

TAX AND LEGAL NEWSLETTER

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Amendment to the Law

Transactions taxable by excise tax

According to the law №6343-II of Georgia (12.06.2020) the amendments have been made in the Tax Code of Georgia (hereinafter “GTC”), in particular: in the articles 182, 184, paragraphs “D” part 1. According to the amendment it was defined that the excise tax payer is a person who supplies natural gas (in gaseous state) to the motor vehicles, when the moment of supply of natural gas (in gaseous state) to the motor vehicles is the excise taxable moment. Prior to the amendment, a person who supplied natural gas condensate to a motor vehicle was also considered as an excise taxpayer.

The paragraph “D1” of the first part is canceled from the same articles, according to which the excise tax on the supply of the following petroleum gas to the motor vehicles is no longer taxed:

- ▶ 2711 12 - Propane
- ▶ 2711 13 - Butanes
- ▶ 2711 14 000 00 - Ethylene, propylene, butylene and butadiene
- ▶ 2711 19 000 00 - Other.

However, the above-mentioned goods are still considered excisable goods as their importation is still object to excise tax.

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The amendment also has been made in the Article 188, which defines excise tax rates on excisable goods. In particular, excise rates on petroleum products and natural gas (other than carried through a pipeline) have been increased and determined as follows:

Petroleum gas product and natural gas (other than carried through a pipeline)			
2709 00 100 00	- Gas condensate, natural	1 t	300
2711 11 000 00	- - Natural gas (liquefied)	1 t	300
2711 12	- - Propane	1 t	300
2711 13	- - Butanes	1 t	300
2711 14 000 00	- - Ethylene, propylene, butylene and butadiene	1 t	300
2711 19 000 00	- - Other	1 t	300
2711 21 000 00	- - Natural gas (gaseous)	1000 m ³	200
2901 10 000 00	- Saturated	1 t	300
2901 23	- - Buten (butylene) and its Isomers	1 t	300

The amendment came into force from 4 July 2020.

The amendment to the decree to the decree

The amendment to the target state program to reduce the damage from a new coronavirus infection (COVID-19)

In accordance with the decree of the Government of Georgia №372, on June 16, 2020, the amendment has been made in the decree №286 of the Government of Georgia about a target state program to reduce the damage from a new coronavirus infection (COVID-19). According to the amendment:

- ▶ The list of recipients of compensation in the amount of 200 GEL per month has been increased. Following employees were added to the existing list (which included those who received their salaries at least once in the first quarter of 2020):
 - ▶▶ Who have been hired for any continuous three months during the period from July to December of 2019.
 - ▶▶ Who have not received a salary in June 2020 (although they may have received a salary in April and May).
 - ▶ The maximum amount of compensation - 1,200 GEL was determined. At the same time, the restriction on reporting periods for issuing compensations was canceled (before the amendment, the reporting period for paying compensations included only the period April-September).

- ▶ The reason of termination of employment is not the subject of consideration, every reasons of termination/suspension of the employment are already sufficient.
- ▶ In case the employer does not provide the information about the recipients of the 200 GEL compensation in the next period, the statements of the previous periods will be used and the employer's responsibility will be considered fulfilled.
- ▶ However, the employer will be liable to submit an application if the purpose of the clarification is to add the employee to the register of recipients of compensation. The employer will provide the information about only this person, and the previous application(s) submitted by the employer to the Service (Revenue Service) will be applied according to the rest of the employees.
- ▶ The employer is entitled to correct the employee's personal number submitted incorrectly in the tax return about Payment of Taxes Withheld at the source of payment even after 22 May or according to the year 2019 - in the information of payments. In this case, the employee will be able to receive 200 GEL compensation per month.
- ▶ The Free Industrial Zone Enterprise shall be entitled to provide monthly information about the recipients of GEL 200 compensation per month, even if it didn't act as tax agent for the employees.

- ▶ Employee shall be entitled to receive compensation in the amount of 200 GEL by submitting an application, even if the employer - entrepreneur natural person died, and it was impossible to submit monthly information.
- ▶ It was clarified that even a registered self-employed person (individual entrepreneur, small, micro, fixed taxpayer) is entitled to submit an application and a document proving economic activity and/or income in the first quarter of 2020 to receive a one-time 300 GEL compensation if he/she was not automatically included in the list of self-employed persons receiving compensation made by Revenue Service (because they did not have submitted declarations or did not have the turnover of the cash register or other.).
- ▶ An employee (or former employee) who has obtained the right to receive 200 GEL compensation per month according to the reporting period of April and/or May, retains this right even if he/she received a salary/benefit in the amount of not more than 10 GEL in June 2020 or next months.
- ▶ A self-employed person can receive a one-time 300 GEL compensation even if the salary in the amount of not more than 10 GEL is recorded from another source (employer) in any month of 2020.

The amendment came into force from 17 January 2020.

