

TAX & LEGAL NEWSLETTER

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The tax reliefs in connection with pandemic

According to the law (№83-IIRS-XMP) of Parliament of Georgia (05.01.2021) the amendments have been made in the Tax Code of Georgia (hereinafter “GTC”). Particularly, the amendments were made into the parts 112, 113 and 115 parts of the article 309, also the part 114¹ was added to the same article, according to which:

▶ From December 1, 2020, the employer is entitled to reduce (not pay to the budget) the income tax payable on the salary of the employee up to 750 GEL, during the next 6 calendar months, if the salary received by this employee from the same employer for 1 calendar month does not exceed 1,500 GEL.

Note: This tax relief does not apply to the budgetary organization, the National Bank of Georgia and the National Regulatory Authority, also enterprise, more than 50% of shares of which belongs to the state or municipality, and the enterprise established by this enterprise/subsidiary of this enterprise, if this enterprise owns more than 50% of shares in this enterprise.

▶ From December 1, 2020, the taxpayer is entitled to tax leasing services by VAT during 6 calendar months (reporting period), according to the reporting periods when actual payments of the service fee/the part of service fee are made.

▶ The taxpayers, performing the following economic activities under the codes of the National Classifier of economic activities, are exempted from property tax which is declarable in 2021:

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▶▶ The property used in the activities provided under the code 55.1 (hotels and similar accommodation facilities) and/or under the code 55.2 (facilities for recreation and other short-term accommodation);

▶▶ The property used in the activities provided under the Code 56.1 (restaurants and mobile food service activities);

▶▶ The property used in the activities provided under the Code 56.3 (Beverage Service Activities);

▶▶ The property used in the activities provided under the Code 79 (travel agencies, tour operators and other booking and related activities).

Note: The tax relief envisaged under this section applies also to the leased transferred or other property transferred in the similar way, if such property is used in any of the activities specified in this part.

▶ The Minister of Finance/- Head of the Revenue Service has the right to extend the deadline of the payment of personal income tax envisaged by GTC in November and December 2020, not later than July 1, 2021 to the taxpayer, who performs the economic activities provided under the Codes 55.1 and 55.2 of the National Classifier of Economic Activities of Georgia in small town Bakuriani of Borjomi Municipality, in the village Gudauri of Kazbegi Municipality, in the resort Goderdzi of Khulo Municipality or in the small town Mestia of Mestia Municipality. In this case the taxpayer shall not be charged by the penalty interest envisaged under this Code.

The part 130 has also been added to the article 309, according to which the Government of Georgia is entitled to write off income tax postponed and payable in February, March, April and May 2020 for those taxpayers, who are carrying out the activities provided under the Codes 55.1, 55.2, 56.1, 56.3 and 79 of the National Classifier of Economic Activities of Georgia. These persons are obliged to submit the mentioned information to the tax authority in electronic way to reduce (not to pay in the budget) the postponed income tax.

In addition, it was explained that the person, who carries out other economic activities except of the activities defined under the codes 55.1, 55.2, 56.1, 56.3 and 79, should provide the additional information to the Revenue Service about the income tax which is related to the activities under the codes 55.1, 55.2, 56.1, 56.3 and 79.

The amendment came into force from 7 January 2021.

THE AMENDMENT TO THE ORDER

VAT instruction

By the order №326 (30.12.2020) of the Minister of Finance of Georgia, an amendment has been made to the Order №996 (31.12.2010) of the Minister of Finance of Georgia on Tax Administration. According to the amendment the instruction of taxation was added to the order, which is related to new VAT regulations effective from 2021 in tax code.

The amendment came into force from 1 January 2021.

Declaration of Corporate Income Tax (CIT) distributed by an International Company

By the order №312 (18.12.2020) of the Minister of Finance of Georgia, an amendment has been made to the Order №996 (31.12.2010) of the Minister of Finance of Georgia on Tax Administration. In particular, the amendment is related to the Article 40¹, which defines the instructions of calculation and declaration of distributed profit, the amount of taxable CIT, reducible amount of CIT for Companies with the status of International Companies.

