes, penalties and fines against his/her bank account (other than deposit (time deposit) accounts) by a collection order and transfer the amounts to the respective state budget accounts.

2. A decision of the tax authority on charging the amount of payable tax and applicable penalty against a person's bank account shall be sent to such a person electronically.

3. A collection order of the tax authority shall state the person's identification number and the amount to be charged.

4. If the acknowledged outstanding tax liability is increased or decreased, the tax authority may make an appropriate amendment in the collection order presented to the banking institution.

5. For the purposes of liquidation of a commercial bank, the liquidator of the commercial bank may, according to Article 37(14) of the Law of Georgia on Commercial Bank Activities, transfer to another commercial bank and/or the National Bank of Georgia the accounts for which a collection order has been presented by a tax authority.

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 1898 of 23 December 2017 – website, 11.1.2018

Article 244 – Collection of cash from the person's cash desk

1. If the measure provided for by Article 243 of this Code is insufficient to clear any acknowledged outstanding tax liability, the tax authority may, without a judge's order, collect cash from the cash desk (place where cash is kept) of the taxpayer/other liable person to the extent necessary to discharge the acknowledged outstanding tax liability.

2. The cash collected from the cash desk or other premises of the person shall be deposited in the relevant state budget account with the banking institution on the same day, and if impossible – on the nearest business day.

3. The measure provided for by this article cannot be performed in the person's dwelling without a judge's order.

Article 245 – (Deleted)

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Article 246 – Alter ego possession

1. If the court rules that it is virtually impossible to differentiate the taxpayer from any other person and the latter is used for tax collection compliance security measures evasion, these persons shall be deemed alter egos for each other.

2. To enforce payment of the taxpayer's acknowledged outstanding tax liability the tax authority may enforce tax collection compliance security measures against an alter ego person.

Article 247 – (Deleted)

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Article 248 – Securing discharge of tax liability by a taxpayer

1. A taxpayer may use the following means of securing discharge of tax liabilities:

a) surety

b) bank guarantee

c) insurance policy.

2. To secure payment of import and export duties, the Minister of Finance of Georgia may define other types of guarantee.

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Article 249 – Surety

1. Under a surety contract, a surety jointly undertakes to fully discharge the taxpayer's outstanding tax liability, if the taxpayer fails to pay the applicable amount and the relevant penalty within a fixed term. A surety shall be executed under an agreement between a surety and the tax authority.

2. A surety can be either a legal person, or a natural person. Several persons may be sureties for the same obligation. In such a case, they shall be responsible as joint debtors, even if they have not undertaken the surety jointly.

3. If a surety fails to fulfil his/her obligations, the tax authority may claim payment of the applicable tax amount and the relevant penalty from any participant of the surety contract and apply tax collection compliance security measures provided for under this Code.

4. The legal relations defined by this article shall be governed by provisions of the civil legislation of Georgia, unless otherwise provided for by the tax legislation of Georgia.

Article 250 – Bank guarantee

1. At the request of a taxpayer, under a bank guarantee, a banking institution (guarantor) undertakes a written obligation to cover the taxpayer's outstanding tax liability to the extent of the obligation undertaken, based on the written application of the tax authority.

2. A bank guarantee cannot be revoked by the guarantor.

3. If the guarantor fails to fulfil his/her obligations, the tax authority may claim payment of the applicable amount of tax and the relevant penalties from any participant of the bank guarantee agreement and apply tax collection compliance security measures provided for under this Code.

4. The legal relations defined under this Code shall be governed by provisions of the civil legislation of Georgia, unless otherwise provided for by the tax legislation of Georgia.

Article 251 – Securing payment of import and export duties

1. To secure payment of import and export duties, the Minister of Finance of Georgia may define the cases for providing a guarantee, using a guarantee and releasing from providing a guarantee, and determine the amount of such guarantee. At the same time, no guarantee shall be provided to secure discharge of tax liability arising during movement of goods in the customs territory of Georgia, if goods are carried:

a) by air or sea transport

b) by a pipeline or power transmission line

c) by railway transport.

2. A guarantee provided to secure payment of import or export duties shall be:

a) cancelled if no tax obligation arises in carrying goods across the customs border of Georgia, the tax obligation has been discharged, or the grounds for such an obligation have ceased to apply;

b) cancelled in part based on the liable person's application to the tax authority, if the tax liability has been discharged in part.

3. If a tax has not been paid within the fixed term, the tax authority may, without a court decision, require that the person discharge the provided guarantee.

4. (Deleted – 27.3.2012, No 5942).

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 252 – Writing off tax liabilities

1. An outstanding tax liability shall be written off according to procedures established by the Minister of Finance of Georgia:

a) if established that a person has no property and/or assets;

b) in cases provided for by Articles 57 and 58 of this Code;

c) if a person has not performed tax reporting for the last 6 calendar years and the legislation of Georgia no longer provides for its legal form;

d) in the case of liquidation of a budgetary organisation;

e) if a legal entity is removed from the Register of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Entities and the Register of Citizens' Political Alliances (Parties) under the procedure established by the legislation of Georgia;

f) in cases provided for by Article 38(13) of the Law of Georgia on Insolvency Proceedings, when the buyer(s) of property under guardianship of an entrepreneurial legal entity under private law as an integrated property complex is/are registered as the sole partner of such an enterprise.

1^1. Except as provided for by the first paragraph of this article, outstanding tax liability may be written off a budgetary organisation, in the manner provided for by the Government of Georgia, by the decision of the Government of Georgia.

2. If a person, whose outstanding tax liability has been written off, continues economic activity, accrual of tax liabilities and/or penalties previously written off against such a person shall be renewed, except as provided for by paragraph (1)(f) of this article.

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5144 of 27 May 2016 – website, 4.6.2016

Article 253 – Procedure for discharging acknowledged tax liabilities

Acknowledged tax liabilities shall be discharged in the following order:

a) payable amount of tax

b) fine

c) penalty interest.

2. The procedure for discharging acknowledged tax liabilities shall be established by an order of the Minister of Finance of Georgia based on the order specified in paragraph 1 of this article.

Law of Georgia No 3581 of 1May 2015 – website, 15.5.2015

Article 254 – Securing outstanding tax liability during the pendency of a tax dispute

1. For the purposes of this article, outstanding tax liability shall be the amount of a tax/sanction assessed to a person, which has not been recognised and which has been appealed against under the procedure established by this Code.

2. The obligation to discharge a disputed outstanding tax liability shall be deemed suspended from the day of commencement of a tax dispute till its completion.

3. For securing outstanding tax liability, a tax authority may seize:

a) the property of a person;

b) the bank accounts of a person within the amount of the outstanding tax liability, in cases provided for in Article 241(7 and 8) of this Code and under the procedure established by the same paragraphs.

4. During the pendency of a tax dispute, the measure under paragraph 3 of this article against a person shall not be applied and the one already applied shall be cancelled if:

a) a surety contract has been signed, a bank guarantee or an insurance policy has been provided in accordance with this Code to secure a person's outstanding tax liability during the pendency of a tax dispute;

b) a person's assets, the value of which secures payment of the outstanding tax liability, have been tax liened/mortgaged.

5. All measures initiated and means submitted to secure a disputed outstanding tax liability shall be deemed cancelled if the tax dispute is resolved in favour of a taxpayer.

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

SECTION XII

TAX CONTROL

Chapter XXXVI – General Provisions

Article 255 – General provisions related to tax control

1. The general provisions related to tax control, set out in this Section, shall apply to all persons unless otherwise provided for by the tax legislation of Georgia.

2. Only a tax authority shall perform tax control of a person's activity. Other controlling and law-enforcement bodies shall be prohibited from performing tax control of a person's activity.

3. Tax control procedures shall not reasonably disturb the ordinary course of activity of a person and shall not suspend his/her activity.

4. The types of tax control shall be current control and tax audit.

5. Tax control shall be performed without a judge's order, except as expressly provided for by this Code.

6. Without a judge's order, it shall be prohibited to re-audit an already audited matter of a person's activity, except matters for which a person files an adjusted tax return for an already audited period.

7. If necessary, a specialist/expert may be contracted to perform a particular act of tax control.

8. The court shall consider an application of the tax authority regarding a matter defined by this article in the manner provided for by the Administrative Procedure Code of Georgia.

9. (Deleted – 13.5.2016, No 5092).

10. Tax control shall be performed without a judge's order, when conducted on a taxpayer's initiative.

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Chapter XXXVII – Current Control Procedures

Article 256 – General provisions related to current control of a person's activity

1. The procedures of current control of a person's activity shall be implemented without any prior notice based on an order of an authorised person of the tax authority.

2. The tax authority may use technical means for recording current control procedures.

3. Current control over a person's activity shall be performed during working hours and/or during the actual work of such a person.

4. The person may attend current control procedures applied in relation to such person.

5. In the cases provided for by this Code, the findings of current control procedures shall be reflected in a report to be signed by an authorised person of the tax authority implementing current control procedures and the taxpayer/taxpayer's representative, as well as by any other person participating in such procedures. If a person refuses to sign the report, an appropriate note shall be made in

the report.

6. The procedure for implementing current control procedures under this Chapter shall be defined by the Minister of Finance of Georgia.

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Article 257 – Time study

1. To determine the level of a taxpayer's revenue, the volume of supplied goods/delivered services and the number of hired natural persons, the tax authority may survey the taxpayer's economic activity and conduct a time study of the taxpayer's activity.

2. The time study shall be conducted by keeping uninterrupted records of the volume of goods manufactured and or supplied/services delivered by the taxpayer. If necessary, an authorised person of the tax authority may install metering and other technical devices and register their records at the end of each day when the time study is conducted.

3. A time study shall be conducted for at least seven days. The time of commencement and completion of a time study shall be determined by a particular calendar date and/or by the date of completion of a procedure subject to control.

4. If so provided for by an agreement made by the tax authority and any other administrative authority, a representative of such administrative authority may participate in and, if necessary, an expert/specialist be contracted for conducting the time study.

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Article 257^1 – Tax monitoring

1. By assigning an authorised person/ persons for a term of up to 6 months to the place of economic activity of a taxpayer engaged in economic activity, the tax authority may conduct tax monitoring and use the information obtained to determine the taxpayer's tax obligation at the moment of a tax audit. The period of tax monitoring may be prolonged in agreement with the Head of the Revenue Service.

2. The goal of tax monitoring is to carry out an independent quantitative accounting of the acquisition, spending, and losses of the main type of inventory holdings used by the taxpayer in his/her economic activity, as well as of the supply of finished products (by types) by such taxpayer, and to obtain information on such accounting and/or identify possible risks of concealing/hiding a taxable object or information related to it.

3. The procedure for conducting tax monitoring shall be determined by the Minister of Finance of Georgia.

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Article 258 – Controlling purchase

1. The purpose of controlling purchase of goods/services shall be to determine the actual volume of revenue earned from the supply of goods/delivery of services and/or reveal a violation of the legislation of Georgia.

2. The tax authority may make a controlling purchase of goods/services from a taxpayer, and/or determine the price of goods/services by offering to make a controlling purchase from a taxpayer, and/or offer goods/services to be purchased to a taxpayer, to reveal a violation of the tax legislation of Georgia.

3. In making a controlling purchase and/or offering a controlling purchase, the authorised person of the tax authority may act as a mystery consumer. For this purpose, the head of the tax authority may issue false documents to the person implementing current control.

4. In making a controlling purchase of goods/services from and/or offering a controlling purchase of goods/services to the taxpayer, the tax authority may use technical devices for recording the procedure without a judge's order.

5. If the goods acquired through a controlling purchase do not leave the premises of the trade outlet and their appearance and packaging have not been damaged, then the transaction shall be subject to cancellation based on the controlling purchase record (the goods purchased shall be returned to the seller and the money – to the buyer).

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Article 259 – Control over observance of rules for using cash registers

1. An authorised person of the tax inspection may, without a court decision, in accordance with procedures established by the Minister of Finance of Georgia, exercise control over the observance of rules for using cash registers.

2. When a person engaged in economic activity accepts payment in cash from a customer during the supply of goods/delivery of services, the relevant data shall be recorded by using a cash register. A customer shall be a person who makes a cash payment for any goods supplied (to be supplied)/services delivered (to be delivered) to him/her.

3. The rules for maintaining the State Register of Cash Registers, for operating cash registers, registering cash registers with the tax authority, sealing petrol filling station flow meter pumps, and issuing a document equated with a receipt, as well as details to be recorded on a cash register receipt, shall be determined by the Minister of Finance of Georgia.

4. The following persons shall be released from the obligation to use cash registers:

a) a person, when accepting payment from a customer, for which:

a.a) a strictly controlled accounting document approved under the legislation of Georgia evidencing the fact of payment in cash is used;

a.b) a tax invoice is made out for supply of goods/delivery of services;

b) a natural person, who does not employ hired labour and sells agricultural produce or goods produced (processed) from agricultural produce on his/her personal or family farm, regarding this part of his/her activity;

c) a natural person holding the status of a micro business, except persons holding the status of a micro business engaged in certain activities or engaged in activities on the territory of certain local self-government units defined by the Government of Georgia;

c^1) a person holding the status of a fixed tax payer – regarding the part of such a person's activity that is subject to a fixed tax (except for the activity taxable at the rate provided for under Article 95^3(1)(b) of this Code);

d) a natural person engaged in economic activity who has no obligation to be registered as an entrepreneur natural person;

e) a person supplying goods/delivering services and accepting cash in the customer's territory (houses, organisations, enterprises) – regarding this part of such a person's activity, on the condition of issuing a document equated with a receipt;

e^1) a person – in the cases provided for by the Minister of Finance of Georgia. In such cases, the person shall be authorised to issue a document equated with a receipt, regarding this part of such a person's activity;

f) a person supplying goods/delivering services and accepting cash by means of automated or mechanical devices – regarding this part of such a person's activity;

g) an entrepreneur natural person performing a retail sale as a street vendor, as well as a person selling newspapers and magazines – regarding this part of such person's activity;

h) a person – regarding the part of such a person's activity defined by Article 99(d) of this Code;

i) a bank and a microfinance organisation;

i[1]) a payment service provider and its agent referred to in the Law of Georgia on Payment System and Payment Service – regarding activity provided for by the Law of Georgia on Payment System and Payment Service;

j) persons setting up a gambling club, a slot machine club, as well as a bookmaker – regarding this part of their activity, except for the activity carried out by setting up gambling in electronic system form.

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6053 of 24 April 2012 – website, 27.4.2012

Law of Georgia No 6312 of 25 May 2012 – website, 12.6.2012

Law of Georgia No 6547 of 22 June 2012 – website, 4.7.2012

Article 260 – Visual inspection

1. To exercise tax control, an authorised person of the tax authority may visually inspect the premises, buildings, fixed assets and inventory holdings of a person.

2. The dwelling of a natural person can be inspected only based on a court decision.

3. Checking a taxpayer's documents during a visual inspection shall be prohibited.

4. Visual inspection procedure does not involve the visual inspection or checking of the contents of safes, cabinets, drawers and other similar pieces of furniture and receptacles.

