

Amendments to the Tax Code of Georgia

According to the amendments of May 22, 2020 in the Tax code of Georgia:

1. During the 6-month period starting from May 1, 2020, employer is granted the right to deduct (not to pay) the income tax from the salary under GEL 750 payable to its employee, if the salary received by the employee from the same employer within one calendar month does not exceed GEL 1500.

The abovementioned tax privileges shall not apply to the budget organization, National Bank of Georgia, national regulatory authority, an enterprise, where the state or municipality has the ownership of more than 50% of shares/interest as well as the enterprise under its control, if the ownership of shares/interest is more than 50%.

2. From March 1, 2020, during 6 calendar months, leasing of a property/provision of services through leasing, will be taxed with VAT in the reporting period of actual payment of the corresponding amount/amount of the relevant service.

3. The Minister of Finance/Head of the Revenue Service of Georgia becomes entitled to extend the term specified by the Tax Code of Georgia for payment income tax and/or property tax for certain taxpayers to be paid in 2020 (including February, March, April and May 2020) no later than January 1, 2021. In this case, the taxpayer will not be charged.

4. Pursuant to the amendments made to the Tax Code, the following property is exempt from property tax (including the current tax) payable in 2020:

- Property used in hotels and similar accommodation facilities and/or leisure and other short-term accommodation services;

- Property used in the business of restaurants and mobile food services;

- Property used by travel agencies, tour operators and other bookings and related services;

Provided that the abovementioned property is used for the said purposes, tax exemption applies to the property which is leased, rented, or taken in possession through other similar forms.

Isolation and Quarantine Rules

On May 22, 2020, a state of emergency was terminated in the entire territory of Georgia, which was imposed first by the Decree # 1 of the President of Georgia of March 21, 2020, and then by the Order # 2 of April 21, 2020. Accordingly, the Government Resolution # 181 of March 23, 2020, issued for the purpose of enforcing the decree of the President of Georgia, was repealed.

However, the restrictions imposed during the state of emergency, were not removed entirely. To legitimize restrictions, the Parliament of Georgia on May 22, 2020, adopted an amendment in the Law of Georgia on Public Health with the third reading, which entitled the Georgian government, or the government-appointed Ministry, to issue rules on isolation and quarantine for the matters of public health, which will set up the quarantine measures and temporary restrictions concerning movement of persons, property, labor, professional or economic activities, illegal migration and international protection, gathering people for social events as well as activities of public institutions, other executive bodies, legal entities of public law, other legal entities in regard with administration or provision of public services.

Although the criticism concerning the constitutionality of the amendments seems to be plausible, until the Constitutional Court decides the constitutionality issue of the amendment to the law, it will become ineffective. In particular, the amendments to the law on Public Health is in force until July 15, 2020.

Before the amendments invalidate, on May 23, 2020, the Government of Georgia has already adopted the

relevant Isolation and Quarantine Rules with the decree #322, which extended the validity of some of the restrictions imposed by Government Decree #181 of March 23, 2020. The isolation and quarantine rules are effective until July 15, 2020, accordingly the restrictions will be extended until that date, if no other decision will be made due to a change in the situation.

Isolation and quarantine rules regulates movement of people, the educational process, sets the restrictions on cultural and sporting events, regulates gathering of people, economic activities, as well as envisages temporary rules for the operation, administration and providing public services by the public institutions, and bodies responsible for enforcing restrictions. The second chapter of the decree deals with the rules of isolation and quarantine for individuals.

• Regulation of Movement

Akin to Government Decree #181 of March 23, 2020, Decree #322 still stipulates that international air, land and sea movement of passengers is restricted. Only flights when aircraft lands from foreign countries to Georgia without passengers in order to withdraw passengers from Georgia are allowed, as well as irregular flights and flights performed for special purposes (e.g. governmental visits, training flights, etc.). For the duration of the decree, movement of passengers through rail transport, as well as regular flights within the country have been suspended.

The restriction applies to the permissible number of persons in the vehicle and their rules of conduct when transporting passengers by taxi;

• Regulation of the educational process

Provided that some exceptions are envisaged by the decree, general education and higher education institutions must carry out the educational process using different forms of distance learning/communication (if possible). Also, all kinds of training, conferences and seminars should be held remotely.

• Restrictions on cultural and sporting events

With some exceptions, holding the cultural events are allowed only through distance forms. All types of mass sports events are prohibited, including competition, teaching-training process, gathering both indoors and outdoors, all types of sports-related training,

seminars or conferences. All mentioned activities are permissible only if held through distance form.

• Restriction on Gathering

It is restricted to gather more than 10 individuals for the purposes of holding traditional social events. When gathering in a closed public space, all persons are obliged to wear a face masc.

• Regulation of economic activity

According to the government's decree, provision of all kinds of economic activities is free from restrictions. However, the restriction on the form of carrying out activities is still in force. In particular, unless the specific features of certain economic activities require otherwise, economic activities must be carried out from distance, which means working from home. In critical situations, it is permissible to carry out activities from the workplace provided that no more than 10 people are employed in the office. The Revenue Service of Georgia, which is designated to inspect entities, has the discretion to decide whether provision of economic activities from the entity's office was caused by critical necessity or not.

Taking into account the specifics of the business entity, all economic activities should be carried out maintaining a social distance of not less than 2 meters, with the personal wearing face masks.

According to the decree, outright prohibition is imposed on the following economic activities:

- Customer service at the restaurant, bar, cafe and any kind of canteen, provided in a closed space;
- Organizing / holding sports, cultural and entertainment events;
- Sports-recreation procedures/activities;
- Activities of currency exchange offices;

Sanctions for Non-Compliance with the Imposed Restrictions

house arrest for a period of six months to two years or imprisonment for a term of up to three years.

According to Article 42¹⁰ of the Code of Administrative Offenses of Georgia, violation of the isolation and/or quarantine rules established by the Law of Georgia on Public Health will result in a fine of GEL 2,000 for an individual and GEL 10,000 for a legal entity. In case of repetition of the restricted action, criminal liability will be imposed on a person, who shall be punished by a

Contact information

bakertilly
7 Bambis Rigi, 0105, Tbilisi.
(+995 32) 2438 999

office@bakertilly.ge
www.bakertilly.ge

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