

# GEORGIA TAX FACTS 2014





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# ▼ TAXES ON INCOME

## Personal income tax

Personal income tax rates (residents)	2013	2014
Income from employment	20%	20% <sup>1</sup>
Income from a business	20%	20%
Dividends	5%	5%
Interest	5%	5%
Royalty	20%	20%
Non-Georgian-source income of residents	exempt	exempt
Gain realized by a resident from the sale of tangible assets	20%/0%	20%/0% <sup>2</sup>
Income of a sole trader with the status of Micro Business	exempt	exempt
Income of a sole trader with the status of Small Business	5%/3%	5%/3%
Income of a sole trader with no employees and carrying on one of the particular activities listed in the order of the Ministry of Finance	exempt	exempt
Income from selling securities issued by an international finance company	exempt	exempt
Income from selling free floating securities	exempt	exempt
Income gained from Government and National Bank securities in the form of interest	exempt	exempt
Gains from selling securities issued by the Government and the National Bank	exempt	exempt

<sup>1</sup> Individual with the annual income that does not exceed GEL6,000 is entitled to deduct GEL1,800 as a non-taxable minimum

<sup>2</sup> Gains from the sale of the individual's residence and any pertaining land are exempt if the residence has been in the taxpayer's ownership for over two years; gains on the sale of private motor cars are exempt if the car has been owned for more than six months.

Tax rates (non-residents) <sup>3</sup>	2013	2014
Income from employment	20%	20%
Dividends	5%	5%
Interest	5%	5%
Risk insurance and re-insurance, leasing	exempt	exempt
Income from employment when the period of employment does not exceed 30 days and the payer of salary is non resident	exempt	exempt
Income from international communications and transportation	10%	10%
Income from oil and gas exploration and extraction	4%	4%
Other income from Georgian sources of payment	10%	10%
Income received by non-resident individual from rental services	20% <sup>4</sup>	20%

<sup>3</sup> According to the Tax Code every individual who is present in the territory of Georgia for 183 days or more in any continuous 12-calendar month period ending in the tax year is considered to be resident in Georgia for tax purposes in that tax year

<sup>4</sup> 20% rate on income received by non-resident individual from rental services came into force from 30 May 2012

## Corporate income tax

Corporate income tax rates	2013	2014
General rate for resident companies	15%	15%
All taxable profits of permanent establishments of foreign companies got from Georgian source of payment	15%	15%
Partnerships and other similar entities carrying out activities in Georgia	15%/20%	15%/20%
Dividends <sup>1</sup>	5% <sup>2</sup>	5% <sup>2</sup>
Interest income	5% <sup>2</sup>	5% <sup>2</sup>
Income of a non-resident company carrying out activity without permanent establishment	4% /10% <sup>3</sup>	4% /10% <sup>3</sup>

<sup>1</sup> Dividends received by a Georgian company from other Georgian companies are exempt

<sup>2</sup> A lower or zero rate may apply under the terms of a double tax treaty

<sup>3</sup> For 2011 the 4% rate applies to income from implementation of the oil and gas transactions determined under the law of Georgia on Oil and Gas, and the 10% rate applies to other activities.

## Withholding taxes

Dividends distributed by Georgian companies (to a natural person or a foreign legal person) are subject to 5% withholding tax at source.

Interest payments are subject to a 5% withholding tax if the source of payments is in Georgia.

Income received by non-residents and not related to the non-resident's permanent establishment is subject to tax at the source by the rate of 10% or 4% (see above) if income is received from the source in Georgia.

In each case, these rates may be subject to reduction under the provisions of a relevant tax treaty.

Tax rates	2013	2014
Dividends	5%	5%
Interest	5%	5%
Income from international communication and transportation	10%	10%
Income from oil and gas exploration and extraction	4%	4%
Other income from Georgian source of payment	10%	10%

## ▼ CALCULATING THE TAX BASE

### Resident individuals

The tax base for a resident individual is the difference between gross income for a calendar year and the amount of deductions allowed by the Tax Code for this period.

Gross income =	
Income from employment <sup>1</sup>	+
Income earned from economic activity not related to employment	+
Income earned from other sources	

<sup>1</sup>Employment income includes any remuneration earned under an employment contract. Remuneration includes salaries, wages and other income. Benefits received by employees by reason of their employment are also taxable. In particular, taxable benefits include: reimbursement of expenses by the employer; life and health insurance premiums or other similar sums paid by the employer and any material gain.

## Non-resident individuals

Gross income of a non-resident taxpayer consists of income generated from Georgian sources.