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Article 261 – Taking inventory

1. The head of the tax authority may, without a court decision, issue an order for taking stock of inventory holdings and/or fixed assets of a person holding excisable goods (the head of the tax authority may issue an order for taking stock of inventory holdings and/or fixed assets of a person holding non-excisable goods for a maximum of two times in a calendar year, and an inventory may be checked for a third time by an order of the Head/Deputy Head of the Revenue Service). To have an inventory checked within a reasonable time, the taxpayer's manager (director) shall set up an Inventory Commission within two working days after being served with such an order. The Inventory Commission shall comprise the persons who are well familiar with goods subject to inventory, their price and their original records and, if so requested by the tax authority, also employees of and/or specialists contracted by the tax authority. The Inventory Commission shall be obliged, in full and on time, to take stock of inventory holdings and/or fixed assets at the place of their production and storage, compare the obtained inventory with the respective accounting data, and record the results in the Inventory Report of Inventory Holdings and/or Fixed Assets.

2. The head of the tax authority may himself/herself set up an Inventory Commission by an order on taking an inventory, and determine its composition and, if necessary, inter alia, if the taxpayer's manager (director) does not issue an order setting up an Inventory Commission within the time fixed in the first paragraph of this article, issue an order setting up such an Inventory Commission. When determining the composition of the Inventory Commission in accordance with this paragraph, including the taxpayer’s representative(s) in the commission shall be provided for.

3. The head of the tax authority may, without a court decision, issue an order on random sampling inventory of specific types of inventory holdings and/or fixed assets. The tax authority may take stock of the actual condition inventory of the inventory holdings and/or fixed assets without setting up an Inventory Commission, in the presence of the taxpayer or his/her representative. The taxpayer shall produce, within two working days, the accounting records of the balances of inventory holdings and/or fixed assets, after which an authorised person of the tax authority shall compare the data of the actual records and the accounting records for inventory holdings and/or fixed assets, recording all of them in the Inventory Report of Inventory Holdings and/or Fixed Assets.

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Chapter XXXVIII – Tax Audit

Article 262 – Types of tax audit

A tax audit may be a correspondence audit or a field audit.

Article 263 – Correspondence tax audit

1. A correspondence tax audit shall be conducted by an order of an authorised person of the tax authority, for auditing specific matters defined by the order.

2. During a correspondence tax audit, the tax authority may request, according to the procedure provided for by this Code, that accounting documents and/or taxation-related information be presented.

3. A correspondence tax audit shall be conducted without visiting the person's place of activity, based on the person's taxation-related information available at the tax authority, as well as on clarifications and accounting documents provided by the taxpayer.

4. If any mistakes revealed as a result of a correspondence tax audit entail a change in the amount of tax payable, the authorised person conducting the correspondence tax audit shall draw up a tax audit report.

Article 264 – Field tax audit

1. A field tax audit shall be conducted based on an order of an authorised person of the tax authority.

2. The taxpayer shall be sent a written or electronic notice of a field tax audit at least 10 working days' prior to commencement of the audit.

3. The audit shall commence no later than 30 days after serving the notice upon the taxpayer. If the audit cannot be started within that time, the notice shall be invalid.

4. A field tax audit may fully or partially audit the taxpayer's activity.

5. A field tax audit may also include the procedures of current control over the taxpayer's activity.

6. A field tax audit may not continue for more than three months. If necessary, the audit period may be prolonged for a maximum of two additional months, in agreement with the Head of the Revenue Service.

7. In the course of a field tax audit, the taxpayer shall provide auditors with the same working conditions that normally exist at the taxpayer's premises.

8. An authorised person of the tax authority may request duly certified copies of accounting documents related to any tax obligation and/or of any taxation-related information and, if the taxpayer fails to fulfil such a request, seize the original copy of such a document, that shall be returned to the taxpayer upon the completion of the field tax audit. A seizure report shall be executed if a document is seized.

9. If a tax audit cannot be continued once it is begun due to Force-Majeure or any other circumstances, an authorised person of the tax authority shall make a decision on suspending the tax audit. The tax audit shall be resumed upon elimination of Force-Majeure or any other circumstance. The flow of the term of the tax audit shall be renewed from the day of resuming such an audit.

10. If the specifics of a tax audit require that the audit be conducted in several stages, an interim report shall be executed after completion of each stage.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Article 265 – Urgent field tax audit

1. An urgent field tax audit shall be conducted without a written notice, with a court's permission, if:

a) the last tax audit detected significant violations of tax obligations by the taxpayer;

b) there is reliable information raising doubts as to the origin of the person's financial and material resources;

c) there is reliable information on the growth of property or any other taxable object that has not been documented;

d) the Tax Returns and other documents filed with the tax authority do not confirm the reality of the objects of taxation and taxes calculated;

e) a Tax Return or documents necessary for calculating and/or paying taxes have not been filed;

f) the tax authority has information that a person plans to evade tax obligations by departing from Georgia, transferring assets to another person, destroying, concealing, or adjusting documents evidencing tax offences or by taking other measures.

2. A tax authority shall, within 48 hours after commencing an urgent field tax audit, apply to a court and obtain permission to perform a field tax audit. Furthermore, if the application to a court for performing an urgent field tax audit is based on a precondition under paragraph 1(f) of this article (the tax authority has information that a person plans to evade tax obligations by transferring assets to another person), the tax authority shall have the right to impose a tax lien/mortgage on a tax payer's property, in particular on the assets under the precondition specified, within the value of the same assets, irrespective of whether the tax payer has tax liabilities or not. If the court refuses to grant permission to the tax authority to perform the urgent field tax audit, the tax lien/mortgage shall be cancelled. In addition, the tax authority shall, after the urgent field tax audit is completed, make the volume of the tax lien/mortgage applied appropriate to the assessed tax liabilities in proportion to (commensurate with) the amount of the liabilities, specifying the asset/part of the asset to which the right to tax lien/mortgage applies.

3. Before obtaining court permission, the tax authority may not commence an urgent field tax audit. The representatives of the tax authority may seal only those tax documents and inventory holdings of the taxpayer that are necessary for performing an urgent field tax audit.

4. If the court does not grant permission to perform an urgent field tax audit to the tax authority within the fixed time, the tax authority shall be obliged to unseal the tax documents and/or inventory holdings of the taxpayer.

Decision No 2/8/734 of the Constitutional Court of Georgia of 28 December 2017 – website, 9.1.2018

Law of Georgia No 2640 of 27 June 2018 – website, 6.7.2018

Article 266 – Inspection of goods subsequent to release

1. The inspection of goods subsequent to release shall apply to a declarant and/or any other liable person, unless otherwise provided for by the tax legislation of Georgia.

2. The inspection of goods subsequent to release shall be a customs control procedure, the goal of which is to:

a) reduce the share of customs control procedures to be applied to goods imported into or to be exported from the customs territory of Georgia, to be performed before the release of goods;

b) increase the handling capacity of clearance points and customs checkpoints;

c) increase the efficiency of customs control.

3. For the purposes of this article, any other liable person shall be a person related to export and/or import procedures regarding the goods declared at the tax authority (an importer's or exporter's representative, carrier, customs warehouse activity permit holder, and any other person), who is directly or indirectly related to export and/or import procedures (including transportation, transhipment, and storage of goods, defining a customs procedure, determining the amount of tax liability, and completing a defined customs procedure and discharging the tax liability) – a taxpayer.

4. The procedure for conducting the inspection of goods subsequent to release shall be determined by an order of the Minister of Finance of Georgia.

5. When performing the procedures of observing the declarant's and/or any other liable person's activity, while conducting the inspection of goods subsequent to release, such goods may be visually inspected and a sample and/or a specimen may be taken.

6. The procedure for introducing changes into a customs entry after the release of goods shall be determined by an order of the Minister of Finance of Georgia.

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Article 267 – Tax audit report

The findings of a tax audit shall be reflected in a report that shall indicate:

a) all the factual circumstances, evidence and arguments, which had substantial importance in determining the taxpayer's tax obligation. If the audit relied on an expert's opinion, the report shall reflect the content of such an opinion.

b) the provision of the Tax Code of Georgia and/or of any act of the tax legislation of Georgia that guided the auditors in determining the taxpayer's tax obligation;

c) the exact dates that the taxpayer's tax liabilities arose (if identifiable), tax and fine calculations, the total amount payable or receivable, the details (if necessary – copies) of documents evidencing the origin of such claims and liabilities, as well as the content of annexes to the tax audit report.

Article 268 – Making decisions based on a tax audit report

1. The tax authority shall make a decision on assessing or not assessing taxes and/or fines, based on the tax audit report; a copy of such a decision shall be presented to the taxpayer along with the relevant Tax Notice.

2. If an administrative offence is revealed, the authorised person of the tax authority who is performing the tax audit shall execute an administrative offence report.

3. If any signs of a crime are revealed as a result of a tax audit, the relevant materials shall be immediately forwarded to the investigation authority of the competent jurisdiction.

4. To develop a uniform tax administration practice, by decision of the Minister of Finance of Georgia, a Board of Auditors shall be set up, which shall comprise employees of the Ministry of Finance of Georgia and the Revenue Service, as well as contracted specialists.

5. If making a decision on the findings of a tax audit introduces a principle/methodology different from existing principles/methodologies of taxation and/or application of penalty for an offence, the tax authority may apply to the Board of Auditors, who may within 20 days make a decision on applying or not applying such a principle/methodology. The decision of the Board of Auditors shall be binding upon the tax authority.

SECTION XIII

Chapter XXXIX – General Provisions

Article 269 – Tax offence and general principles of fiscal responsibility

1. A tax offence shall be a person's unlawful act (action or omission of action), for which responsibility is provided for under this Code. Responsibility for a tax offence may be imposed upon a person only on the grounds and according to the procedure provided for by this Code.

2. When imposing a penalty for a tax offence, if the responsibility for such an act has been abolished or mitigated by the law, the norm under the new law shall apply, whereas if the responsibility has been introduced or aggravated by the law, the norm being in force at the time of committing the act shall apply.

2^1. If the responsibility for such an act has been abolished or mitigated before a tax dispute has been resolved, the authority considering the dispute shall be obliged to apply the norm established by the new law.

3. The responsibility for committing any offence provided for by this Code shall be imposed upon an enterprise/organisation and a natural person. Imposing a tax penalty on a person for a tax offence shall not release the person from the obligation to pay any taxes payable.

4. Imposing a tax penalty on an enterprise/organisation for a tax offence, based on relevant grounds, shall not release its officials from administrative, criminal or other types of responsibility, determined by the legislation of Georgia.

5. A person shall not be held responsible under this Section, if a tax offence is caused due to Force-Majeure. Force-Majeure shall mean any emergency or extraordinary circumstances that render fulfilment of the obligations under this Code impossible and the occurrence of which does not depend on a person's will, including:

a) natural disaster (earthquake, flood, landslide, avalanche, fire, etc.)

b) restrictions on foreign trade, declaration of a state of emergency/martial law, as well as any other decision of a state authority

c) civil commotion, strike.

5^1. (Deleted – 1.5.2015, No 3581).

6. The fine provided for under this Section for misstatement in a tax return/tax calculations shall not be imposed upon a person who has submitted an adjusted tax return/calculation to a tax authority before a court decision on performing a tax audit or a relevant decision of the tax authority has been communicated, or a tax offence report has been drawn up.

6^1. The sanction for misstatement in a customs entry provided for under Article 289 of this Code shall not be imposed upon a person, if:

a) changes in the customs entry have been made according to procedure provided for by Article 218(4)(b) and (c) of this Code;

b) an inspection prior to release of goods has revealed non-declared goods (other than those moved secretly and the cash and securities specified in Article 289(12-13^1) of this Code), the customs value of which does not exceed 5% of the declared customs value but not in excess of GEL 15 000;

c) the tax offence provided for under Article 289(20) or (21) of this Code has been detected prior to the release of goods.

7. The tax authority, the authority considering a dispute or the court may release a faithful taxpayer from a tax sanction under this Code, if the tax offence was caused by the payer's mistake/lack of knowledge.

7^1. In the event of destruction of goods as a result of implementing measures of disposal of goods provided for in Article 221(1)(b),(c) and (d) of this Code, or due to force-majeure, or in the event of seizure of goods as a penalty in a criminal case, no

monetary fine provided for under Article 289(1),(4),(6),(7),(17) and (18) of this Code shall be imposed with respect to such goods, and any imposed monetary fine shall be deemed discharged.

8. For the purposes of this Section, an offence shall be deemed repeatedly committed, if the same act has been committed within 12 months after revealing the previous offence. At the same time, an offence provided for under Article 281 of this Code shall not be deemed repeatedly committed, if a person committed offences provided for under the same article on the same day, on isolated premises.

9. An authorised person of the tax authority may, without executing a Tax Offence Report, define to a person a term for eliminating a tax offence, in the manner and in cases determined by the Minister of Finance of Georgia. Such a person shall not be held responsible for the same tax offence during the time-frame of validity of such a term.

10. If the offence specified in Article 288^4 is discovered, a natural person who has used the right to deduct non-taxable minimum from gross income and the right to refund/deduct the relevant tax amount shall not be held liable under Article 275(2) of this Code.

Law of Georgia No 4705 of 20 May 2011 – website, 01.6.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 3015 of 26 December 2014 – website, 30.12.2014

Law of Georgia No 3581 of 1May 2015 – website, 15.5.2015

Law of Georgia No 4065 of 17 July 2015 – website, 29.7.2015

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Article 270 – Tax sanction

1. A tax sanction shall be a measure of responsibility for a committed tax offence.

2. Tax sanctions shall apply in the form of a warning, penalty interest, monetary fine, seizure of offence goods and/or a transport vehicle, in the cases provided for by this Code.

3. Different responsibilities or repeated responsibility may not be imposed on a person for one and the same tax offence.

4. If several tax offences have been revealed, a tax sanction shall apply for each offence severally. At the same time, a less serious sanction shall not be subsumed into a more serious sanction.

5. Where so provided for by Article 289 of this Code, if there are more than one offender, a sanction provided for by this Code shall be imposed jointly on such persons.

6. Tax penalty interest shall not be accrued on a tax sanction.

7. A warning instead of monetary penalty may be applied for offences (except for offences committed repeatedly) under Article 279(4), Article 281, Article 286(11), Article 289(6, 14 and 15) and Article 291 of this Code.

7^1. (Deleted – 28.12.2012, No 189).

8. (Deleted – 8.11.2011, No 5202).

Law of Georgia No 3880 of 7 December 2010 – LHG III, No 69, 15.12.2010, Art. 421

Law of Georgia No 4470 of 22 March 2011 – website, 1.4.2011

Law of Georgia No 4705 of 20 May 2011 – website, 01.6.2011

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Article 271 – Tax offence proceedings

1. Tax offence cases shall be conducted by the relevant tax authority. The procedure for conducting tax offence cases shall be established by the Minister of Finance of Georgia except for cases provided for under paragraph 1^1 of this article.

