

TAX NEWSLETTER

AMENDMENTS TO THE ORDER:
TAXATION OF ADVANCES BY VAT
AMENDMENT TO THE VAT RETURN

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TAXATION OF ADVANCES BY VAT

By Order N49 (15.02.2017) 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". The amendment applies to VAT taxation of advances. In particular it is defined by the amendment that paid amount of money shall be considered as compensation and the transaction shall be subject of VAT in case all following terms are met:

- ▶ Deliverable goods/services are defined
- ▶ Quantity/volume of deliverable goods services is defined
- ▶ Cost of deliverable goods/services is defined
- ▶ It is defined deliverable goods/services are VAT taxable or VAT exempted

In addition according to the amendment the part of the transaction is entitled to tax the advance by VAT voluntarily even none of above 4 terms is met in case parts agree that paid amount is advance of goods/services deliverable in the future and VAT invoice on advance is issued.

According to the amendment the above rules will not be applicable to the cases when goods are supplied regularly or continuously

(firm capacity, electric or heat energy, gas or water), also when services are delivered regularly or continuously.

In case the advance is received for supply of goods/services that are exempted from VAT without the right of deduction the transaction shall not be subject to VAT.

In case simultaneously are supplied VAT taxable and exempted goods/services, received advance shall be subject of taxation on the pro-rata basis.

In case advance is received before 1 January 2017 and goods/services are supplied after 1 January 2017 the amount of the transaction shall be subject to VAT at the moment of supply.

The amendment came into force from 15 February 2017.

AMENDMENT TO THE VAT RETURN

By Order N49 (15.02.2017) of the Minister of Finance of Georgia the amendment has also been made into the VAT declaration form. In particular, special VAT taxation and deduction graphs have been added to I and III parts of appendix "a" of the declaration. Also special columns were added to the register of VAT invoices for indication of serial number, number and compensation amounts of advance VAT invoices.

The amendment came into force from 15 February 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.

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