### Tax base =

Income received by a non-resident individual not related to a permanent establishment is subject to personal income tax at source, without any deductions

As respects revenue from the sale of property, the tax base is the gross revenue of the calendar year reduced by deductible expenses

In the case of non-resident carrying out activities in Georgia through a permanent establishment, taxable income is defined as the difference between the gross income for the calendar year from Georgian sources connected to that permanent establishment and the amount of deductions allowed by the Tax Code for this period

## Companies and partnerships

Corporate income tax is charged on taxable profit. The taxable profit is calculated by deducting relevant expenses from gross income.

All expenses incurred in earning taxable income are in principle deductible for the purposes of corporate income tax. Expenses are considered non-deductible if they are not related to economic activity or are incurred in deriving exempt income. Deductions for entertaining expenses are limited, unless the provision of entertainment is the taxpayer's business activity.

Special treatment is accorded to the following expenses:

Payable interest	Interest is not deductible to the extent that the rate exceeds the annual rate stipulated by the Minister of Finance of Georgia
Bad debts	May be deducted if the corresponding amount was included in the company's gross income in a previous period
Reserves	Transfers to reserves and provisions against potential losses (doubtful-debt reserves) are permitted as prescribed in the Tax Code for insurance companies and credit institutions
Depreciation charges	See below
100% depreciation	Taxpayers may opt to write off the cost of purchased or manufactured fixed assets fully in the year in which they are first put to use. In the case of leased assets, the deductible amount is the discounted value of lease payments
Repairs to fixed assets	Deductible up to 5% of the book value of the asset at the end of previous year. In the case of leased assets, if the cost of repairs is not allowed in the lease as a reduction of lease rentals, it is subject to capitalisation as a fixed asset, from which depreciation in a separate category at 15% may be deducted
Entertaining expenses	Limited to 1% of gross income
Charitable donations	Limited to 10% of net taxable income
Insurance premium	Deductible from gross income except insurance premiums under pension insurance contracts
Geological research and services preparatory to natural resources extraction	Depreciable
Intangible assets	Depreciable (But see below)
Taxes	Penalties, fines, profit and personal income tax are not deductible

## Losses

Maximum carry-forward period: 5 years

Above-mentioned period is extendible to 10 years on application from 2010.

## Tax depreciation

Tangible fixed assets are depreciated for tax purposes by applying the reducing-balance method. Intangible assets, where depreciable, use the straight-line method over their useful life (if known).

Excluded from depreciation are, inter alia, land, works of art, museum items, historical objects (except for buildings), stock-in-trade and livestock. Fixed assets with a cost of no more than GEL1,000 may be fully written off in the year of acquisition or production.

Fixed assets are depreciated at the rates shown below:

Number	Fixed assets	Depreciation rate,%
1	Passenger cars, tractor equipment for use on roads; office furniture, automotive transport rolling stock; trucks, buses, special automobiles and trailers; machinery and equipment for all sectors of industry and the foundry industry; forging and pressing equipment; construction equipment; agricultural vehicles and equipment	20
2	Special tools, inventory and equipment; computers, data processing peripheral devices and equipment; electronic devices	20
3	Railway, sea and river transport vehicles; power vehicles and equipment; thermal technical equipment; turbine equipment; electric engines and diesel generators; electricity transmission and communication facilities; pipelines	8
4	Buildings, constructions.	5
5	Depreciable assets not included in the other groups	15

## Transfer pricing rules

From 1 January 2014 new rule approved by the Minister of Finance entered into force - transfer pricing for international controlled operations. Present rule together with the relevant articles of The Code regulates international transactions between related parties, pricing and taxation guidelines.

Georgian transfer pricing rules generally follow OECD transfer pricing principles. They apply to cross border transactions between: a) a Georgian resident company and a related foreign company; b) a Georgian resident company and an unrelated foreign company, where the latter is a resident of low tax jurisdiction/offshore country.

Taxpayer has a right to receive advance ruling for the operations subject to transfer pricing. The advance agreement shall be concluded before the operation for a certain period and within its scope shall be set criteria according which the prices shall be established. Such criteria are, for example, method, comparable operations and their corresponding adjustments, important assumptions about future operations, etc.

## Capital gains

Capital gains are taxable as income, except for those gains that are exempt (see table under Personal income tax).

## ▼ TAXES ON CAPITAL

### Gift and inheritance taxes

Georgia has no gift and inheritance taxes.

### Wealth tax

There is no wealth tax in Georgia, but see under Property tax below.

## ▼ OTHER TAXES

### Property tax

Property tax is a local tax on immovable property, yachts, planes and helicopters and also property used for business purposes (fixed assets, non-assembled equipment, unfinished capital investment, property leased out under a financial lease).

The tax is charged on both natural persons and legal persons, but in case of natural persons only when the family's annual income is GEL40,000 or more.