1^1. If offences under Article 289(1-3), (10-19),(25), and (26) of this Code have been revealed, tax offence cases shall be conducted and considered, and decisions on such cases shall be made by the competent authorities of the Ministry of Internal Affairs of Georgia as well. Where so provided for by this paragraph, the procedure for conducting tax offence cases shall be determined under a joint order of the Minister of Finance of Georgia and the Minister of Internal Affairs of Georgia.

2. Where a tax offence has been revealed, an authorised person of the tax authority shall draw up a tax offence report, except where the tax offence has been indicated in the tax audit report.

2^1. In case an offence provided for in Articles 277-279 of this Code has been revealed, the National Bureau for Enforcements shall draw up a tax offence report as well.

3. No tax offence report shall be drawn up in cases provided for under Article 289 of this Code if the act contains any signs of a crime provided for under Article 214 of the Criminal Code of Georgia.

4. A person authorised to draw up a tax offence report shall consider a tax offence case at the scene of the offence, and administer a tax sanction to such a person. In such a case, the relevant responsibility shall be imposed upon such a person based on the tax offence report that shall be deemed to be a Tax Notice.

5. A tax offence report shall be presented to the person having committed the offence, who shall have the right to provide clarifications and notes that shall be reflected in or appended to the report. A copy of a tax offence report shall be served upon or sent to the offender.

6. If a tax offence report does not reflect any details defined by the legislation of Georgia, or a tax offence report is executed in violation of the law, the head of the relevant authority or the authority considering the case shall release the person from tax liability.

7. If any signs of a crime have been revealed, the materials shall be immediately forwarded to the investigation authority of the

competent jurisdiction, and the imposition of a penalty for an offence provided for by Article 289 of this Code upon the person shall be resolved after the investigation authority or the court has made a relevant decision on the case.

8. In the cases provided for by the seventh paragraph of this article, an authorised person of the tax authority shall issue an order on the tax offence case within 30 days after the investigation authority or the court has delivered a relevant decision. An order imposing a tax sanction shall be deemed a Tax Notice. Any order issued in violation of the above time limit shall be void.

9. (Deleted – 20.5.2011, No 4705).

10. If a tax offence provided for by Article 289 of this Code is revealed, the measures defined under Articles 244, 245, 247, 248 and 249 of the Administrative Offence Code of Georgia shall apply to secure the tax offence proceeding. The security measures to be applied to the offender, goods and/or transport vehicles of the offender and the procedure of their execution, in order to secure the enforcement of a penalty in a tax offence proceeding and the procedure for administration of such measures shall be defined by an order of the Minister of Finance of Georgia.

11. If the offender cannot be established and/or identified within 30 days, an authorised person of the tax authority shall issue an order on abandoning the goods and/or a transport vehicle of the offender, provided for by Article 289 of this Code, to the State. The procedure for the sale of goods and/or a transport vehicle seized or abandoned to the State shall be determined in compliance with the legislation of Georgia.

Law of Georgia No 4206 of 22 February 2011 – website, 10.3.2011

Law of Georgia No 4705 of 20 May 2011 – website, 01.6.2011

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 3581 of 1May 2015 – website, 15.5.2015

Chapter XL – Types of Tax Violations and Responsibility

Article 272 – Penalty interest

1. Penalty interest is a tax penalty imposed upon a person for failure to pay the payable tax amount within the time limit fixed by the tax legislation.

1^1. If, during customs clearance of goods provided for under Article 215(11) of this Code, a failure to pay any payable import duty or duties payable on temporary admission of goods before the fixed deadline has been revealed, a competent authority of the Ministry of Internal Affairs of Georgia may impose penalty interest, according to the procedure provided for by a joint order of the Minister of Finance and the Minister of Internal Affairs of Georgia.

2. Penalty interest shall be assessed on the payable tax amount and shall be the difference between the taxpayer's outstanding tax liability and the sum of overpaid taxes. Unless otherwise provided for by this Code, the penalty interest shall be assessed for each day of overdue payment, from the day following the day of the expiry of the due date.

3. From the entry into force of a decision/ruling on rehabilitation of a court decision on accepting a person's application for insolvency proceedings, as well as on opening bankruptcy proceedings, or from the withdrawal by the National Bank of Georgia of a licence from a commercial bank or from an insurer until the expiry of the respective regime, the assessment of penalty interest on overdue tax liabilities that existed before the commencement of such a regime, shall be suspended.

3^1. No penalty interest shall be assessed on tax liability originating after the commencement of bankruptcy proceedings that followed entry into force of a court judgement on the bankruptcy proceedings.

4. Penalty interest shall account for 0.05% of the outstanding tax liability for each overdue day of payment. If the tax payment is

overdue, the day when the tax is paid shall be deemed as an overdue day.

5. During the restructuring of an outstanding tax liability, penalty interest shall be assessed in accordance with procedure defined by the Law of Georgia on Restructuring Outstanding Tax Liabilities and Government Loans.

6. In the cases provided for by Article 64(2)(a) of this Code, if a person has been served with a Tax Notice after the due day of tax payment, penalty interest shall be assessed from the 30th day after the Tax Notice has been served.

7. No penalty shall be imposed on (except the taxes, in relation to which the person has a tax agent's function):

a) suppliers of goods/providers of services – with respect to the budget obligations arising due to non-payment by purchasing organisations of the cost of goods supplied/services delivered based on allocations provided for under the Law of Georgia on the State Budget of Georgia for the respective year and under the budgets of local self-government units – pro rata to the amount of actual financing of their cost and their share in the total volume of goods supplied/services delivered;

b) legal entities under public law, implementing projects (including, preparatory phases of projects) defined under international agreements ratified by the Parliament of Georgia, with which the Ministry of Finance of Georgia has signed a Project Implementation Authorisation agreement – in respect to the tax liabilities originating from the scope of such projects. The list of legal entities under public law implementing the above projects shall be approved by the Minister of Finance of Georgia.

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5169 of 28 October 2011 – website, 11.11.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6395 of 5 June 2012 – website, 19.6.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 3581 of 1May 2015 – website, 15.5.2015

Article 273 – Violation of the procedure for registration as a taxpayer

Violation of the procedure determined by the legislation of Georgia for registration as a taxpayer –

shall entail imposing a fine on the person in the amount of GEL 500.

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Article 274 – Violation of the time limit for filing Tax Return/tax calculations

1. Violation by a person of the time limit determined by the tax legislation of Georgia for filing a tax return/tax calculation with the tax authority –

shall entail imposing a fine on the person in the amount of 5% of the sum to be assessed for payment on the basis of the tax return/tax calculation for each overdue complete/incomplete month (an incomplete month shall be counted as one month). At the same time, the total amount of a penalty for the entire overdue period shall not exceed 30% of the amount to be assessed for payment.

2. The total amount of the penalty calculated according to the first paragraph of this article shall not be less than GEL 50.

3. If the amount to be assessed for payment under a tax return/tax calculation equals zero, the fine under this article shall not be imposed on the person.

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Article 275 – Understating taxes in a Tax Return/tax calculation

1. Understating payable taxes in a Tax Return/tax calculation by a person, if caused by tax control authority changing the moment (period) of origin of the person's tax liability –

shall entail imposing a fine on the person in the amount of 10% of the understated sum of payable taxes.

2. Understating payable taxes in a Tax Return/tax calculation, except in the cases provided for by the first paragraph of this article –

shall entail imposing a fine on the person in the amount of 50% of the understated sum of payable taxes.

3. Overstating a deductible/refundable amount in a Tax Return by a person shall be deemed as an understatement of the payable tax amount in a tax return and shall entail the responsibility provided for by the first and second paragraphs of this article.

4. Understating payable taxes in a Tax Return in excess of GEL 100 000 shall be deemed a tax evasion in large amounts and entail responsibility under the procedure established by the criminal legislation of Georgia.

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5649 of 27 December 2011 – website, 9.1.2012

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Article 276 – Violation of gambling business rules

A person's activity without a sign of gambling business fee payment or without a seal on the object of gambling business fee payment, if such obligation is determined by law –

shall entail imposing a fine on the person in the amount of 100% of the gambling business fee payable on such an object of gambling business fee.

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Article 277 – Resisting an authorised person of the tax authority

1. Resisting an authorised person of the tax authority or the National Bureau for Enforcement, ignoring a legal request of such a person, that impedes implementation of a measure provided for by the tax legislation of Georgia –

shall entail imposing a fine on the person in the amount of GEL 800.

2. Repeatedly committing the act referred to in the first paragraph of this article

shall entail imposing a fine on the person in the amount of GEL 2 000.

Law of Georgia No 4206 of 22 February 2011 – website, 10.3.2011

Article 278 – Disposal of seized property and removal of the seal of the tax authority or of the National Bureau for Enforcement

Disposal of seized property, removal of the seal of the tax authority or of the National Bureau for Enforcement by a person without agreement of the tax authority –

shall entail imposing a fine on the person in the amount of GEL 4 000.

Law of Georgia No 4206 of 22 February 2011 – website, 10.3.2011

Article 279 – Failure to present information to the tax authority

1. In case of a request of the tax authority in the manner provided for by this Code, failure to submit to the tax authority accounting documents and/or taxation-related information, or failure to submit the list of assets within the time limit fixed by the tax authority or the National Bureau for Enforcement –

shall entail imposing a fine on the person in the amount of GEL 400.

2. Repeatedly committing the act referred to in the first paragraph of this article –

shall entail imposing a fine on the person in the amount of GEL 1 000 for each subsequent repeated act.

3. Submitting wrong information on writing off inventory holdings to the tax authority by the person, to increase the costs deductible from gross income –

shall entail imposing a fine on the person in the amount of the unconfirmed accounting value of the inventory holdings based on submitted information.

4. Failure by a person performing international air carriages to submit under the established procedure to a tax authority preliminary information on a means of transportation performing international air carriages, on the goods and/or passengers to be transported by the means of transportation –

shall entail imposing a fine on a person in the amount of GEL 2 000.

5. Repeated commission of the act under paragraph 4 of this article, –

shall entail imposing a fine on a person in the amount of GEL 4 000.

Law of Georgia No 4206 of 22 February 2011 – website, 10.3.2011

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Article 280 – Illegal tax deduction

1. Obtaining a deduction as a result of a non-commodity transaction or a fictitious transaction, or a deduction based on a fake VAT deduction document –

shall entail imposing a fine on the person in the amount of 200% of the deducted tax amount.

2. The Minister of Finance of Georgia shall define the cases and circumstances, when a transaction can be regarded as non-commodity and/or fictitious.

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Article 281 – Violation of rules for using cash registers

1. Working without a cash register when accepting cash payments from customers –

shall entail imposing a fine on the taxpayer in the amount of GEL 200.

[1. Working without a cash register when accepting cash payments from customers, –

shall entail imposing a fine on a taxpayer (except for a natural person renting a mobile trading place located within the market territory) in the amount of GEL 200. ***(Shall become effective from 1 January 2020)]***

2. (Deleted – 08.11.2011, No 5202).

3. Failure to use a cash register when accepting cash payments from customers -

shall entail imposing a fine on the taxpayer in the amount of GEL 200.

4. (Deleted – 20.5.2011, No 4705).

5. Showing in a receipt an amount less than what has actually been paid –

shall entail imposing a fine on the taxpayer in the amount of GEL 200.

6. (Deleted – 20.5.2011, No 4705).

7. Loss of a cash register (other than GPRS and CRYPTO fiscal cash registers) by a taxpayer, unless established that such loss has been caused by the unlawful act of any other person –

shall entail imposing a fine on the taxpayer in the amount of GEL 3 000.

8. Repeatedly committing the act defined by the seventh paragraph of this article within 60 days after revealing of the tax offence –

shall entail imposing a fine on the taxpayer in the amount of GEL 6 000.

8^1. (Deleted – 22.6.2012, No 6547).

9. Operating in a petrol and/or gas filling station a flow meter without a seal or with a damaged seal of the tax authority shall entail imposing a fine on the taxpayer in the amount of GEL 1 500.

10. Repeatedly committing the act defined by the ninth paragraph of this article – shall entail imposing a fine on the taxpayer in the amount of GEL 15 000 for each subsequent repeated act.

11. The Government of Georgia may define different amounts of fines for tax offences committed on the territory of local self-government units, but not less than 5% of the fines determined by paragraphs (1-10) of this article.

Law of Georgia No 4705 of 20 May 2011 – website, 01.6.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6547 of 22 June 2012 – website, 4.7.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Article 282 – Violation of VAT requirements

1. Conducting activity without registration as a VAT taxpayer –

shall entail imposing a fine on the person of 5% of the amount of VAT taxable transactions (except VAT exempt transactions) carried out during the period of activity without registration.

2. Failure of a supplier of goods/provider of services to issue a tax invoice to the buyer, at the request of the latter –

shall entail imposing a fine on the person of 100% of the VAT amount of the taxable transaction.

3. Issuing of a tax invoice for a fictitious /non-commodity transaction or a fake tax invoice by a person –

shall entail imposing a fine on the person having made out/issued the tax invoice of 200% of the VAT amount indicated in the tax invoice.

4. In the case of applying the fine defined under the first paragraph of this article, the fine provided for the delayed submission of a tax return in Article 274 of this Code shall not apply.

Law of Georgia No 3581 of 1May 2015 – website, 15.5.2015

Article 283 – Non-fulfilment of obligations by banks

1. In case there is money in a person's bank account, failure of the bank to fulfil the person's Payment Order or the tax authority's Collection Order for transfer of tax to the state budget in due time, except as provided for by the second paragraph of this article –

shall entail imposing a fine of 0.15% for each day of delay of that part of funds on the account, which was subject to complete or partial fulfilment under the Collection/Payment Order.

2. The act defined in the first paragraph of this article, if accompanied by a transfer of funds in any other direction, not taking into consideration Article 54(1^1)and Article 71(1)(e) of this Code -

shall entail imposing a fine of 10% of the amount transferred in such other direction but not less than GEL 500 and not in excess of the amount indicated in the collection/payment order.

3. Opening by a bank of an account for a taxpayer without the taxpayer submitting documents evidencing that the tax authority has assigned an identification number to the taxpayer (except for a foreign enterprise and natural person not engaged in economic activity) or opening any other account for such a person in the presence of the decision of the tax authority on imposition of seizure upon or presentation of a collection order against the account of the taxpayer shall entail imposing a fine in the amount of 10% of the sum of payment transactions from the accounts of the taxpayer but not less than GEL 500.

4. Failure of a bank to submit to the tax authority the information on opening of bank accounts for a taxpayer for the first time, or on closing the last account of a taxpayer, in accordance with the requirements of Article 71(1)(a),(b),(c), and (f) of this Code within the time limit fixed by the tax legislation of Georgia (in case of a contract with the Revenue Service – on the conditions and within the time defined by the contract), if this is not caused by providing wrong information by such persons to the bank and other organisations performing certain types of bank operations –

shall entail imposing a fine in the amount of GEL 300 for each account.

4^1. A bank's failure to fulfil the obligation under Article 71(1)(c^1) of this Code –

shall entail imposing a fine in the amount of GEL 300 for each account.

5. Performing a payment transaction before or within two working days after submitting the information on the accounts provided for in the fourth paragraph of this article –

shall entail imposing a fine in the amount of 10% of the sum of the payment transaction but not less than GEL 500.

