

# TAX NEWSLETTER

## Amendment to the Rule of Preparing the Corporate Income Tax Return

By the Order N300 (31.08.2017) of the Minister of Finance of Georgia amendment has been made to the Order N996 (31.12.2010) - administration of taxes. The amendment applies specifically to the filling out the form of Corporate Income Tax return.

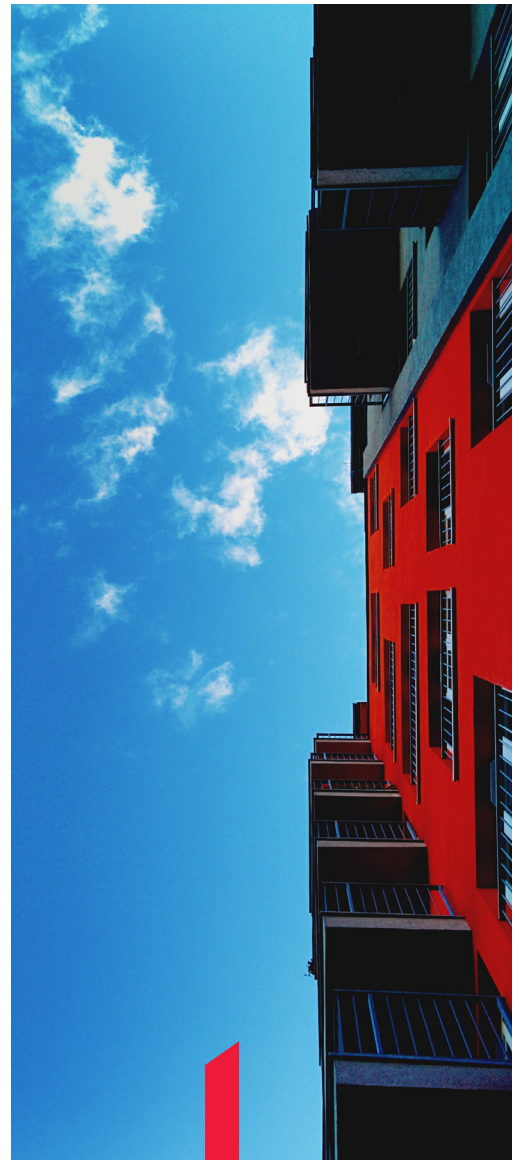
First change applies to the rule of filling out the field 16.1 to reflect dividend distributed from net income. The amendment defines that the dividends distribution should additionally be included in this field, which is following: Dividend distributed to General partnership (GP), Limited partnership (LP), Limited liability company (LLC), Joint-stock company (JSC, corporation) and for the Cooperative - if dividend is distributed from net income accumulated during period from 1 January 2008 to 1 January 2017.

The amendment also defined what should NOT be considered in the 16.1 field, namely:

- ▶ Redistribution of dividends received from 1 January 2008 to 1 January 2017 by the persons (other than a natural person-entrepreneur and the person exempted from profit tax in accordance with the Tax Code of Georgia) determined under Article 2, Paragraph 1 of the Law of Georgia on Entrepreneurs
- ▶ Redistribution of dividends received before the reporting period of 1 January 2017
- ▶ Distribution of the dividends generated from 1 January 2017 to 1 January 2019 received from commercial banks, credit unions, insurance organizations, microfinance organizations and pawnshops

In addition, the amendment lays out detailed description of elements that should not be considered in Corporate Income Tax return:

- ▶ Difference produced from the operation with the Deposit Insurance Agency LEPL and the National Bank of Georgia
- ▶ Payment for purchasing the debt securities issued by the Deposit Insurance Agency and the National Bank of Georgia
- ▶ Payment of penalty and/or fine and prepaid expense to the Deposit Insurance Agency and the National Bank of Georgia, also issuing of loan for them and/or purchasing of receivables related to them and the loss produced from giving the right of claim for debts to the National Bank of Georgia and Deposit Insurance Agency or the rejection of the claim.



## AUTHOR'S COLUMN

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

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► Payment held by non-resident person or person exempted from CIT in accordance with Georgian tax code for acquisition of the stocks/shares placed in the recognized foreign stock exchange market

► The amount of taxes paid to the state budget from the interest taxed at the source of payment in the Georgia, as according to the Georgian Tax Code the interest paid to legal resident CIT payer is not subject to taxation at the source of payment.

The need for amendment was caused by the amendment made to the Tax Code, namely changes made within part of Corporate Income Tax.

Data to be given in the tax return which includes the loan deposit security amount has been replaced by the funds deposited to the bank account for loan security.

In this case, taxable object for the purposes of CIT shall be the amount credited to the bank account for secure the loan.

In the third part of CIT return the annex N11 was added, which shall be filled out for adjustment of creditable/recoverable amount in accordance with dividends distributed from net income generated from 1 January 2008 to 1 January 2017 period, according to the profit tax amount accrued and paid within the same reporting periods. In addition the adjustment takes action in the following cases:

► If payment of accrued profit tax generated from 1 January 2008 to 1 January 2017 reporting period was made after the distribution of dividends received in the same reporting periods and/or

► If accrual of CIT according to the period 1 January 2008 to 1 January 2017 was made after the distribution of the dividends produced within the same period.

The amendment came into force from 5 September 2017.

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