The amendment came into force from 22 December 2020.

The register of Employed Persons

By the order №331 (31.12.2020) of the Minister of Finance of Georgia, an amendment has been made to the Order №996 (31.12.2010) of the Minister of Finance of Georgia on Tax Administration. Particularly, the part 11² was added to the order, which explains the details of reflection the information about hired employees in the Register of Employees (maintained by the Revenue Service).

According to the amendment, the information about starting/suspension/termination of employment must be submitted electronically through the website (www.rs.ge).

By March 1, 2021, the employer must enter the information in the Register of Employed Persons as of February 1, 2021. The following information about employees shall be reflected in the register:

- ▶ Personal number, name and surname, sex, citizenship, date of birth, mobile phone number.
- ▶ Working rate.
- ▶ Status - active, suspended, terminated:
- ▶▶ Status “active” is granted to the employee who fulfills his/her contractual obligations based on the labor contract;

▶▶ Status “suspended” is granted to the employee who is temporarily unable to fulfill his contractual obligation, which does not lead to termination of labor relationship and at the same time the period of suspension of employment exceeds 90 calendar days.

▶▶ Status “terminated” is granted to the employee with whom the employment contract has been terminated.

▶ Date of termination/suspension of status.

In case of change of terminated and suspended status, the employer is obliged to reflect the relevant changes in the register of employed persons within 5 working days. In the case of granting active status, the change must be reflected in the register not later than the date of renewal the employment relationship.

The amendment came into force from 1 February 2021.

Remote controlling purchase

By the order №11 (21.01.2021) of the Minister of Finance of Georgia, the amendment has been made to the Order №994 (31.12.2010) of the Ministry of Finance of Georgia on the Approval of the Procedure for Conducting Current Control Procedures, Write-off of inventory, repayment of Recognized Tax Debts, Measures for Securing Tax Debts, Tax offence cases. According to the amendment: in order to reveal the fact of violation of the procedure for registration as a taxpayer, the controlling purchase may be carried out remotely, through the electronic communication way, if there is a reasonable suspicion that the person conducts the economic activity.

The amendment came into force from 23 January 2021

On assigning the VAT payer the status of qualified/unqualified

By the Order №107 (15 January 2021) of the Head of the Revenue Service, the statuses of qualified and unqualified has been defined for VAT payer. The following persons received the status of an unqualified VAT payer:

- ▶ The person newly registered as VAT payer, from the moment of registration as a VAT payer;

▶ A person registered as a VAT payer who does not have a transaction on the taxpayer's personal registration card during any 12 consecutive calendar months (in such a case, the transaction according to which the amount recorded on the taxpayer's personal registration card is equal to "0" zero is not taken into account) - no later than the 15th day of the month following the corresponding month.

Accordingly, qualified VAT payers are those VAT payers who have recorded the transaction on the personal registration card during the last 12 months.

In case of granting the status of an unqualified VAT payer to a person registered as a VAT payer, a restriction applies to the period of validity of the mentioned status, which restricts the right to issue and confirm tax invoices (as well as Tax invoice of petroleum product and tax document).

In order to obtain (re-obtain) the status of a qualified VAT payer and to regain the right to issue/confirm /use tax invoices, it is necessary to apply to the Revenue Service.

The amendment came into force from 20 January 2021.

AMENDMENT TO THE DECREE OF THE GOVERNMENT

Amendment to the government decree on payment of compensation in the amount of 200 GEL

Georgian Government decree №829 of December 31, 2020, amended the decree №286 of May 4, 2020 on approval of the Target State Program for Harm Reduction from Infections Caused by the New Coronavirus about (COVID-19)". The amendment defines the rules for the provision of assistance, persons eligible for compensation and the amount of compensation.