6. If the Revenue Service and a banking institution have signed a contract on electronic exchange of information (including collection orders), the penalty provided for under the fifth paragraph of this article shall apply only for the violation of the time limit defined by such contract.

7. Failure of a bank to fulfil the decision of the tax authority on seizure of a taxpayer's account -

shall entail imposing a fine in the amount of 20% of the sum that has been transferred to any other person by the taxpayer's order but not in excess of the amount of the outstanding liability.

8. In case there is money in a person's bank account, failure of the bank to fulfil the person's Payment Order or the tax authority's Collection Order for writing off an amount or transferring tax to the budget in due time, if the taxpayer applies to the tax authority in writing, shall result in the tax authority being obliged to impose the penalty interest that has been assessed on the taxpayer as a result of such act of the bank, on that bank in the same amount. In such a case no penalty shall be imposed on the person.

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Law of Georgia No 4963 of 24 June 2011 – website, 30.06.2011

Law of Georgia No 6211 of 15 May 2012 – website, 29.05.2012

Article 284 – Exceeding by an international financial company the permissible limit of income gained from a Georgian source as a result of performing a financial transaction and/or delivering financial services

An international financial company, whose income gained from a Georgian source as a result of performing a financial transaction and/or delivering financial services exceeds 10% of the company's income –

shall be imposed a fine of 100% of the amount exceeded.

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Article 285 – (Deleted)

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Article 286 – Transportation, sale, and non-accounting of goods without documents

1. Transporting goods for entrepreneurial activity without a waybill, the failure to issue a waybill at the request of the buyer or refusing to accept a waybill when purchasing goods, if the market value of the goods transported or delivered/to be delivered without a waybill does not exceed GEL 10 000 -

shall entail imposing a fine on the person in the amount of GEL 500.

1^1. Transporting round timber (logs), tree-plants or products of their primary processing for entrepreneurial activity without a waybill, the failure to issue a waybill at the request of the buyer or refusing to accept a waybill when purchasing goods, if the market value of the round timber (logs), tree-plants or products of their primary processing transported or delivered/to be delivered without a waybill does not exceed GEL 1 000 -

shall entail imposing a fine on the person in the amount of GEL 500 and the seizure of the goods.

1^2. Transporting round timber (logs), tree-plants or products of their primary processing for entrepreneurial activity without a waybill, the failure to issue a waybill at the request of the buyer or refusing to accept a waybill when purchasing goods, if the market value of the round timber (logs), tree-plants or products of their primary processing transported or delivered/to be delivered without a waybill exceeds GEL 1 000 but does not exceed GEL 10 000 -

shall entail imposing a fine on a person in the amount of GEL 5 000 and seizing the goods.

2. Repeatedly committing the act provided for in the first paragraph of this article repeatedly -

shall entail imposing a fine on the person in the amount of GEL 5 000.

3. (Deleted – 28.12.2012, No 189).

3^1. An act under paragraph 1 of this article if the market value of goods transported or delivered/to be delivered without a waybill exceeds GEL 10 000, –

shall entail imposing a fine on a person in the amount of Gel 10 000.

3^2. An act under paragraph 1^1 or 1^2 of this article if the market value of the goods transported or delivered/to be delivered without a waybill exceeds GEL 10 000, –

shall entail imposing a fine on a person in the amount of Gel 10 000 and seizing the goods.

4. Revealing inventory holdings of a taxpayer that are not recorded in accounting documents, and not accompanied by the original payment documents -

shall entail imposing a fine on the person in the amount of 50% of the market value of such inventory holdings at the moment of revealing.

5. In the cases provided for by paragraphs (1-4) of this article, the penalty shall apply if the waybill does not indicate or incorrectly indicates (except the cases, where there is a technical error that cannot have any significant impact on the result):

a) date and number of execution of the document;

b) name, identification number or name, surname and personal number of the party to the economic transaction;

c) name and/or quantity of goods.

6. The responsibility determined by the first paragraph of this article shall not be imposed on a person in the case:

a) of transportation or delivery of primary (before industrial processing – before changing the commodity code) agricultural produce, as well as regular or uninterrupted transportation or delivery of goods (electric or thermal energy, natural gas, water);

b) of transportation of goods accompanied by the appropriate documents related to crossing the customs border of Georgia;

c) of existence of a special VAT invoice;

d) in the case of distributing free of charge for advertising purposes, including through a retail seller, of goods that have no independent consumer specifications and are an integral part of the delivery of the main goods/service;

e) of transportation of newspapers, magazines and the goods supplemented by their publishers in the same pack, except for the original delivery by the publisher;

f) of transportation of the relevant goods in the state of emergency and with the aim of rendering emergency assistance (fire service, rescue service, emergency medical aid, or energy supply or sewage system breakdown emergency response);

g) if no waybill has been issued in the given case, according to the order of the Minister of Finance of Georgia.

7. The penalty provided for under paragraphs 1, 2, 3^1 and 4 of this article shall not be imposed on a person having the status of a micro business, or on a person with a fixed taxpayer status (except for the activity to be taxed with a rate provided for in Article 95^3 (1)(b) of this Code) within the scope of the activities subject to a special tax treatment.

8. For the purposes of this article:

a) money and bank plastic cards are not goods;

b) it is not mandatory to make out a waybill for transportation of precious metals and stones, as well as numismatic valuables, if they are transported by the National Bank of Georgia or any commercial bank defined by Article 1(g) of the Law of Georgia on

Commercial Bank Activities, as well as by an authorised legal entity under public law, in a specially protected or controlled transport vehicle.

9. Revealing at a taxpayer of any shortfall as provided for by this Code shall be deemed as supplying at market price at the moment of revealing. Furthermore, if the inventory holdings shortfall was revealed as a result of inventory taken by a tax authority, a person shall be additionally fined in the amount of 10% of the market value of the inventory holdings.

10. The penalties provided for in paragraphs 4 and 9 of this article shall not apply if:

a) the amount of the inventory holdings surplus and/or shortfall not reflected in the accounting records does not exceed 2% of the similar type of recorded inventory holdings;

b) the taxpayer has reflected the information on the surplus and/or shortfall in tax reports and/or has provided such information to the tax authority before commencement of inventory taking or tax audit, and according to this information, the surplus is recognised as profit and the shortfall – as supply.

11. Revealing the offence provided for in paragraph (4) of this article, if the market value of the inventory holdings does not exceed GEL 1 000 –

shall entail imposing a fine on the person in the amount of GEL 200.

12. Repeatedly committing the act referred to in paragraph (11) of this article-

shall entail imposing a fine on the person in the amount of GEL 400 for each subsequent reoccurrence.

13. To identify and prevent the offences under paragraphs 1, 1^1 and 1^2 of this article, an authorised employee of a tax authority may stop a person and a vehicle, ask the person to produce his/her identity document, the documents accompanying the vehicle and the goods, visually inspect the vehicle, also count the goods to establish conformity with the accompanying documents and use technical equipment for recording these procedures. If the person or the driver of the vehicle does not comply, the authorised employee of the tax authority may apply measures provided for by the legislation of Georgia.

14. In the cases provided for by paragraphs (1 – 3) of this article, the tax authority may seize goods without a court decision. The procedure and terms of seizure provided or under this article shall be determined by an order of the Minister of Finance of Georgia.

15. (Deleted – 12.12.2014, No 2946).

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6446 of 12 June 2012 – website, 25.6.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 1583 of 20 November 2013 – website, 3.12.2013

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Law of Georgia No 3581 of 1May 2015 – website, 15.5.2015

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018

Article 287 – (Deleted)

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Article 288 – Violation of the rules for conducting micro or small businesses

Any act that, based on a ground under Article 85(4) or Article 89(2)(c) or (d) of this Code, has caused a tax authority to cancel the status of a micro business or the status of a small business for a person, –

shall entail imposing a fine on the person in the amount of GEL 500.

Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018

Article 288[1] – Violation of business rules by a Special Trading Company

1. Exceeding by a Special Trading Company the income provided for in Article 24[1](4)(d.c) of this Code above the limit set by the same subparagraph –

shall entail imposing a fine in the amount of 10% of the amount exceeded.

2. The purchase by a Special Trading Company of Georgian goods for subsequent delivery -

shall entail imposing a fine of 50% of the market value of the purchased goods.

3. Delivery of services by a Special Trading Company to a Georgian enterprise and/or a permanent establishment of a foreign enterprise in Georgia –

shall entail imposing a fine of 50% of the amount received and/or to be received for delivering such services.

4. Delivery by a Special Trading Company of any fixed asset used in economic activity for up to 2 years –

shall entail imposing a fine of 50% of the amount received/to be received for delivery of such goods.

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Article 288[2] – Violation of the procedure set for a fixed taxable activity

1. Performing activity by a person having the status of a fixed taxpayer during the period of suspension of such an activity –

shall entail imposing a fine on the person in the amount of GEL 200.

2. Adding a taxable object of a fixed taxable activity by a person having the status of a fixed taxpayer without notifying the tax authority –

shall entail imposing a fine on the person in the amount of GEL 200.

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Article 288[3] – Supply, transportation, and import of non-excisable goods subject to mandatory marking without marking

1. Supply and transportation of non-excisable goods subject to mandatory marking without marking –

shall entail imposing a fine on the manufacturer in the amount of the market value of the non-excisable goods subject to mandatory marking that were found without marking, but not less than GEL 500.

2. Import of non-excisable goods subject to mandatory marking without marking –

shall entail imposing a fine on the importer in the amount of the customs value of the non-excisable goods subject to mandatory marking that were found without marking, but not less than GEL 500.

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Article 288[4] – Non-submission, late submission and/or incorrect submission of information on the amounts paid and taxes withheld according to the accounting month

1. Refund of excess amount by an employee within the scope of a non-taxable minimum and/or deduction of excess amount against the tax liabilities, which is caused by non-submission, late submission and/or incorrect submission to a tax authority of information on the amounts paid and the taxes withheld according to the accounting month, shall result in the imposition of a fine on a person who was responsible for submitting the information. The fine shall be double the amount of the amount excessively refunded and/or excessively deducted against the tax liabilities.

2. The fine specified in this article shall not be applied if the information on the amounts paid and the taxes withheld according to the accounting month was submitted before the tax authority adopted a decision on refunding the non-taxable minimum.

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 3015 of 26 December 2014 – website, 30.12.2014

Article 289 – Tax penalties related to crossing of the customs border of Georgia

1. Violation by a person of the time limit for presenting/generally declaring/declaring goods or declaring a transport vehicle –

shall entail imposing a fine on the person in the amount of GEL 50 for each complete/incomplete day of delay, but not in excess of GEL 1 000.

Note: The liability provided for under this paragraph shall not apply, if the violation of the terms for declaration of goods results in the violation of the conditions of the customs procedure.

2. Taking off/removing and/or otherwise rendering useless/destroying a means of identification, and damaging of any marked transport vehicle or building and structure or marked luggage/hand luggage within a customs control zone without the consent of the tax authority, as well as moving of any transport vehicle with a means of identification that makes it possible to access the transport vehicle without damaging the means of identification -

shall entail imposing a fine on the owner in the amount of GEL 5 00.

3. Repeatedly committing the act defined by the second paragraph of this article –

shall entail imposing a fine on the owner in the amount of GEL 1 000.

Note:

1. The liability under paragraphs 2 and 3 of this article shall not be imposed on a person if a little damage can be observed on the means of identification and/or marked transport vehicle or on building and structure or on marked baggage/hand luggage within the customs control zone but it is impossible to penetrate in any marked transport vehicle, or in any building or structure or marked baggage/hand luggage located within the customs control zone.

2. The liability under paragraphs 2 and 3 of this article shall not be imposed on a person if a container was brought into the Georgian customs territory by a sea transport.

3^1. Committing the act defined by the second paragraph of this article that caused the disposal of, the loss or the destruction of the goods from the marked transport vehicle or from building and structure or from marked luggage/hand luggage –

shall entail imposing a fine on the owner in the amount of GEL 5 000.

3^2. Repeatedly committing the act defined by paragraph 3^1 of this article –

shall entail imposing a fine on the owner in the amount of GEL 10 000.

4. Understating the amount of import/export duties payable in a customs entry and in its accompanying documents by a declarant (except as provided for by the sixth and seventh paragraphs of this article) or his/her representative –

shall entail imposing a fine on the person in the amount of 100% of the understated amount of payable import/export duties.

5. Repeatedly committing the act defined by the fourth paragraph of this article –

shall entail imposing a fine on the person in the amount of 200% of the understated amount of payable import/export duties.

6. Understating the amount of import/export duties in a customs entry and in its accompanying documents by a natural person, payable on goods of value of up to GEL 3 000 –

shall entail imposing a fine on the person in the amount of 40% of the understated amount of payable import/export duties.

7. Repeatedly committing the act defined by the sixth paragraph of this article –

shall entail imposing a fine on the person in the amount of 100% of the understated amount of payable import/export duties.

8. (Deleted – 20.12.2011, No 5556).

9. (Deleted – 20.12.2011, No 5556).

10. Carrying goods across the customs border of Georgia without passing the customs control or secretly from customs control –

shall entail imposing a fine on the person in charge (except as provided for by paragraph 14 of this article) of 100% of the customs value of goods, or the seizure of such goods and/or the transport vehicle.

11. Repeatedly committing the act defined by paragraph 10 of this article –

shall entail imposing a fine on the person in charge of 100% of the customs value of goods, with or without seizure of such goods and/or the transport vehicle.

12. Carrying cash and securities worth more than GEL 30 000 (or the equivalent in any other currency), but not more than GEL 50 000 worth of cash and securities across the customs border of Georgia without passing customs control or secretly from customs control or by incorrect declaration –

shall entail a fine of GEL 3 000 against the person responsible, or seizure of the goods.

13. Carrying cash and securities worth in excess of GEL 50 000 (or the equivalent in any other currency), but not more than GEL 100 000 worth of cash and securities, across the customs border of Georgia without passing customs control or secretly from customs control or by incorrect declaration -

shall entail a fine of GEL 5 000 against the person responsible, or seizure of the goods.

13^1. Carrying cash and securities worth in excess of GEL 100 000 (or the equivalent in any other currency) across the customs border of Georgia without passing customs control or secretly from customs control or by incorrect declaration -

shall entail a fine against the person responsible in the amount of 10 per cent of the value of the cash or securities carried across the customs border without passing customs control or secretly from customs control or by incorrect declaration or seizure of these goods.

Note: In the cases defined in paragraphs 12-13^1 of this article, when there are undeclared goods, goods shall be deemed incorrectly declared if the total amount of the declared and undeclared goods is more than GEL 30 000 (or equivalent in any other currency).

14. Carrying goods worth of up GEL to 3 000 by a natural person across the customs border of Georgia without passing customs control or secretly from customs control –

shall entail imposing a fine on the person in charge in the amount of GEL 1 000, and/or seizure of such goods and/or transport vehicle.

15. Leaving the customs control zone by any goods and/or transport vehicle, loading or unloading goods under the customs supervision without the consent of the tax authority –

shall entail imposing a fine on the person in the amount of GEL 1 000.

