

TAX NEWSLETTER

AMENDMENTS TO THE ORDER

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AMENDMENTS TO THE RESOLUTION

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AMENDMENTS TO THE ORDER EXEMPTION FROM VAT

By Order N6 (13.01.2017) of the Minister of Finance of Georgia changes have been made to Order N996 (31.12.2010) of the Minister of Finance of Georgia regarding "administration of taxes". According to the amendment, chapter XV¹ was added to the order which determines VAT taxation rule of electricity supplied in the distribution network between micro-power plant owner and distribution licensee.

The mentioned chapter is connected to Article 168, part 4 of Georgian tax code, according to which supply of electricity and guaranteed power is exempted from VAT with the right of deduction except for supply of electricity to consumers (persons envisaged by the law on "Electricity and Natural Gas", also transmission or/and dispatch services.

By the amendment the consumers of mentioned electricity have been defined. Following concepts also were defined by the amendment: micro-power electric station, distribution network and owner of license.

VAT taxation of electricity supplied and received from distribution network by micro-power electric station owner retail consumer has also been defined.

The amendment came into force from 13 January 2017.

NEW RETURN OF CORPORATE INCOME TAX

By Order N7 (16.01.2017) of the Minister of Finance of Georgia changes have been made to Order N996 (31.12.2010) of the Minister of Finance of Georgia regarding "Tax administration". According to the amendment, the special form of tax return corresponding the new model of Corporate Income Tax with the rule of filling was published.

The amendment applies to the legal relationships being in force from 1 January 2017 and came into force on 16 January 2017.

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EDITOR'S LETTER

This publication covers critically important legislative and tax changes that business should take into consideration for their daily operations and governance. Please contact BDO LLC to discuss these matters in the context of your particular circumstances.

MIKHEIL ENUKIDZE

menukidze@bdo.ge

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MONTHLY TAX RETURN OF BOOKMAKER

By Order N29 (30.01.2017) of the Minister of Finance of Georgia, the amendment has been made to Order N996 (31.12.2010) of the Minister of Finance of Georgia regarding "Tax Administration". By the amendment the form of a new monthly income tax return together with the filling instruction for individual person organizing bookmaker in system-electronic form has been approved.

Abovementioned amendment was resulted from the entry of Georgian Tax Code defining that reporting period for a person within the activity of bookmaker organized in system-electronic form shall be the calendar month.



The amendment applies to the legal relationships being in force from 1 January 2017 and came into force on 31 January 2017.

AMENDMENT TO THE RESOLUTION THE LIST OF OFF-SHORE COUNTRIES

By Resolution N615 of the Government of Georgia the new list of off-shore countries was adopted.

It is noteworthy that two lists of off-shore countries have been adopted by the Resolution. The countries indicated in the first list are unconditionally deemed as off-shore countries.

The countries included in the second list are deemed as off-shore countries according to the 6th part of the article 98² of Georgian Tax Code. According to this article the mentioned country or/and the certain territories of the country shall be deemed as off-shore country in case of one of the following:

- According to the legislation of the mentioned country the person is exempt from Corporate Income Tax;
- There is no Corporate Income Tax on the received/distributed income or the rate of such tax does not exceed one-third of the rate of the same Georgian tax.

Accordingly in case if a tax-payer carries out the operation with the resident of any country given in the second list, it should be defined whether this non-resident uses one of tax reliefs indicated above or not. In case it uses such tax relief the operations shall be deemed as implemented with off-shore country.

In addition, according to the Resolution, in case if there is the International Agreement made between Georgia and any country indicated in the both lists, for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital which is ratified by the Parliament of Georgia, the mentioned country shall be deemed as off-shore country only for the purposes of Corporate Income Tax.

The resolution came into force from 1 January 2017.

ABOUT PUBLICATION

**BDO**

2 Tarkhnishvili street
0179 Tbilisi
T.: +995 32 254 58 45
T.: +995 32 218 81 88
@ bdo@bdo.ge
🌐 www.bdo.ge

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