In accordance with the decree №388 (26.06.2020) of the Government of Georgia, the amendment also has been made in the decree №286 according to which the citizens of Georgia, who were self-employed outside the borders of Georgia, due to which the border crossing has been recorded at least 60 times in 2019 and/or being outside Georgian territory has been recorded for 30 up to 120 calendar days during the period from March to October 2019, based on the information (cross-border) of the Ministry of Affairs are entitled to be registered on the registration portal as recipients of compensation no later than 15 July 2020.

The amendment came into force from 27 June 2020.

[The amendment came into force from 27 June 2020.](#)

The rule of reflection of tax relief in the tax declaration

By the order №124 of the Minister of Finance of Georgia amendments were made to the order of the Minister of Finance of Georgia № 996 “On tax administration”. In particular, the 14th column with the name “tax subject to reduction” was added to Appendix “A” of the income tax return.

This is related to the Article 309, part 112 of the Tax Code of Georgia, according to which the employer (with the exception of the National Bank of Georgia, the national regulatory authority and enterprises of the budget organization) is entitled to reduce (not to pay to the budget) income tax payable according to employee on the salary up to GEL 750, if the salary received by this employee from the same employer within 1 calendar month does not exceed GEL 1500.

Illustrative examples of different possible cases were recorded in the same order regarding the use of this benefit.

The amendment came into force from 6 June 2020.

Simplified rule for inventory write off

By the Order №140 of the Minister of Finance of Georgia, on June 24, 2020, amendments were 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 Ensuring Tax Debts, Tax offence cases”. In particular, article 37¹⁷ was added to the order, which clarifies the simplified procedure for writing off inventory. According to the amendment, the simplified procedure for writing off inventory applies only to catering activities,

inventory items subject to write-off (excluding excisable goods).

A person is entitled to use the simplified procedure for writing off inventory items subject to certain criteria specified in this order.

In order to use the simplified procedure for writing off inventory items, the interested person must provide the Revenue Service with a certificate stating the name/trademark of the interested person and identification number. Upon receipt of the application, the Revenue Service shall immediately make an entry about the interested person in the Register (hereinafter referred to as the “Register”) of the Simplified write off of the inventory, which is made by the Revenue Service itself.

The order also defines the obligations of the person in relation to the use of simplified write-offs in relation to inventory.

Article 37¹⁸ was also added to the aforementioned order, which clarified in which case the right to use the simplified procedure for writing off inventory items is canceled.

In accordance with the Decree №382 of the Government of Georgia (25.06.2020) an amendment was made to the Decree №96 of the Government of Georgia (30.03.2010) “On Approving the Fees for Services rendered by LEPL Revenue Service”.

According to the amendment it was stated that confirmation of the notification about the write off of expired and/or unsuitable for sale products in the amount of up to GEL 100 per day at one facility, as well as a notification about the simplified write-off of goods shall be exempt from fee.

The orders came into force from 1 July 2020.

[Amendment to the Methodical Reference](#)

Cancellation of surplus existing on taxpayer's personal account card

On June 2, 2020, amendment was made to the rule for proceeding of taxpayer's personal account cards. The amendment provides that as of December 31 of each year, the overpaid amount existed on the personal account card for which the time of limitation will be expired on 1st January of next year shall be canceled, in case during the last 3 years until the date of cancelation there has not been reflected any transaction on taxpayer's personal account card. For this purpose, the transaction is not taken into account, on the basis of which the amount of tax payable is zero (unless when the amount that should be credited according to the submitted tax return/calculation is equal to the accrued amount).

This does not apply to personal account cards of taxpayer's that are state or local governmental bodies, as well as state-controlled or otherwise regulated by the Georgian Organic Law "Local Government Code", as well as non-profit taxpayers founded by the state, state bodies or local authorities.

Cancellation of the overpaid amount on the taxpayer's personal account card is carried out by the Information Technology Center on January 1 of each year.

This rule also will apply to those taxpayers who has not any transactions from 1 January 2017 until the entrance into force this order on taxpayer's personal account card (including a temporary account card) within 1 month from the entrance into force of this order. The surplus reflected on their cards as of 31 December 2019 that is qualified as surplus by 1 January 2020 and the limitation period of which is expired shall be canceled.

The order came into force from 3 June 2020.

Insignificant losses of goods (food) detected in selling areas are not considered as shortage

On 19 June 2020, Revenue Service issued Order №16117 determining the tax liability, approving methodological guideline about business transactions having insignificant economic impact. The Order clarified the concept of insignificant loss for Selling Areas, which will not be considered as shortage for tax purposes. According to the Order, insignificant losses are the sum of the losses of goods (food) detected at taxpayer's selling areas during the current calendar year, the market value of which (excluding VAT) does not exceed 1% of the total sales (excluding VAT) of goods (food) sold from taxpayer's selling areas during the previous calendar year.