16. Repeatedly committing the act provided for by paragraph 15 of this article

shall entail imposing a fine on the person in the amount of GEL 2 000.

17. Violation of the terms of a customs procedure –

shall entail imposing a fine on the person in the amount of GEL 500.

18. Repeatedly committing the act provided in paragraph 17 of this article –

shall entail imposing a fine on the person in the amount of GEL 1 000.

Note: The liability under paragraphs 17 and 18 of this article shall not apply if any other liability has been determined for the same act.

19. The performance of any act not agreed with the Revenue Service prior to performing a customs procedure or violation of the terms of such customs procedures that result in unlawful disposal, loss or destruction of any goods and/or transport vehicle under the customs supervision –

shall entail imposing a fine on the person in charge of 100% of the amount of import duties payable for identical/similar goods and/or transport vehicle.

19^1. An act under paragraph 19 of this article if there is a primary tax document evidencing supply of the illegally disposed goods –

shall entail imposing a fine on a responsible person in the amount of 10 % of the import payments payable on the same or identical/similar goods and/or on a means of transportation.

20. Overstating or understating a customs value subject to mandatory recording in the customs entry and its accompanying, by a declarant, that has not resulted in reduction of the amount of payable import duties –

shall entail imposing a fine on the person in charge of 10% of the amount of difference between the customs value and an overstated or understated customs value.

21. Repeatedly committing the act provided for in paragraph 20 of this article –

shall entail imposing a fine on the person in charge by 20% of the difference between the customs value and an overstated or understated customs value.

22. Failure of a port, a post office, railway or an airport to notify the tax authority of arrival or departure of a transport vehicle –

shall entail imposing a fine on the port, post office, railway or airport in the amount of GEL 5 000.

23. Repeatedly committing the act provided for in paragraph 22 of this article –

shall entail imposing a fine on the port, post office, railway or airport in the amount of GEL 10 000.

24. Violation of the retention period of a document indicated in a customs entry, submission of which to the Revenue Service was not the obligation of a person –

shall entail imposing a fine on a responsible person in the amount of GEL 1 000.

25. Carrying across the customs border of Georgia goods placed in transport vehicles intended for transit, without passing customs control or secretly from customs control -

shall entail imposing a fine on the person in the amount of GEL 2 000.

26. Repeatedly committing the act provided for in paragraph 25 of this article –

shall entail imposing a fine on the person in the amount of GEL 4 000.

27. This article shall apply only in respect to the legal relations pertaining to crossing of the customs border of Georgia. A sanction shall be imposed on the person for the offences provided for in this article, if such a person has not been subject to criminal liability for such an act under the legislation of Georgia.

Note: (Deleted – 26.12.2013, No 1886).

Law of Georgia No 3880 of 7 December 2010 – LHG III, No 69, 15.12.2010, Art. 421

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 4065 of 17 July 2015 – website, 29.7.2015

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Article 290 – Non-fulfilment of permit conditions

1. Violation by a customs warehouse or a free trade point of permit conditions established by the legislation of Georgia -

shall entail imposing a fine on a permit holder in the amount of GEL 2 000.

2. Repeated commission of the act under paragraph 1 of this article (violation of the same conditions) –

shall entail tripling the fine under paragraph 1 of this article.

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Article 290[1] – Non-compliance with the tax legislation of Georgia on the part of a Special Trade Zone status holder

1. Non-compliance with the tax legislation of Georgia on the part of a Special Trade Zone status holder –

shall entail imposing a fine on the person in the amount of GEL 4 000.

2. Repeatedly committing the act provided for in the first paragraph of this article, (violation of the same conditions) –

shall entail imposing a fine three times the amount of the fine prescribed by the first paragraph of this article.

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Article 290[2] – Non-compliance by the person having the status of organiser of market with the requirements established by the tax legislation of Georgia

1. Discovery of a mobile trading place located within the market territory, which is not provided with a cash register, –

shall entail imposing a fine on a person with the status of organiser of market in the amount of GEL 1 000 for each of the mobile trading place not provided with a cash register.

2. Renting out of a trade outlet and/or trading place located within the market territory by a person with the status of organiser of market to a person not registered with the Register of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Persons, –

shall entail imposing a fine on the person with the status of organiser of market in the amount of GEL 1 000.

3. Failure by a person with the status of organiser of market to submit the information on the persons renting a trade outlet and/or trading place located within the market territory, and/or submission of incorrect/incomplete information to a tax authority, –

shall entail imposing a fine on the person with the status of organiser of market in the amount of GEL 4 000.

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Article 291 – Other fines

Failure of a person to fulfil any obligation provided for under this Code, for which responsibility is provided for, but the amount of

fine is not defined by the this Code –

shall entail imposing a fine in the amount of GEL 100.

Chapter XLI – Tax Agreement

Article 292 – Essence of a tax agreement

1. A tax agreement may be concluded between the Revenue Service and a taxpayer to reduce the taxpayer's:

a) tax arrears/a part of tax arrears;

b) sum of a duty and/or the related penalty and surcharge which is administered by a tax authority.

2. This article shall not apply to current payments charged under Articles 155 and 205 of this Code.

3. In the case under paragraph 1(b) of this article Articles 293-295 of this Code shall apply accordingly.

Law of Georgia No 4705 of 20 May 2011 – website, 1.6.2011

Law of Georgia No 4935 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6212 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 3407 of 20 March 2015 – website, 26.3.2015

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Article 293 – Signing a tax agreement

1. The taxpayer shall submit an application for a tax agreement to the Revenue Service that may:

a) refuse to sign a tax agreement with the taxpayer;

b) submit the application, along with appended documents, to the Minister of Finance of Georgia for consideration at the Government Meeting.

2. The Government of Georgia shall make a decision on signing a tax agreement, defining the amount payable and the time limit of payment under the tax agreement.

3. The taxpayer shall be obliged to discharge the liabilities under the tax agreement within the term fixed by the agreement.

4. After the tax agreement has been signed, the head of the Revenue Service may make a decision on cancelling/not applying, in whole or in part, the overdue tax liability compliance security measures.

5. After the terms and conditions of the tax agreement have been satisfied, the taxpayer's overdue tax liability shall be reduced by an individual administrative-legal act of the head of the Revenue Service.

6. If the liabilities under the tax agreement have not been satisfied within the fixed term, the tax agreement shall be deemed cancelled, and fine in the amount of 10% of the unpaid sum shall be imposed on the taxpayer.

7. After the tax agreement has been signed, it shall be impermissible to reduce the amount assessed in the tax return for the respective tax period by filing an adjusted Tax Return.

8. After a tax agreement on reducing the amount (overdue tax liability) additionally assessed, as a result of tax control, has been signed:

a) a controlling/law-enforcement authority may not re-audit an audited period or matter and/or impose a tax/a sanction on a taxpayer, except for the tax period or matter related to the person who merged with the taxpayer after concluding the tax agreement with him/her;

b) a taxpayer may not initiate or resume a dispute on the grounds of any newly discovered/newly detected circumstances/evidence.

9. If a tax agreement is cancelled, the rights and obligations of the tax authority and the taxpayer arising under the agreement shall be cancelled.

10. The procedure for signing a tax agreement shall be defined by an ordinance of the Government of Georgia.

Law of Georgia No 4206 of 22 February 2011 – website, 10.3.2011

Law of Georgia No 4705 of 20 May 2011 – website, 1.6.2011

Law of Georgia No 4935 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 6212 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Article 294 – Tax agreement form

1. The tax agreement shall be executed between the Revenue Service and a taxpayer.

2. The tax agreement shall indicate:

a) the taxpayer's name, identification number or name and surname, personal number, as well as other details (if necessary);

b) the content and terms and conditions of the agreement;

c) the time limit and procedure for appealing a tax agreement.

Article 295 – Appealing a tax agreement

A taxpayer may appeal a tax agreement if the tax agreement has been signed by an authorised person.

SECTION XIV

Chapter XLII – Tax Dispute Proceedings

Article 296 – General Provisions

1. A tax dispute may be resolved within the system of the Ministry of Finance of Georgia and in court.

2. This Section sets forth the procedure for resolving a tax dispute within the system of the Ministry of Finance of Georgia.

3. An appellant may apply to the court at any stage of a tax dispute within the system of the Ministry of Finance of Georgia.

4. The procedure for tax dispute court proceedings shall be provided for by the legislation on administrative proceedings of Georgia.

Article 297 – Authorities with competence for tax dispute resolution

1. The authorities having the competence to resolve a tax dispute within the system of the Ministry of Finance of Georgia shall be the Revenue Service and the Dispute Resolution Council under the Ministry of Finance of Georgia (the dispute resolution bodies).

2. The Dispute Resolution Council shall be a tax dispute resolution body under the Ministry of Finance of Georgia.

3. A tax dispute within the system of the Ministry of Finance of Georgia shall include two stages, and it shall start with filing a complaint with the Revenue Service, except as provided for in paragraph 3^1 of this article.

3^1. An advance ruling under Article 47(1) of this Code shall not be appealed in the Revenue Service. A person may appeal against the advance ruling under Article 47(1) of this Code in the Dispute Resolution Council under the Ministry of Finance of Georgia.

4. The composition of the Dispute Resolution Council shall be defined by the Government of Georgia.

5. The dispute resolution bodies shall have regulations approved by the Government of Georgia that defines the procedure for resolving an appeal and communicating with appellants.

6. The staff of the Dispute Resolution Council shall prepare appeals lodged with the Council for review; provide information on legal proceedings to appellants and process decisions delivered by the Council.

7. The staff of the Dispute Resolution Council, by the decision of the head of staff, may hold a preparatory meeting to ascertain the circumstances related to an appeal.

Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018

Article 298 – Tax dispute settlement principles

1. A dispute resolution body, in resolving a dispute, shall be guided by the principles of fairness, objectivity, equality of arms and impartiality.

2. The appellant's tax obligations, within the system of the Ministry of Finance of Georgia may not be aggravated, as a result of a tax dispute, except where an audit is conducted within the scope of such a dispute by consent of the taxpayer.

Article 299 – Initiating a tax dispute

1. A decision made by the tax authority with relation to a person, based on this Code, may be appealed to a dispute resolution body in the manner provided for by this Chapter.

2. A tax audit report and the decision based on it shall be appealed along with the Tax Notice based on such documents. A tax offence report/order shall be appealed in the manner provided for by this Chapter.

3. (Deleted – 13.5.2016, No 5092).

3^1. A decision of the Revenue Service on a taxpayer's appeal related to the offences provided for under Articles 273 and 281 of this Code shall be appealed to a court.

4. A person may appeal a decision of the tax authority within 30 days after it has been served.

5. A person may deem the violation by the tax authority and/or a dispute resolution body of the time limit fixed for making a decision as a dismissal of his/her application and appeal it in the manner provided for by this Chapter. The time limit for appealing a decision issued in violation of the time limit shall commence from serving such a decision upon the person.

6. After 30-days, a dispute may be initiated on the grounds of newly discovered or newly revealed circumstances or evidence.

7. Newly discovered or newly revealed shall mean circumstances or evidence that the appellant did not know and could not have known prior to delivery of a decision unfavourable for him/her and the timely presenting of which would have resulted in the delivery of a decision favourable for the appellant.

8. A dispute may also be initiated if it is established that the appealed decision has not been sent to the appellant. In such a case, the term of appeal shall commence from the day the appealed decision became known to the appellant.

9. An appeal shall be lodged with a dispute resolution body in writing or electronically.

10. The decision of the tax authority may be appealed even after the time limit for appeal has elapsed if the appellant proves that failure to observe the time limit for appeal was caused by the circumstance beyond his/her control.

11. Appealing a decision of the tax authority shall not suspend the decision.

Law of Georgia No 4705 of 20 May 2011 – website, 1.6.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 649 of 21 April 2017 – website, 10.5.2017

Article 300 – Filing an appeal for processing

1. A dispute resolution body shall not accept an appeal for processing if the appeal fails to meet the following procedural requirements:

a) the appellant's identification/personal number is not indicated in the appeal;

b) the appellant's contact details are not indicated in the appeal;

c) the appeal fails to clarify the essence of claim;

d) a copy of an appealed decision or of a document related to its issuance (if any) is not attached;

e) pages of the appeal or of the documents attached thereto are not numbered;

f) the appeal or the documentation attached thereto are illegible;

g) the appeal or a document attached thereto is not drawn up in the state language of Georgia;

h) the appeal is not signed.

2. If the appeal does not meet the procedural requirements, the appellant shall be given written notice, as well as at least five days to remedy the shortcomings in the appeal. The dispute resolution body may prolong the time for remedy of the shortcomings in the case of a well-grounded request of the appellant.

3. A dispute resolution body may accept an appeal for processing irrespective of a shortcoming, if such a shortcoming does not essentially impede the resolution of the appeal.

Law of Georgia No 649 of 21 April 2017 – website, 10.5.2017

Article 301 – Refusal to resolve an appeal

The dispute resolution body shall not resolve an appeal if:

a) the appellant refuses to continue the dispute;

b) the subject of the claim falls beyond the scope of authority of the dispute resolution body;

c) the appeal has been lodged by an unauthorised person;

d) there is no decision of the tax authority;

e) the time limit for lodging the appeal has elapsed;

f) the appeal does not meet the procedural requirements and the appellant has failed to remedy the shortcoming within the time limit fixed by the dispute resolution body;

g) there is a decision made by the same body on the same subject of the dispute with relation to the same appellant;

h) the appealed decision has been issued with relation to the same person pursuant to a decision made by the same dispute resolution body;

i) the appellant has applied to the court with respect to the same subject of the dispute;

j) the appellant has passed away;

k) the appealed Tax Notice reflects an acknowledged overdue tax liability. The appeal shall not be resolved with respect to the acknowledged overdue tax liability;

l) the appellant cannot be found;

m) the appeal is anonymous;

n) a tax agreement has been signed with respect to the appealed overdue tax liability.

Article 302 – Resolving an appeal

1. A dispute resolution body shall resolve an appeal within 20 days.

2. A dispute resolution body shall resolve an appeal only to the extent of the appellant's claim.

3. Unless otherwise provided for by this Chapter, a dispute resolution body shall resolve an appeal to the extent of the subject of the dispute appealed with the Revenue Service.

4. A dispute resolution body or its staff may request that the appellant or the tax authority produce additional information/documents about the appeal, at which time the proceedings for resolving the appeal shall be suspended.

5. The appeal shall be resolved with the participation of the appellant.

6. The Revenue Service may resolve an appeal in the absence of the appellant if the available materials fully establish the factual circumstances related to the subject of the dispute.

7. The appellant shall be notified of the time and venue of an oral hearing of an appeal by any means at the disposal of the dispute resolution body, including phone, registered mail or electronic mail, SMS, etc.

8. If the appellant cannot be contacted or found, or fails to appear at the oral hearing of the appeal, the appeal shall be heard in absentia of the appellant.

9. The appellant may defend his/her interests personally or through his/her authorised representative.

10. During the hearing, the appellant and/or his/her representative may attend the hearing in person or remotely, by using a technical device.

