

# Country Tax Guide





# Georgia

## International Tax Contact

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Facts and figures as presented are correct as at 8 January 2016.

## Corporate Income Taxes

Resident enterprises, which are enterprises whose place of business and/or management is based in Georgia, are generally subject to tax on their worldwide income.

Other enterprises are generally subject to tax on their Georgian source income, subject to the terms of any relevant tax treaty.

The standard profits tax rate is 15%. Profits from certain oil and gas operations in respect of agreements signed before 1 January 1998 are subject to tax at the rate of 10%. Alternative rates/schemes may apply (see "Tax Incentives for Businesses").

Taxable income must generally include any taxable capital gains, subject to exemptions.

Dividends paid by a resident enterprise to another resident enterprise are not subject to withholding tax in the hands of the paying enterprise, and are not subject profits tax in the hands of the receiving enterprise.

Unutilised losses can generally be carried forward for up to five years; certain enterprises may not carry losses forward, including international financial companies, companies located in a free industrial zone, and special trading companies. Enterprises may apply to the tax authority to replace the five-year loss carry forward period with a 10-year loss carry forward period. The application must be made before the expiration of the five-year loss carry forward period. Losses cannot be carried back.

Group tax consolidation is not available in Georgia; consequently losses cannot be offset against the profits of another company in the same group.

The tax year is the calendar year. Tax returns are generally due for filing by 1 April of the following year. The tax return filing deadline may be extended by up to three months by application. A filing deadline extension does not extend the payment due dates.

Enterprises are generally required to make quarterly advance payments of profits tax; each payment being 25% of the preceding year's tax liability. Advance payments are not required in certain circumstances, including where the enterprise had no taxable income/profit in the preceding year. Any remaining profits tax due is generally payable by 1 April of the following year. If the advance payments exceed the assessed profits tax liability, the excess is credited against future tax liabilities, or may be claimed as a refund.

## Personal Taxes

Resident individuals are generally subject to income tax on their worldwide income. Non-resident individuals are generally subject to income tax on their Georgian source income.

The income tax rate for resident and non-resident individuals is generally 20%, subject to deductions, allowances and exemptions.

Taxable income must generally include any taxable capital gains, subject to exemptions (eg for gains from the sale of a residential property held for more than two years).

Special tax treatment applies to individuals with micro business status, individual entrepreneurs with small business status, and to those with fixed taxpayer status.

An individual meeting all of the following conditions may apply for micro business status:

- The individual conducts independent economic activity
- There are no employees, and
- Gross annual income does not exceed GEL30,000 (this limit may not apply in certain circumstances).

Micro business status may be revoked in certain circumstances, including where the inventory balance of the individual exceeds GEL45,000, or where the individual has been registered as a VAT payer. An individual with micro business tax status is not subject to income tax.

An individual entrepreneur may be granted small business status if gross income from economic activity does not exceed GEL100,000. Small business status may be revoked in certain circumstances, including where the inventory balance of the individual exceeds GEL150,000, or where the individual has been registered as a VAT payer. An individual entrepreneur with small business status is taxed at the rate of 5% on gross Georgian-source income (excluding salary income). The 5% rate may be reduced to 3% if costs incurred in relation to gross income (excluding salary costs) amount to 60% of gross income.

Individuals that do not pay VAT and that conduct one or more specified activities may apply for fixed taxpayer status. The fixed tax rates vary from GEL1 to GEL2,000, or 3% of revenue.

There are no separate wealth, gift, or inheritance taxes in Georgia.

## Employment Related Costs and Taxes

### Fringe benefits

There is no separate fringe benefits tax. Unless specifically exempt, taxable benefits-in-kind form part of the taxable income of individuals and are subject to income tax.

### Social security costs

There is no social security system in Georgia.

## Withholding Taxes on Payments Abroad

The rates of withholding tax on the following payments made abroad by companies are generally:

	Rate
Dividends	5%
Interest	5%
Royalties	10%
Oil and gas agreement related purchases	4%
Other	10%

Certain payments, including interest and royalties, paid to recipients in countries with preferential tax treatment (as defined), or to offshore countries (as defined), are subject to withholding tax at the rate of 15%.

For payments made to recipients in countries with which Georgia has a double tax treaty, the rates of withholding tax may be reduced under the terms of the treaty.

## Value Added Tax (VAT)

VAT is generally levied on the supply of goods and services in Georgia, on the importation and temporary admission of goods into Georgia, and on exports and re-exports.

The standard VAT rate is 18%. A rate of 0.54% (up to a maximum of 18%) applies for each month (or part month) to goods temporarily admitted into Georgia. Certain supplies are exempt from VAT with the right to deduction. These include exports and re-exports of goods, certain transportation services, and natural gas supplies to thermal power stations. Certain supplies are exempt from

VAT without the right to deduction. These include national or foreign currency supplies (excluding those for numismatic or collection purposes), medical and veterinary goods, books, newspapers, magazines and music, baby food products, child hygiene products, parcels of land, financial services, and medical services.