From January 2021, a hired person will be able to receive compensation in the amount of 200 GEL per month for a maximum of 6 months if she/he meets the following conditions:

- ▶ Was employed (including a person who is on leave due to pregnancy, childbirth and childcare, as well as the adoption of a newborn) for any two or more months from January 2020 to November 2020 and received a salary during this period, as confirmed by the employer (except FIZ). Enterprise that does not withhold tax from the source of payment) according to the information provided by Article 154 of the Tax Code of Georgia submitted

for the reporting months January-November 2020 to January 1, 2021 (except for pregnancy, childbirth and child care or adoption of a newborn child Case of stay).

► In the period from December 2020 to February 2021, does not receive any salary for any one or more months (including due to termination/suspension of employment).

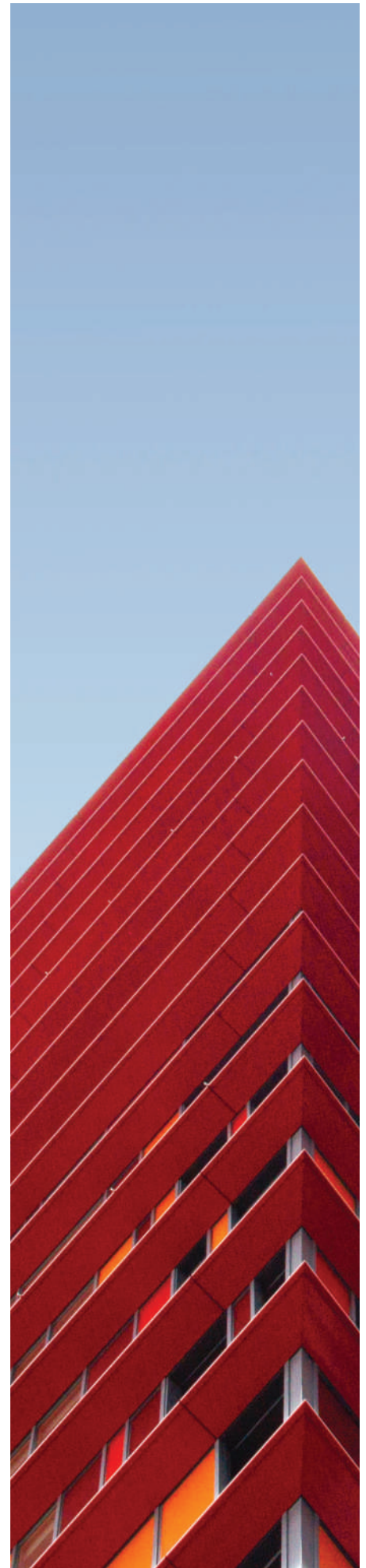
Compensation is terminated if a person entitled to compensation is paid more than 10 GEL in March 2021 or the following month (s) in the information on the submissions submitted by the employer.

Note: For the purposes of receiving compensation under this program, a person shall not be considered as employee who has received the last salary from January 2020 to November 2020 from the budget organization, the National Bank of Georgia, the National Regulatory Authority and an enterprise whose shares are more than 50% owned by the state or municipality or a subsidiary established by that enterprise, of which more than 50% of shares is owned by that enterprise shall not be considered as employee.

In case the information provided according to the Article 154 of GTC and submitted by the employer before January 1, 2021 is corrected, it shall be considered submitted before January 1, 2021, if only the personal number which was incorrectly indicated is subject of correction, as such incorrectness leads to the loss of the right to receive the compensation of 200 GEL.

The payment of this compensation depends on the information submitted by the employer to the Revenue Service. For six months from January 2021, the employer will electronically submit the name, surname, personal number, contact details and bank details of the persons entitled to receive compensation through the personal website of the taxpayer, no later than the 20th day of each month.

The amendment came into force from 1 January 2021.





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