Article 303 – Suspension of resolution of an appeal

1. A dispute resolution body may suspend, on its own initiative or based on a party's reasonable petition, resolution of an appeal in order to obtain additional information and/or documents.

2. While suspending the resolution of an appeal, a dispute resolution body may request that the appellant and/or the tax authority produce additional information or documents on the matters to be resolved within the scope of the appeal.

3. If the request of a dispute resolution body cannot be satisfied within the fixed term, the dispute resolution body shall be notified accordingly within a reasonable time.

4. The total duration of suspension of resolution of an appeal on the grounds of obtaining additional information and/or documents shall not exceed 45 days.

5. If the session of the Dispute Resolution Council is not held, the Chairperson or Vice-chairperson of the Council or in their absence – a member present at the session of the Council may make a decision on suspension of the appeal to be resolved at the session for maximum of 30 days, notifying the appellant to that effect.

Article 304 – Decision of a dispute resolution body

1. A dispute resolution body may:

a) grant an appeal;

b) grant an appeal in part;

c) dismiss an appeal;

d) leave an appeal unresolved;

e) make an interim decision and suspend resolving of an appeal;

f) make a decision by combining the contents of subparagraphs (1)(a-d).

2. The interim decision of a dispute resolution body shall be appealed along with the final decision.

3. The acts issued by the tax authority, which served as the basis for the appeal decision shall be overturned pro rata to the overturned part of the decision of the tax authority.

4. A certified copy of the decision of a dispute resolution body shall be sent to the parties within five working days after making such a decision.

5. If the appealed decision of a dispute resolution body is overturned based on the disciplinary misconduct of an official of the dispute resolution body, for adequate reaction to such a fact, the dispute resolution body authority shall report the information to the competent authority to determine the responsibility of such a person.

6. If the basis for granting an appeal in full or in part by the Dispute Resolution Council is any record in the tax legislation of Georgia that allows multiple interpretations, the decision of the Council shall contain a recommendation on introducing changes to the normative act that shall be forwarded to the competent authority for follow-up.

Article 305 – Appealing the decision

1. If the Revenue Service makes a decision unfavourable to the appellant, the appellant may, within 20 days after being served with the decision, appeal the decision to the Dispute Resolution Council or court.

2. The appellant may appeal the decision of the Dispute Resolution Council within 20 days after being served with the decision, to a court.

3. Lodging an appeal with the tax authority or any other public authority within the time limit fixed for lodging an appeal shall be deemed as compliance with the time for appeal.

4. The burden of proof that the appellant has failed to observe the time limit for appeal rests with the tax authority.

5. Failure of the appellant to follow up the tax dispute within the fixed time limit shall be deemed as acknowledging the appealed overdue tax liability.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Article 306 – Entry into force and fulfilment of the decision

1. A decision of a dispute resolution body shall take effect on the 21th day of serving it upon the appellant, unless appealed.

2. Fulfilling a decision of a dispute resolution body, that has taken effect, shall be binding.

3. An appellant may apply to a dispute resolution body, and provide it with information on hindering execution of the decision by an administrative authority.

4. Failure to execute or unlawfully hindering execution of the interim or final decision of a dispute resolution body shall be deemed disciplinary misconduct and entail responsibility as prescribed by the legislation of Georgia.

5. Execution of a decision may be postponed on the basis of a reasonable written request of the authority executing the decision and by the decision of a dispute resolution body.

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Article 307 – Clarification of the decision

1. The appellant and the tax authority may apply to the dispute resolution body for clarification of the decision made by the latter.

2. While clarifying its decision, a dispute resolution body shall observe the same time-frames that are fixed for appeal resolution.

3. Clarifications shall form an integral part of the decision and shall be sent to the persons and authorities involved in the dispute.

4. Once executed, the decision shall not be clarified.

Article 308 – Resumption of disputes

1. A dispute may be resumed within the system of the Ministry of Finance of Georgia only in the event of newly discovered or newly revealed circumstances, within 6 years after the decision has been made.

2. Only the appellant shall be entitled to apply to a dispute resolution body for resuming the dispute.

3. Based on any newly discovered or newly revealed circumstance, the appellant shall apply to the dispute resolution body that was the last body to have substantially reviewed the subject of the dispute indicated by the appellant.

SECTION XV

TRANSITIONAL AND CONCLUSIVE PROVISIONS

Chapter XLIII – TRANSITIONAL AND CONCLUSIVE PROVISIONS

Article 309 – Transitional provisions

1. (Deleted – 20.12.2012, No 118).

2. (Deleted – 20.12.2012, No 118).

3. (Deleted – 20.12.2012, No 118).

3^1. (Deleted – 13.5.2016, No 5092).

3^2. (Deleted – 13.5.2016, No 5092).

3^3. (Deleted – 13.5.2016, No 5092).

4. (Deleted – 20.12.2012, No 118).

5. (Deleted – 8.11.2011, No 5202).

6. (Deleted – 18.12.2015, No 4680).

7. (Deleted – 26.12.2013, No 1886).

8. (Deleted).

9. (Deleted).

10. Processing customs procedures shall not apply to light, medium and heavy oil distillates in Georgia, except for an inward processing procedure that applies on the condition that the product is compounded and the processed product is exported from the territory of Georgia.

10^1. The processing customs procedures (except for an inward processing procedure) shall not apply to oil product waste (to bilge water (petroleum-contaminated water) and/or waste water after washing oil-storage tanks and reservoirs) provided that the processed product is exported from the territory of Georgia.

11. Permit certificates issued under the Customs Code of Georgia (Legislative Herald of Georgia, No 39, 9.8.2006, Art. 280) prior to the enactment of this Code shall remain in force until their expiry.

12. The governing provisions of Article 143(9) and Article 161(1)(e) of this Code shall apply only to the partnerships created after 7 August 2009. Partnerships created before 7 August 2009 shall be governed by the norms applicable before 7 August 2009.

13. The Government of Georgia shall be assigned to prepare, upon making changes in the Forest Code of Georgia in the types of forest management in connection with the lands occupied by hunting undertakings, the relevant changes regarding imposing property tax on such lands.

14. The bad debt arising from economic activity conducted within the occupied territory shall be written off in agreement with the Government of Georgia, without regard to the documents set forth in Article 8(29)(a-d) of this Code.

15. Until 1 January 2020, natural persons not using hired labour and conducting economic activity from a movable point of sale, including a counter, located on the territory of a market (bazaar), except for a person who has been granted the status of a small business, or who has been registered or is obliged to get registered as a VAT payer under this Code.

16. Where a betting house is organised in an electronic-systemic form, the object of income/profit taxation for a person with respect to this activity shall be the sum of all bets accepted during each accounting month, which is subject to taxation at a 7% rate. In such a case, the person shall submit a tax return in the form established by the Minister of Finance of Georgia not later than the 15th day of the month following the accounting month, and shall pay the appropriate tax within the same period.

17. If a tourist zone business entity transfers a hotel built by the investment of such business entity, the provisions of Article 18(11)(c), Article 99(1)(q) and Article 99(2), and Article 206(1)(ee) shall apply to a new owner.

18. The privileges established under Article 99(1)(q) and paragraph 17 of this article shall not apply if a tourist zone business entity or a new owner that acquired such a hotel built by the investment of such business entity does not ensure the functioning of the hotel.

19. A person identified by Article 2(1) of the Law of Georgia on Procedure for Registration of Automotive Vehicles Purchased Bona Fide after Being Brought into the Customs Territory of Georgia Without Passing the Customs Control or Secretly from Customs Control shall be released from the liability provided for under Articles 272, 289 and 291 of this Code, from being applied an automotive vehicle customs procedure and payment of related customs clearance, customs entry, release, import (customs) duty, and VAT and excise tax, as well as from the fulfilment of any other obligations provided for by the legislation of Georgia related to applying a customs procedure, if from taking effect of the Law of Georgia on Procedure for Registration of Automotive Vehicles Purchased Bona Fide after Being Brought into the Customs Territory of Georgia without passing the customs control or secretly from Customs Control, to 1 January 2012 such a person submits, in compliance with the requirements of the legislation of Georgia, to a Legal Entity under Public Law – the Service Agency of the Ministry of Internal Affairs of Georgia a relevant application for registration of the automotive vehicle purchased bona fide before 1 July 2006 and brought into the customs territory of Georgia without passing the customs control or secretly from customs control before 1 July 2006, and ensures the registration of such an automotive vehicle.

20. Any citizen of Georgia possessing goods shall be released from the obligation to be applied an automotive vehicle import customs procedure and pay related customs clearance, customs entry, release, import (customs) duty, and VAT and excise tax, as well as from the liability under Articles 272, 289 and 291 of this Code, if the automotive vehicle was brought into the customs territory of Georgia before 1 July 2006 and was not presented or registered within the time limit fixed under the legislation of Georgia.

21. A person shall be released from the liability under Articles 272, 289 and 291 of this Code, from the obligation to be applied the automotive vehicle customs procedure, and pay the related customs clearance, customs entry, release, import (customs) duty, and VAT and excise tax payment, as well as from any other obligation provided for by the legislation of Georgia related to the application of customs procedure, if the automotive vehicle was registered with a Legal Entity under Public Law – the Service Agency of the Ministry of Internal Affairs of Georgian 2007-2009.

22. The release from liability or satisfaction of an obligation provided for under paragraphs 19, 20 and 21 of this Article shall not apply to persons, against whom tax penalties applicable for tax violations have been executed prior to the enactment of the Law of Georgia on Procedure for Registration of Automotive Vehicles Purchased Bona Fide after Being Brought into the Customs Territory of Georgia without passing the customs control or secretly from Customs Control.

23. Any person registered as a VAT payer may deduct VAT for the goods/services purchased before 31 December 2011 for the buildings and structures built by such person by no later than the accounting period when such building and structures were commissioned. At the same time, in the case when a building or structure purchased by privatisation prior to 1 January 2011 by a company engaged in higher education activities are used (commissioned) for the same activity, the amount of a taxable transaction shall be reduced by the amount paid to the budget while purchasing the respective asset (building or structure) by privatisation.

24. Until 1 January 2023, a natural person conducting the activity under Code 55.2 of the Georgian National Classification of Economic Activities, namely letting living space owned by him/her for a short period, shall be taxable at a fixed income tax rate in the event of applying to the tax authority, if he/she is not voluntarily registered as a VAT payer or the total sum of the transactions performed by him/her in this part of activity in any 12 continuous calendar months does not exceed GEL 100 000.

25. For the part of activity provided for in paragraph (24) of this article, the living space, intended for letting for a short period, shall be an income tax object of taxation for a natural person.

26. The fixed income tax shall be determined according to the object of taxation (room) and shall amount to GEL 10 per m^2 in a calendar month. Depending on the location of the object of taxation and/or seasonality, the Government of Georgia may reduce and/or increase the fixed income tax rate based on the application by the local self-government authority.

27. The fixed rate income tax, according to objects of taxation, shall be paid:

a) for the period from 1 January through 31 March – by no later than 15 April;

b) for the period from 1 April through 30 June – by no later than 15 July;

c) for the period from 1 July through 30 September – by no later than 5 October;

d) for the period from 1 October through 31 December – by no later than 15 January.

Note: At the same time, the assessed fixed rate income tax shall not be subject to subsequent recalculation.

28. Transition to the fixed rate income tax shall be performed based on the taxpayer's application. The period of levying the fixed rate income tax may cover either a full calendar year or one or more calendar month(s) that may not be continuous.

29. During the period of levying the fixed rate income tax:

a) in connection with letting living space by a natural person for a short time, a person engaged in hired labour shall be exempt from income tax, correspondingly, a person letting living space for a short time – from a tax agent's obligation;

b) the tax privileges under this Code shall not apply to the income tax with respect to the fixed rate income tax;

c) a natural person shall be released from the obligation to use a cash register.

30. If in the period of levying fixed rate income tax the object of taxation of the fixed rate income tax under paragraph (24) of this article is leased out and the lessee uses the property for the same type of activity:

a) the lessee shall be exempt from profit/income tax on the income from letting the living space for a short time;

b) in connection with letting a living space by a lessee for a short time, a person engaged in hired labour shall be exempt from income tax, correspondingly, a lessee – from a tax agent's obligation;

c) the lessee shall be released from the obligation to use a cash register for such activity.

31. The Minister of Finance of Georgia shall define the procedure of transition to the fixed rate income tax and of tax reporting.

32. Letting a living space by a natural person for a short time in the period of levying fixed rate income tax on such a person shall not be deemed as a VAT taxable transaction.

33. From 1 January 2011, natural persons shall not be subject to the fine provided for under Article 274 of this Code for violation of the time limit for filing a property tax return for 2007 on the object of taxation provided for by Article 203 of this Code.

34. The object of taxation (parcel of land) calculated pro rata to the co-owned area of a natural person residing in an apartment house shall be fully exempt from property tax in 2011.

35. For the purposes of profit and property taxes, the norms of the Tax Code of Georgia effective before 1 January 2010 shall apply to depreciable fixed assets leased before 1 January 2010.

36. If the taxpayer produces to the tax authority Receipt Form N1 evidencing the payment of a sum, the tax authority may consider that the taxpayer has fulfilled his/her tax obligation with respect to the relevant sum.

37. Notwithstanding the requirements of Article 252 of this Code, the following shall be written off:

a) a recognised tax liability and the surcharge assessed on it, which incurred before 1 January 2013 and remains outstanding until entry into force of the Law of Georgia No 3263-რს of 21 July 2018 on Making Changes to the Tax Code of Georgia, if the person has not submitted to a tax authority any tax return/calculation (except for the person's property tax return/calculation, and a declaration and/or assessment made in accordance with Article 176^1(1) or Article 309(58 and 59) of this Code) for any period after 1 January 2013 (before the amounts are written off), or if the tax amount to be charged as payable based on the tax return/calculation (except for the person's property tax return/calculation and a declaration and/or assessment made in accordance with Article 176^1(1) or Article 309(58) and 59) of this Code) submitted to the tax authority equals zero (except where the amount of the total income under the submitted tax return/calculation exceeds zero and/or the amount deductible exceeds the amount assessed);

b) (Deleted – 21.7.2018, No 3263);

c) a penalty imposed/charged before 1 January 2013 on a natural person under Article 281 of this Code and Article 139 of the Tax Code of Georgia that was in force until 1 January 2011 and still outstanding by the time of entry into force of this paragraph.

38. The salaries accrued but not paid by 1 January 2008 shall be subject to 12% income tax.

39. (Deleted – 22.6.2012, No 6547).

40. (Deleted – 1.5.2015, No 3581).

41. (Deleted – 13.5.2016, No 5092).

42. A person who was engaged in the organisation of a market (except for the organisation of an agricultural market) before 1 January 2018 shall:

a) not later than 1 July 2018, apply to a tax authority for granting him/her the status of organiser of market;

b) not later than 1 July 2018, ensure that information about the natural persons engaged in sales at a trade outlet and/or trading place located within the market territory is submitted to a tax authority;

c) not later than 1 January 2019, provide one third of mobile trading places located within the market territory with cash registers;

d) not later than 1 July 2019, provide two thirds of mobile trading places located within the market territory with cash registers;

e) not later than 1 January 2020, completely provide mobile trading places located within the market territory with cash registers.