Rates are set locally, but may not exceed the following parameters:

Tax payer	Rate
Legal person	1% of average residual value of assets

These values may be indexed as follows:

- By a factor of 3 for assets purchased before the year 2000
- By a factor of 2 for assets purchased in the years 2000, 2001, 2002 and 2003
- By a factor of 1.5 for assets purchased in the year 2004

Tax payer	Rate
Natural person	0.05% — 0.2% (family income GEL40,000—100,000) 0.8% — 1.0% (family income > GEL100,000), of the market value of the property



Payers of property tax on land are natural and legal persons if as of 1 April of a tax year they:

- Own a plot of land;
- Have a state-owned plot of land under actual ownership.

Annual tax base for agricultural land is defined by the Georgian Government. The annual tax base per 1 hectare varies from GEL1.5 to GEL100.

The annual tax base for non-agricultural land is GEL0.24 per 1 square meter which is adjusted by the territorial coefficient up to 1.5 fixed by the local government.

### Excise tax

In Georgia excise duties are imposed at various rates on certain goods such as alcohol and alcoholic beverages, tobacco, means of transport, petrol and diesel fuel, also on mobile communication services.

Export of excisable goods (except of the export of ferrous and/or non-ferrous metal scrap) and supply of Georgian goods for sale in a duty free zone are exempt with the right.

### Import tax

Tax rates	Applies to
0%	Import of goods defined in grant agreements, Import of goods produced in a Free Industrial Zone, Import of child and diabetic food products, Import of goods in the framework of the Law of Georgia on Oil and Gas, Import of tobacco products and/or tobacco raw materials until 1 January 2012, Import of aviation fuel, lubricants, and other supplementary products to be provided on board for international flights and international sea passages
12%	Foodstuffs, tobacco and tobacco substitute products, salt, asphalt, cement, concrete and wooden materials, mineral waters, synthetic cotton, cloth, shoes, paper, stone
5%	Certain food products
Various	Alcohol – depends on the content of alcohol
	Motor vehicles – depends on the age and engine capacity

### Social security contributions

Social security contributions were abolished on 1 January 2008.

## Value added tax

	Rate	Applies to
Standard	18%	All taxable operations that are liable to tax

Taxable persons are persons who are registered for VAT, importers and non-resident persons.

A person is required to register as VAT payer where he:

- Carries out an economic activity and the total amount of taxable transactions during the previous 12 consecutive calendar months exceeds GEL100,000
- Produces or/and imports excisable goods (excluding imports and/or supply of goods which are exempt for VAT)

## Exemptions from VAT

These include in particular:

- Financial services
  - Temporary imports of goods for no more than 24 hours
  - Medical services, care services in children's homes, care of the sick, disabled, and elderly people and/or provision by public procurement of goods/services related to healthcare programs
  - The import or/and temporary importation of goods intended for the official use of foreign diplomatic and equivalent missions
  - The temporary importation of goods into Georgia in connection with the construction of the Baku-Tbilisi-Geica and Baku-Tbilisi-Erzurum pipelines
  - The supply or importation of baby foods and infant-hygiene products marked as such upon wholesale/retail supply thereof
  - Lotteries, casinos, games of chance and prize-games
  - The supply of goods/services among businesses in a free industrial zone and the supply of goods to a taxable person in a free warehouse
  - The import or supply of motor vehicles.
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## VAT exempt transactions with the input VAT right

These include exports and other specified supplies.

## Special rule for VAT taxation of imports

If a VAT payer's declared and paid VAT exceeds GEL200,000 (except for VAT paid on import operations) during the last 12 calendar months, the taxpayer will be subject to a special rule for VAT taxation of imports.

Under this rule, the relevant persons are not required to pay and claim back VAT on import operations. Furthermore, taxpayers are entitled to refuse this regime and stick to the standard regime of taxation of import if they apply to the tax department in writing.

## Reverse-charge VAT

Services supplied to a recipient ('the tax agent') in Georgia by non-residents not registered and not required to be registered for VAT in Georgia are subject to the reverse-charge mechanism. Some services (consulting, legal, engineering, accounting, advertising and other services) are subject to reverse-charge VAT if the place of registration or governance of the recipient is Georgia, regardless of whether the service is rendered in or outside of Georgia.