The VAT registration threshold is VAT-taxable transactions exceeding GEL100,000 in a continuous 12 month period. However, those that supply goods only with a special trade zone (a status which is granted to legal persons engaged in organising trade in Georgia) are not generally required to register for VAT purposes. There is no VAT registration threshold for producers and importers of excisable goods, who are generally required to register for VAT purposes. Persons may apply for VAT registration voluntarily if compulsory registration does not apply.

Registered VAT payers can generally recover the VAT with which they themselves are charged on their purchases of goods and services, subject to conditions and possible exceptions.

## Other Taxes

### Stamp duty

There is no stamp duty in Georgia.

### Property tax

An annual property tax is generally levied on resident entities and organisations in respect of (i) assets, uninstalled equipment, and unfinished construction registered on the balance sheet as fixed assets, and (ii) leased property. Non-resident entities are generally subject to property tax on the same basis as resident entities in respect of property located in Georgia (including property located in Georgia and transferred under a lease, rent, usufruct, or similar agreement). The tax rate for entities and organisations is a maximum of 1% of the value of taxable property (as defined), subject to exemptions. The maximum annual tax rate for the leased taxable property of leasing companies is 0.6% of the initial book value of the taxable property at the moment of its first transfer.

An annual property tax is generally levied on individuals in respect of (i) any owned real estate (including unfinished constructions, buildings or their parts), helicopters, and aeroplanes, (ii) property received from a non-resident under a lease agreement, and (iii) for individuals that carry out economic activities, on assets, uninstalled equipment, and unfinished construction registered on the balance sheet as fixed assets, and leased property. The tax rate for individuals varies, generally from between 0.2% to 1% of the market value of taxable property at the end of the tax year, subject to exemptions.



## Property tax on land

An annual property tax on land is generally levied at varying rates, depending on factors such as the land category and the administrative territorial unit in which the land is located. Certain land is exempt, including land occupied by natural parks, botanical gardens, zoological gardens etc (unless used for economic activity), and land for performing oil and gas operations provided for by legislation if the land is not also used for other purposes.

## Excise taxes

Excise taxes are generally imposed on certain goods and services, including alcoholic beverages, tobacco products, petroleum products, motor cars, natural gas, and mobile communication services.

## Tax Incentives for Businesses

### Research and development (R&D) expenditure

Scientific research, design and development service expenses relating to the receipt of gross income (excluding expenses relating to fixed asset purchases, installation and other capitalisable expenses) may be deducted from taxable income.

### Free industrial zones

Legislation provides for the establishment of free industrial zones (FIZs) in Georgia. Enterprises established in a FIZ benefit from the following:

- Profits tax exemption in respect of profit received in an FIZ (unless incurred in respect of non-permissible activities)
- VAT exemption in respect of imported foreign goods and supplies made within an FIZ
- Import tax exemptions in respect of foreign goods brought into an FIZ, and in respect of goods manufactured in an FIZ, and
- Exemptions from property tax and property tax on land.

Businesses registered in an FIZ do not withhold tax from certain payments, including dividends and interest.

Income from goods supplied to a Georgian resident taxpayer (excluding FIZ companies) is generally subject to tax at the rate of 4%. Goods purchased from Georgian resident taxpayers (excluding FIZ companies) are generally subject to a 4% tax on the market value of the goods.

### **Special trading companies**

An enterprise granted special trading company status is exempt from profits tax. Special trading companies may undertake certain activities, including the re-export and supply of foreign goods from a customs warehouse. A special trading company may not (i) import goods into Georgia (other than fixed assets for the company), (ii) buy Georgian goods from within Georgia for subsequent supply, (iii) deliver services to a Georgian enterprise, individual entrepreneur, or permanent establishment of a foreign enterprise in Georgia, or (iv) have a customs warehouse.

### **International financial companies**

A financial institution may register as an international financial company in Georgia if its Georgian source income does not exceed 10% of its total income. An international financial company may not be established in an FIZ. International financial companies are tax exempt.

### **Tourist enterprises**

Incentives are granted to qualifying tourist enterprises that build hotels in Georgia.



Country Tax Guides are designed to provide a summary of the taxes which apply to business and individuals, and are for information purposes only. Whilst every effort has been made to ensure accuracy, information contained in these guides may not be comprehensive and is subject to frequent change. Recipients should not act upon it without seeking professional advice. Contacts details for independent members of Baker Tilly International can be found at [www.bakertillyinternational.com](http://www.bakertillyinternational.com).

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