43. (Deleted – 20.12.2012, No 118).

44. Articles 153(3^1), 168(4)(c^1, c^2), and 205(13)(b) shall apply to legal relations arising from 1 January 2011; Articles 99(1)(u) and 206(1)(gg) shall apply to legal relations arising from 1 January 2005, and Article 105(5) – to legal relations arising from 1 January 2006.

45. Notwithstanding the requirements of Article 252 of this Code, the Revenue Service may write off, under the procedure established by the Minister of Finance of Georgia, any overdue tax liability, and fines and penalties assessed on it, if the liability is

not deemed acknowledged under the legislation of Georgia, or the taxpayer has not been served with any notice of a tax authority/Tax Notice regarding the assessment of the tax liability amount, and the limitation period for serving the notice has expired.

46. The tax treatment of international carriage and related services (including forwarding) in the course of tax audit of tax period(s) from 1 January 2005 to 1 June 2006 shall be defined taking into consideration the amendments made to the Tax Code of Georgia (Legislative Herald of Georgia, No 41, 30.12.2004, Art. 200) under Law of Georgia No 2955 of 28 April 2006 (Legislative Herald of Georgia, No 11, 1.5.2006, Art. 84). This paragraph shall not apply to the overdue tax liabilities assessed and acknowledged as per a tax audit completed prior to coming in force of this paragraph.

47. The 10-year loss carryover period defined by Article 122 of this Code shall apply to the loss incurred in 2010 and in subsequent years.

48. Article 142(4) of this Code shall not apply to amounts assessed and unpaid prior to 1 January 2011.

49. The tax treatment of revenues received/receivable in the form of contractual penalties and other fines in the course of tax audits of any tax period(s) subsequent to 1 January 2006 shall be defined taking into consideration Article 136(13) of this Code. This paragraph shall not apply to overdue tax liabilities assessed and acknowledged per a tax audit completed prior to coming into force of this paragraph.

50. Notwithstanding the requirements of Article 252 of this Code, the following shall be written off in the manner provided for by the Minister of Finance of Georgia:

a) the property tax assessed on and unpaid for the property in the territories established by the Law of Georgia on Occupied Territories, the penalty interest and fines assessed on it;

b) the property tax assessed on and unpaid for the land possessed/owned by a person, the penalty interest and fines assessed on it, if the land is situated in territories adjacent to the territories established by the Law of Georgia on Occupied Territories, due to which the person cannot use the land, as evidenced by a certificate issued by a local self-government authority;

c) the property tax assessed on and unpaid for property possessed/owned by a person and parcels of land attached to it, the penalty interest and fines assessed on it, if such a person cannot use such property due to the property being used as a dwelling for IDPs, and if the property has been registered as a unit of compact (organised) accommodation of IDPs, as evidenced by a certificate issued by the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs Georgia.

51. If a natural person fulfils the obligation to declare property tax on agricultural land before 1 January 2014, he/she shall be released from the corresponding fine established by this Code.

52. In connection with the tax audit of any tax period(s) prior to the establishment by the competent authority of a maximum marginal rate of loss:

a) the rate of loss established by the competent authority shall apply only if in such tax period the taxpayer used a higher loss rate than that established by the competent authority;

b) if in such tax period the taxpayer used a loss rate equal to or lower than that established by the competent authority, a shortage within the loss rate applied shall not be deemed as a shortfall;

c) no consideration shall be given to the adjustment of tax liability in connection with the taxpayer applying a maximum marginal rate of loss, subsequent to the establishment of the loss rate, if the taxpayer used the loss rate lower than that established by the competent authority or did not use it at all.

53. Paragraph (52) of this article shall not apply to overdue tax liabilities assessed and acknowledged per tax audits completed prior to coming into force of this paragraph.

54. Goods imported for military exercise under the Memorandum on Facilitation of Crossing Border by Civil Transport of Vital Importance, signed in Brussels on 30 October 2007, shall be exempt from import duties.

55. The tax liabilities, privileges and restrictions of an investor and contractor under the Law of Georgia on Olympic Movement Promotion shall be determined by this Code and the Law of Georgia on Olympic Movement Promotion.56. In the cases provided for by the Law of Georgia on Olympic Movement Promotion, the representative body of local self-government may, within the scope of its authority, introduce a local tax rate different from the one fixed by this Code on a part of the territory of the self-governing unit, within the limits of marginal rates fixed by an ordinance of the Government of Georgia.

57. Articles 82(1)(gg),(gg^1), 99(1)(u), 153(5^1), 156(g), 159(1)(d), 159(3)(d), 171(1^1), 176^1(2), 205(10^1), 206(1)(gg^4) and 272(3^1) of this Code shall not apply to the persons engaged in electricity distribution activities under the Law of Georgia on Electric Power Engineering and Natural Gas.

58. The interests not reimbursed to a natural person (except for a person registered as a VAT payer at the moment of receiving income) or a non-resident enterprise (except where the income belongs to a non-resident's permanent establishment in Georgia):

a) by the end of 2012, which are deducted as expenditure in the tax period of 2006, shall be deemed for tax purposes to be reimbursed at the end of 2012;

b) by the end of 2012, which are deducted as expenditure in the tax period of 2007, shall be deemed for tax purposes to be reimbursed till 1 July 2013;

c) by the end of 2013, which are deducted as expenditure in the tax period of 2008, shall be deemed for tax purposes to be reimbursed at the end of 2013;

d) by the end of 2014, which are deducted as expenditure in the tax period of 2009, shall be deemed for tax purposes to be reimbursed at the end of 2014;

e) by the end of 2015, which are deducted as expenditure in the tax period of 2010, shall be deemed for tax purposes to be reimbursed at the end of 2015.

59. Where so provided for by paragraph (58) of this article, a person shall have a tax agent's obligation and the obligation to be taxed by 5 per cent of the corresponding amount, and if actually reimbursed in the subsequent period, the respective income shall not be taxable at the payment source.

60. (Deleted –13.5.2016, No 5092).

61. The penalty on the outstanding part of a tax liability between 1 January 2013 and 30 June 2015 shall be assessed in the amount of 0.06%, and the penalty under Article 272(4) of this Code in the amount of 0.05% shall be assessed on the outstanding part of a tax liability as from 1 July 2015. In this case, provisions of Article 269(2) and (2^1) of this Code shall not apply when defining the amount of penalty for non-payment of the tax.

62. The limitation period defined under Article 4(1), (3), (5), (8) and (9) of this Code and the period defined under Article 43(1)(f) and Article 72 (3) of this Code shall be:

a) within the period from 1 January 2015 to 1 January 2016 – 5 years;

b) within the period from 1 January 2016 to 1 January 2017 – 4 years.

63. The right to deduct VAT under Article 173(2)(h) of this Code may be exercised, if the decision of the tax authority concerning the assessment of VAT on import and/or temporary admission of goods is made after the entry into force of the above subparagraph.

64. A tax agreement concluded on the basis of a decision made before 31 December 2013 shall retain legal force and shall be subject to the provisions of Chapter XLI of the Tax Code of Georgia that was in force at the time when the decision in question was made.

65. The amount paid within the scope of the state financing provided under Article 10 of the Law of Georgia on State Support for National Cinematography shall be recognised as income at the moment of accepting a national film for operation, but not later than the preparation of an act on the completion of the film and the moment of confirming the fact that the financing was spent according to the intended purpose.

66. A person shall record a national film produced with the support of state financing under the Law of Georgia on State Support for National Cinematography as an intangible asset. The person may fully deduct amortisation charges on the intangible asset from the moment of accepting the film for operation.

67. A person who produces a film with the support of state financing under the Law of Georgia on State Support for National Cinematography, shall be obligated to:

a) select the deduction rate for the amortisation charges on an intangible asset in the year when the asset was put into operation and shall not change the selected rate of deduction for the given asset in the periods following the tax year when the asset was put into operation;

b) in the case of full deduction of amortisation charges, use the same method for all the subsequently produced national films, however, he/she may change the selected full deduction of the amortisation charges after five years from the moment of selection.

68. Within the scope of the 2015 Super Cup of the Union of European Football Associations ('UEFA') and related activities:

a) income received by UEFA and/or its affiliations shall be exempt from profit tax;

b) supply of goods and/or delivery of services by UEFA and/or its affiliations shall be exempt from VAT with the right of deduction;

c) import duties shall not be applied to the goods imported by UEFA and/or its affiliations;

d) UEFA and/or its affiliation in Georgia shall be exempt from property tax with respect to the property used in Georgia.

69. Income received by a designated person within the scope of the UEFA 2015 Super Cup and related activities shall be exempt from income/profit taxes.

Note: A designated person is any non-resident person designated by UEFA or its affiliation, including an employee of a club (e.g. a player, coach, etc.), an employee of UEFA or of its affiliation.

70. Within the scope of the 2015 Super Cup and related activities UEFA and/or its affiliation shall not be imposed an obligation to act as a withholding agent under Article 154 of this Code. At the same time, services rendered to UEFA and/or to its affiliation within the scope of these activities shall not be subject to reverse charge VAT.

71. Organisation and conduct of a 2015 Super Cup match shall not give rise to a permanent establishment in Georgia.

72. The following shall be exempt from VAT with the right of deduction:

a) supply of those goods and/or delivery of those services to UEFA, its affiliation and/or the designated person that are directly or indirectly related to the 2015 UEFA Super Cup and to the associated activities;

b) realisation of tickets for a 2015 UEFA Super Cup match or for related events.

73. The procedure for applying tax benefits set out in Articles 68-72 of this Code shall be determined by the Minister of Finance of Georgia.

74. Article 106(a.b), Article 161(1)(b) and Article 174(2)(a.d) of this Code shall apply to legal relationships that have arisen after 1 January 2011.

75. Article 82(1)(b^1 and b^2) and Article 202(7)(a.e) shall apply to legal relationships that have arisen after 1 January 2014.

76. A natural person, whose total income, according to the information submitted to a tax authority, does not exceed GEL 6 000 during 2013 or 2014 calendar year, may deduct non-taxable minimum of GEL 1 800 from the taxable salary income. For the purposes of this paragraph taxable income shall not include income exempt from income tax under this Code.

77. An employee may, in order to recalculate the income tax withheld at source during 2013 and 2014 calendar years and to obtain refund of the relevant amount, submit a declaration for the deduction of a non-taxable minimum (including an adjusted declaration) to a tax authority three months after the close of the relevant accounting year, but not later than 30 September 2015. The procedure for deducting a non-taxable income from the taxable income of a natural person and for refunding the appropriate amount shall be determined by the Minister of Finance of Georgia.

78. If an excess amount is refunded within the scope of a non-taxable minimum and/or if excess amount is deducted against the tax liabilities as a result of non-submission, late submission and/or incorrect submission by an employer to a tax authority of information on the amounts paid and the taxes withheld according to the accounting month, the employee shall not be required to pay taxes on the excessively refunded amount and/or the amount excessively deducted against the tax liabilities. ***(Paragraph 78 shall apply to legal relations arising before the entry into force of the Law No 3015 of 26.12.2014)***

79. Supply of immovable property and delivery by the supplier of immovable property of construction and installation services related to the property supplied shall be VAT exempt with the right to deduct if all of the following conditions are met:

a) the immovable property is supplied and the related construction and installation services are delivered within the period from 1 January 2015 to 1 January 2020;

b) the supplied immovable property is located within the facility specified in a construction permit which was valid on 8 August 2008, or within the facility for which, as of 8 August 2008, the design documentation (architectural design) was agreed upon with an authorised body and the construction permit was issued later on;

c) the supplier of the immovable property is the holder of the construction permit issued for the facility specified in sub-paragraph b) of this paragraph (he/she may not be the holder of the construction permit/the design documentation (architectural design) specified in sub-paragraph (b) of this paragraph);

d) an authorised body issues an individual administrative-legal act to put into operation the facility where the supplied immovable property is located before 1 January 2020;

e) the facility where the supplied immovable property is located is intended for living;

f) the facility where the supplied immovable property is located is included in the list under paragraph 81 of this article.

Note: for the purpose of this paragraph, if within the period from 8 August 2008 to 1 January 2015 the right of ownership to immovable property, as a facility under construction, located in a facility included in the list under paragraph 81 of this article was registered with the Public Registry in the name of a purchaser, construction and installation services delivered by the property supplier in connection with this property shall be considered as part of the immovable property supply, and the moment of completing the construction and installation services shall be considered as the time of supply.

80. The construction and installation services rendered in connection with a facility included in the list under paragraph 81 of this article to a person supplying the immovable property which, under paragraph 79 of this article, is VAT exempt with the right to deduct shall be VAT exempt with the right to deduct.

81. To enjoy the privileges provided for in paragraphs 79 and 80 of this article, the list of facilities that meet the requirements set in paragraph 79(b) and (e) of this article shall be compiled by an executive body of the municipality.

81^1. A person may apply to a municipal executive body for entering a facility in his/her possession in the list under paragraph 81 of this article. The municipal executive body shall enter this facility in this list if, upon application to it by the person, this facility meets the requirements of paragraph 79(b) and (e) of this article.

81^2. Based on the tax privileges under paragraphs 79 and 80 of this article, the period of limitation under Article 4 of this Code of the respective accounting period for an exempt taxable transaction conducted within the accounting periods between 1 January 2015 and 1 January 2017 shall be:

a) five years for an exempt taxable transaction conducted within the accounting period from 1 January 2015 to 1 January 2016;

b) four years for an exempt taxable transaction conducted within the accounting period from 1 January 2016 to 1 January 2017.

82. An owner of an automotive vehicle brought into the Customs Area of Georgia before 1 May 2015 shall be exempted from liability provided for under Article 272 and Article 289(1),(17) and (18) of this Code for failure to pay the tax amount payable for the automotive vehicle within the time limit specified in the tax legislation; for failure to meet the deadlines for presenting goods/performing general declaration/declaring good, or for the presentation of a vehicle, or for violation of the conditions of a goods transaction if the owner ensures that the automotive vehicle is presented and registered.

83. The exemption from liability provided for by paragraph 82 of this article shall not apply to persons against whom the tax sanctions imposed for tax offences were enforced before the entry into force of paragraph 82 of this article.

84. A document confirming the payment of VAT into the budget at the time of reverse charge or temporary admission of goods shall be deemed to be a deduction document for the reporting periods before 1 July 2015.

85. The Minister of Finance of Georgia shall ensure issuance of an order to establish the procedure specified in Article 81(5) of this Code before 1 January 2016.

86. Waiver by an electricity enterprise engaged in electricity distribution of a debtor's debt incurred as a result of the supply of electricity from 1 November 2001 to 1 January 2005 shall not be deemed as the reimbursement of the cost of the received goods.