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# ▼ DEADLINES TO REMEMBER

Important deadlines		Due dates
January	Submission of the Withholding tax return for December	15 January
	Submission of the VAT return and paying tax for December	15 January
	Submission of the Excise duty return and paying tax for December	15 January
	Submission of information on total amount of income received and the total amount of tax withheld during the reporting month	15 January
February	Submission of the Withholding tax return for January	15 February
	Submission of the VAT return and paying tax for January	15 February
	Submission of the Excise duty return and paying tax for January	15 February
	Submission of information on total amount of income received and the total amount of tax withheld during the reporting month	15 February
March	Submission of the Withholding tax return for February	15 March
	Submission of the VAT return and paying tax for February	15 March
	Submission of the Excise duty return and paying tax for February	15 March
	Submission of information on total amount of income received and the total amount of tax withheld during the reporting month	15 March
	Submission of the Income tax return by individuals and individual entrepreneurs for the preceding year	31 March
	Submission of the Income tax return by Micro and Small Businesses for the preceding year	31 March
April	Submission of the Property tax return by companies	1 April
	Submission of the Withholding tax return for March	15 April
	Submission of the VAT return and paying tax for March	15 April
	Submission of the Excise duty return and paying tax for March	15 April
	Submission of information on total amount of income received and the total amount of tax withheld during the reporting month	15 April
May	Making current payments (25%) of corporate and personal Income tax	15 May
	Submission of the Withholding tax return for April	15 May
	Submission of the VAT return and paying tax for April	15 May
	Submission of the Excise duty return and paying tax for April	15 May
	Submission of information on total amount of income received and the total amount of tax withheld during the reporting month	15 May
June	Submission of the Withholding tax return for May	15 June
	Submission of the VAT return and paying tax for May	15 June
	Submission of the Excise duty return and paying tax for May	15 June
	Making current payments of Property tax by companies	15 June
	Submission of information on total amount of income received and the total amount of tax withheld during the reporting month	15 June

Important deadlines	Due dates	
<b>July</b>	Making current payments (25%) of corporate and personal Income tax Submission of the Withholding tax return for June Submission of the VAT return and paying tax for June Submission of the Excise duty return and paying tax for June Submission of information on total amount of income received and the total amount of tax withheld during the reporting month	15 July 15 July 15 July 15 July 15 July
<b>August</b>	Submission of the Withholding tax return for July Submission of the VAT return and paying tax for July Submission of the Excise duty return and paying tax for July Submission of information on total amount of income received and the total amount of tax withheld during the reporting month	15 August 15 August 15 August 15 August
<b>September</b>	Making current payments (25%) of corporate and personal Income tax Submission of the Withholding tax return for August Submission of the VAT return and paying tax for August Submission of the Excise duty return and paying tax for August Submission of information on total amount of income received and the total amount of tax withheld during the reporting month	15 September 15 September 15 September 15 September 15 September
<b>October</b>	Submission of the Withholding tax return for September Submission of the VAT return and paying tax for September Submission of the Excise duty return and paying tax for September	15 October 15 October 15 October
<b>November</b>	Submission of Property tax return by individuals Paying Property tax by individuals Paying Property tax on land Submission of the Withholding tax return for October Submission of the VAT return and paying tax for October Submission of the Excise duty return and paying tax for October Submission of information on total amount of income received and the total amount of tax withheld during the reporting month	1 November 15 November 15 November 15 November 15 November 15 November 15 November
<b>December</b>	Making current payments (25%) of corporate and personal Income tax Submission of the Withholding tax return for November Submission of the VAT return and paying tax for November Submission of the Excise duty return and paying tax for November Submission of information on total amount of income received and the total amount of tax withheld during the reporting month	15 December 15 December 15 December 15 December 15 December

Gibraltar	France	Hungary	Finland
Ireland	Luxembourg	Liechtenstein	Latvia
Jersey	Morocco	Poland	Lithuania
United Kingdom	Netherlands	Slovak Republic	Norway
Guernsey	Tunisia	Switzerland	Iceland
Isle of Man	Austria	Denmark & Faroe Islands	Sweden
Algeria	Czech Republic	Greenland	Italy
Belgium	Germany	Estonia	San Marino



- Anguilla
- Aruba
- Bahamas
- Barbados
- British Virgin Islands
- Canada
- Cayman Islands
- Curaçao
- Dominican Rep.
- Jamaica
- Puerto Rico
- St Lucia
- St Maarten
- St Vincent & the Grenadines
- Suriname
- Trinidad & Tobago
- USA

- Argentina
- Bolivia
- Brazil
- Chile
- Colombia
- Costa Rica
- Ecuador
- El Salvador
- French Guiana
- Guatemala
- Mexico
- Panama
- Paraguay
- Peru
- Suriname
- Uruguay
- Venezuela

Malta	Albania	Montenegro	Georgia
Spain	Kosovo	Slovenia	Israel
Portugal	Bosnia Herzegovina	Turkey	Kazakhstan
Angola	Greece	Turkmenistan	Kyrgyzstan
Mozambique	Romania	Armenia	Mongolia
Cape Verde	Moldova	Azerbaijan	Russia
Bulgaria	Serbia	Belarus	Tajikistan
Croatia	Macedonia	Cyprus	Ukraine



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