If the total value (without VAT) of goods sold during the current calendar year, including losses (without VAT), significantly differs (by 10 percent or more) from the data of the previous calendar year, then the amount of insignificant losses in December of this year is subject to recalculation. In this case, insignificant amount of loss is determined as 1% of the data of the current calendar year.

This Methodical Reference is applicable only in case when:

- ▶ Has not been identified the person who committed the theft and/or illegal consumption of goods
- ▶ No one has been demanded to reimburse the damage
- ▶ There is no any other evidence excluding the loss.

The terms have the following meanings within the limits of this Methodological Reference:

▶ Selling Area is a store (market, supermarket or hypermarket) where the retail sale of goods (food) is carried out on the basis of the “open warehouse” principle.

▶ Goods (food) - this is any processed, partially processed or unprocessed product intended for human consumption, as well as all types of drinks (except excisable goods, wine and drinks subject to mandatory marking), chewing gum and any food substance used in production and processing of food products.

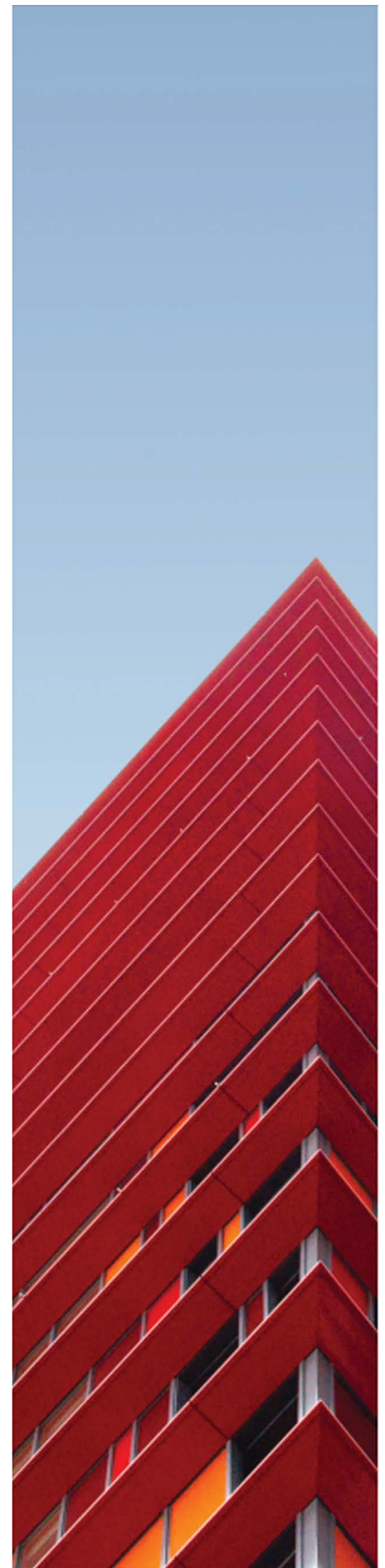
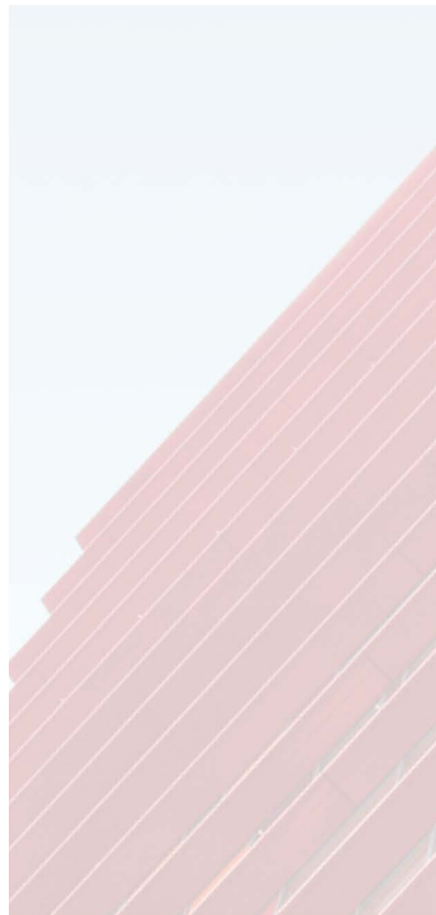
▶ With all of the following conditions, an open warehouse is a Selling Area:

- ▶▶ Where customer entry-exit is identified;
- ▶▶ Where the goods (food) intended for sale are placed in an accessible place for the buyer - on shelves, refrigerated counters and other storage facilities;

▶▶ When a client independently and/or with the help of a cashier-consultant selects the desired product (food)

▶▶ Where the purchase and sale of goods (food) is recorded by barcodes and software, and there are identifiable the cost of the purchased goods (food) and the amount received from the sale of the same goods (food) with the help of this accounting.

This methodological reference is valid from 20 June 2020 and will be used for the inventory written off in reporting periods from 1 January 2020.





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