87. The following shall be exempted from income tax:

a) a benefit received by a natural person as a result of the waiver of the debt incurred as a result of the supply of electricity 1 November 2001 to 1 October 2005;

b) a benefit received by a person affected by the natural disaster occurring in Tbilisi on 13-14 June 2015:

b.a) as a result of waiver of loan by a financial institution;

b.b) as a result of receiving goods/services free of charge from 14 June 2015 to 1 January 2016;

c) a benefit received by a natural person after waiver (writing off) of a loan obligation classified as a bad loan by a commercial bank or a microfinance organisation considering internal procedures, analysis and assessment as of 1 January 2014 under the procedure established by the National Bank of Georgia. For the purposes provided for under this paragraph, a microfinance organisation shall perform classification of a bad loan under the procedure established by the National Bank of Georgia as specified in the same paragraph.

Note:

1. For the purposes of subparagraph (b) of this paragraph, the list of persons affected by the natural disaster that occurred in Tbilisi on 13 -14 June 2015 shall be compiled by the government of the Tbilisi municipality.

2. Sub-paragraph c) of this paragraph shall not apply to the cases of waiver by an employer of a loan obligation of an employee or of the related persons defined under Article 19 of this Code.

88. A financial institution may deduct from the total income the value of the loan (waived) under paragraph 87(b.a) of this article. The value of the loan (waived) under paragraph 87(b.a) of this article need not be included in the total income by the financial institution.

88^1) A commercial bank and a microfinance organisation may deduct the value of a (waived) loan obligation provided for under paragraph 87(c) of this article from the gross income, except when the commercial bank:

a) has deducted the reserve of possible loss of loan from the gross income for a respective period;

b) has not included the interest and penalty accrued on the loan into the gross income for a respective period.

Note: Based on the limitation defined under this paragraph, the value of a (waived) loan obligation provided for under paragraph 87(c) of this article may not be included by a commercial bank or a microfinance organisation into the gross income.

89. If the Government of Georgia, in accordance with the treaty put in effect after the ratification by the Parliament of Georgia, has an obligation to make exemption from or to undertake the fulfillment of tax liabilities arisen from supply of goods and/or providing services (except where it is directly determined in the treaty that tax liabilities are fulfilled by the Government of Georgia) the supply of goods and/or provision of services within the scope of the said treaty shall be deemed exempt from VAT with the right of deduction and the income from conducting such operations shall be exempt from income/profit tax.

90. Gratuities transferred by an enterprise/entrepreneur to the State and/or self-government unit in relations with natural disaster which took place in 13-14 June 2015 in Tbilisi, shall be subject to deduction from gross income.

91. Tax privileges under Article 82(2)(a.f) of this Code that are valid until 1 January 2016 shall apply to persons under the same subparagraph residing in towns, villages, communities and small settlements (except for settlements included in the list of high-mountain settlements approved by Ordinance №671 of 30 December 2015 of the Government of Georgia on Approval of the List of High-mountain Settlements) specified in the list defined under the appendix to the law provided for in Article 6 of the Law of Georgia on Socio-economic and Cultural Development of High-mountain Regions valid until 1 January 2016.

92. If a resident enterprise distributes a dividend from a net profit gained during the reporting periods from 1 January 2008 to 1 January 2017, it may set off the amount of profit tax assessed and paid based on the reporting periods, but not more than the amount to be paid according to the object of profit taxation provided for under Article 98^1 of this Code.

92^1. The distribution of profit gained by the permanent establishment of a non-resident enterprise before 1 January 2017 shall not be subject to profit taxation.

93. The amount to be set off under paragraph 92 of this article shall be calculated by the following formula – A x B / (C – D), where: A is the amount to be distributed as a dividend; B is the amount of profit tax assessed and paid according to the reporting periods from 1 January 2008 to 1 January 2017; C is the amount of net profit gained during the reporting periods from 1 January 2008 to 1 January 2017; D is the value of the shares/interest of an enterprise transferred to a partner by the enterprise instead of a dividend based on the net profit gained during the reporting periods from 1 January 2008 to 1 January 2017.

93^1. In the case under Article 98^2(3)(f) of this Code, a person may, in accordance with paragraph 92 of this article, set off the profit tax imposed and paid before the distribution of dividends for the accounting periods from 1 January 2008 to 1 January 2017.

93^2. If a person enjoys the right under paragraph 93^1 of this article:

a) at the time of the distribution of dividends for the accounting periods from 1 January 2008 to 1 January 2017, the offset under paragraph 92 of this article shall be decreased by the amount of the profit tax set off in accordance with paragraph 93^1 of the same article;

b) at the time of receiving the compensation as a result of providing the right to participate in the capital (shares/interest) (actually receiving the sum), a person may set off the previously paid profit tax within the accounting period when the sum was actually received but not more than the profit tax calculated according to the sum compensated.

94. Commercial banks, credit unions, insurance organisations, microfinance organisations and pawnshops shall be subject to profit tax according to the objects of taxation under Article 97(1) of this Code from 1 January 2023.

95. Until 1 January 2023, the object of profit taxation for commercial banks, credit unions, insurance organisations, microfinance organisations and pawnshops shall be the difference between the gross income gained during a calendar year and the deduction amounts under this Code.

96. Article 168(4)(z) of this Code shall apply to legal relations arising from 1 January 2008. Furthermore, paragraph z of this article shall not apply to a recognised tax liability assessed on the basis of a tax audit completed before the entry of this paragraph into force.

97. The rate for mobile communication services under Article 188(3) of this Code shall be 8 % until 1 January 2017, and 3 % – from 1 January 2017 till 1 January 2018.

98. The time of performing a taxable transaction involving goods supplied/services delivered in the period after 1 January 2017 for which the amount/part of the amount of compensation was paid before 1 January 2017 (before the supply of goods/delivery of services) shall be considered the moment of supplying goods/delivering services. Further, the amount/part of the amount of compensation paid within a period after 1 January 2017 on the same transaction before the supply of goods /delivery of services shall be VAT taxed under Article 161(1)(a.b.d) of this Code.

99. For the purposes of Article 98^1 of this Code:

a) the distribution of dividends from profits attributed to the periods from 1 January 2008 to 1 January 2023 received from a person under paragraph 94 of this article shall not be considered as the distribution of profit;

b) the distribution of dividends from profits attributed to the periods from 1 January 2008 to 1 January 2017 to a person under paragraph 94 of this article, also the distribution of dividends from profits attributed to the periods from 1 January 2017 to 1 January 2023 to a person under paragraph 94 of this article until 1 January 2023 shall be considered as the distribution of profit.

100. Until 1 July 2017, a motor car under the commodity item 8703 of the National Commodity Nomenclature of Foreign Economic Activities shall be taxed at an excise rate effective until 1 January 2017 if:

a) transportation of the motor car by sea has started before 1 January 2017, and it is delivered to the customs territory of Georgia by the sea transport not later than 31 March 2017;

b) the motor car has been delivered to the customs territory of Georgia before 1 January 2017.

101. Co-financing received by a person from the Legal Entity under Public Law within the system of the Ministry of Economy and Sustainable Development of Georgia – Produce in Georgia under Ordinance No 365 of 30 May 2014 of the Government of Georgia

on Approval of the State Programme 'Produce in Georgia' throughout the duration of this ordinance, within the micro and small entrepreneurship part of the State Programme 'Produce in Georgia' shall not be included in the gross income.

102. In the case of enjoying the tax privileges under Article 99(1)(f) and (q) of this Code that are effective during the respective accounting period, the period of limitation under Article 4 of this Code of the respective accounting period for the accounting periods of 2014-2016 years shall be extended by one year.

103. For the purposes of Article 98^1 of this Code:

a) distribution of dividend from the net profit earned during the accounting period from 1 January 2008 to 1 January 2017 shall be deemed as the distribution of profit, whereas its subsequent distribution by the recipient of the dividend – the person defined under Article 2(1) of the Law of Georgia on Entrepreneurs (except for an individual enterprise and a person exempted from profit tax under this Code) shall not be deemed as the distribution of profit;

b) subsequent distribution of dividend received during the accounting periods before 1 January 2017 shall not be deemed as the distribution of profit.

104. An object of profit taxation of an enterprise shall be the difference between the gross income gained during a calendar year and the deduction amounts provided for by this Code if the enterprise has been granted the status of person under paragraph 94 of this article during the respective calendar year (it has been established that it is the person under paragraph 94 of this article). In such a case:

a) accruals carried out on the basis of a profit tax return submitted according to the object of taxation under Article 97 of this Code during the respective calendar year shall be cancelled:

b) current payments payable according to the periods under Article 155 of this Code for the period before acquiring the status of person under paragraph 94 of this article (before being declared a tax payer of this category) shall not be imposed.

105. An object of profit taxation of an enterprise shall be the difference between the gross income gained during a calendar year and the deduction amounts provided for by this Code if the enterprise has lost the status of person under paragraph 94 of this article during the respective calendar year (it has been established that it is not the person under paragraph 94 of this article).

106. If an enterprise taxed according to the objects of taxation under Article 97(1) and (3) of this Code since 1 January 2017 was established during the period from 1 December 2016 to 31 December 2016, its first taxation period shall be the period from the day it was established till the end of 2016, according to which it shall submit the profit tax return to the tax authority before 1 April 2018.

107. For VAT taxation purposes, provisions effective until 1 January 2018 shall apply to long-term contracts concluded before 1 January 2018.

108. A person having the status of a small business shall file a tax return for the period from 1 January 2018 to 1 July 2018 to a tax authority not later than 1 April 2019.

109. An entrepreneur natural person, who has been granted the status of a small business within the period from 1 January 2018 to 1 July 2018, shall file a tax return for an incomplete tax period (for a period from 1 January 2018 until the month when the status was granted) to a tax authority not later than 1 April 2019.

110. A penalty under Article 274 of this Code for violation of the time limit determined for filing a tax return under Article $93(1^1)$ of this Code for the accounting periods from 1 January 2018 to 1 January 2019 with a tax authority shall not be imposed on a person having the status of a small business.

Law of Georgia No 4061 of 15 December 2010 – LHG III, No 75, 27.12.2010, Art. 469

Law of Georgia No 4114 of 17 December 2010 – LHG III, No 76, 29.12.2010, Art. 506

Law of Georgia No 4206 of 22 February 2011 – website, 10.3.2011

Law of Georgia No 4549 of 19 April 2011 – website, 2.5.2011

Law of Georgia No 4720 of 31 May 2011 – website, 10.6.2011

Law of Georgia No 4754 of 14 June 2011 – website, 28.6.2011

Law of Georgia No 4935 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 4963 of 24 June 2011 – website, 30.6.2011

Law of Georgia No 5120 of 13 October 2011 – website, 19.10.2011

Law of Georgia No 5118 of 13 October 2011 – website, 31.10.2011

Law of Georgia No 5202 of 8 November 2011 – website, 22.11.2011

Law of Georgia No 5372 of 6 December 2011 – website, 20.12.2011

Law of Georgia No 5452 of 9 December 2011 – website, 22.12.2011

Law of Georgia No 5582 of 20 December 2011 – website, 28.12.2011

Law of Georgia No 5556 of 20 December 2011 – website, 30.12.2011

Law of Georgia No 5942 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 5976 of 30 March 2012 – website, 19.4.2012

Law of Georgia No 6015 of 10 April 2012 – website, 30.4.2012

Law of Georgia No 6211 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6176 of 15 May 2012 – website, 29.5.2012

Law of Georgia No 6300 of 25 May 2012 – website, 8.6.2012

Law of Georgia No 6395 of 5 June 2012 – website, 19.6.2012

Law of Georgia No 6446 of 12 June 2012 – website, 25.6.2012

Law of Georgia No 6547 of 22 June 2012 – website, 4.7.2012

Law of Georgia No 118 of 20 December 2012 – website, 29.12.2012

Law of Georgia No 189 of 28 December 2012 – website, 29.12.2012

Law of Georgia No 784 of 28 June 2013 – website, 28.6.2013

Law of Georgia No 1886 of 26 December 2013 – website, 30.12.2013

Law of Georgia No 2368 of 2 May 2014 – website, 16.5.2014

Law of Georgia No 2540 of 26 July 2014 – website, 6.8.2014

Law of Georgia No 2950 of 12 December 2014 – website, 23.12.2014

Law of Georgia No 2952 of 12 December 2014 – website, 23.12.2014

Law of Georgia No 2946 of 12 December 2014 – website, 24.12.2014

Law of Georgia No 3015 of 26 December 2014 – website, 30.12.2014

Law of Georgia No 3407 of 20 March 2015 – website, 26.3.2015

Law of Georgia No 3581 of 1May 2015 – website, 15.5.2015

Law of Georgia No 4092 of 22 July 2015 – website, 31.7.2015

Law of Georgia No 4680 of 18 December 2015 – website, 29.12.2015

Law of Georgia No 4842 of 4 March 2016 – website, 9.13.2016

Law of Georgia No 5092 of 13 May 2016 – website, 1.6.2016

Law of Georgia No 5406 of 8 June 2016 – website, 17.6.2016

Law of Georgia No 5445 of 22 June 2016 – website, 29.6.2016

Law of Georgia No 5491 of 22 June 2016 – website, 29.6.2016

Law of Georgia No 97 of 16 December 2016 – website, 23.12.2016

Law of Georgia No 196 of 22 December 2016 – website, 29.12.2016

Law of Georgia No 850 of 17 May 2017 – website, 2.6.2017

Law of Georgia No 1182 of 30 June 2017 – website, 13.7.2017

Law of Georgia No 1935 of 23 December 2017 – website, 29.12.2017

Law of Georgia No 2391 of 30 May 2018 – website, 12.6.2018

Law of Georgia No 3109 of 5 July 2018 – website, 11.7.2018

Law of Georgia No 3263 of 21 July 2018 – website, 1.8.2018

Article 309[1] – Legal regulation during transition period in relation to persons declared as legally incompetent by court before 1 April 2015

1. Tax liabilities of a person declared as legally incompetent by court before 1 April 2015 shall be paid by his/her custodian at the expense of the property of the legally incompetent person, until the individual examination of this legally incompetent person is conducted.

2. Tax arrears of a person declared as legally incompetent by court before 1 April 2015 shall be regarded as bad debt and shall be written off if his/her property is insufficient to cover the tax arrears, until the individual examination of this legally incompetent person is conducted.

3. The written-off tax arrears shall be restored the day the decision is made following the individual examination of a person declared as legally incompetent by court before 1 April 2015, unless otherwise determined under the court decision.

6. Tax arrears of a person declared as legally incompetent by court before 1 April 2015 shall be the tax arrears as of the date when he/she was declared as legally incompetent.

Law of Georgia No 3349 of 20 March 2015 – website, 31.3.2015

Article 310 – Final provisions

1. This Code shall enter into force from 1 January 2011.

2. The following shall be declared invalid upon entering into force of this Code:

a) the Tax Code of Georgia (Legislative Herald of Georgia, No 41, 30.12.2004, Art. 200) for the tax periods starting from 1 January 2011;

b) the Customs Code of Georgia (Legislative Herald of Georgia, No 39, 9.8.2006, Art. 280) for the tax periods starting from 1 January 2011.

3. The procedural provisions of this Code shall also apply, from 1 January 2011, to the tax periods that end before 1 January 2011.

President of Georgia M. Saakashvili

Tbilisi

17 September 2010

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