

Tax Legislation Updates

Orders of the Minister of Finance of Georgia

1. By the Order № 40 of the Minister of Finance of Georgia, on February 8, 2022, an amendment was made to the Order № 996 of 31 December 2010 of the Minister of Finance of Georgia on Tax Administration, which entered into force upon its publication. In particular, the changes concern:

- ✓ Monthly income tax return of a natural person who organizes gambling and/or betting in a system-electronic form;
- ✓ Monthly profit tax return;
- ✓ The procedure for filling in the monthly tax return for taxes withheld at the source of payment;

Updated electronic forms for these declarations are now available on the Revenue Service e-services page.

Submission of declarations in the new form is mandatory from the reporting period of January of the current year¹.

2. On February 23, 2022, by the order #40 of the Minister of Finance of Georgia, the "Rule for registration of information on persons entering the gambling site by the holder of permit for organizing gambling and/or winning games" was approved. The order came into force on March 1, 2022².

3. By the Order №18 of the Minister of Finance of Georgia, on January 27, 2022, the Order №996 of the Minister of Finance of Georgia of December 31, 2010 on Tax Administration was amended, which entered into force upon its publication. One of the important things that was changed by this order is that the non-

submission of income and profit tax returns by a person registered as a VAT payer is no longer equal to the submission of a tax return with zero income/profit (in terms of a VAT tax return, this the same rule applies since 2020). The same amendment also stipulates that in the case of all three tax returns, the exception applies only for the person who is under the bankruptcy or liquidation procedures in the reporting period(s) in which the taxpayer, in accordance with the tax administration information system is in bankruptcy or in the process of liquidation³.

Order of the Head of the Revenue Service

By the order №3751 of the Head of the Revenue Service, on February 16, 2022, the instruction on "Registration/confirmation of the tax invoice or tax document to the taxpayer in certain cases, restriction of the right to issue waybills, as well as approval special rules for application of electronic tax invoices by the tax payer" has been approved. The order came into force on March 1, 2022. The order will change the principles of granting/revoking the status of a qualified VAT taxpayer to a person and using a special rule for issuing an electronic tax invoice.

As a result, the following normative acts will be repealed:

- ✓ Order №41747 of December 29, 2021, of the Head of the Revenue Service "On determining the special rules for the use of electronic tax invoices issued by the taxpayer in certain cases";
- ✓ Order №25697 of August 5, 2021 of the Head of the Revenue Service "on restriction of the right to issue/confirm tax invoice, tax document or waybill to the tax payer in certain cases⁴";

¹ <https://matsne.gov.ge/ka/document/view/5378284?publication=0>

² <https://matsne.gov.ge/ka/document/view/5388941?publication=0>

³ <https://matsne.gov.ge/ka/document/view/5367625?publication=0>

⁴ <https://matsne.gov.ge/ka/document/view/5389341?publication=0>

Changes in the Situational Manuals

The following situational manuals were abolished in February 2022:

0214 - write-off of fixed assets, including small fixed assets (useful residual income);

0218 – not having invoices for imported goods;

0227 - deduction of penalty amounts (penalty unpaid for a legal entity is still an expense);

0241 - Deduction of lease amount (property should be registered in the public register and not a lease agreement);

0260 - Leasing (income in 2007 is discounted value);

1817 - Consideration of fictitious cash balance as profit;

The following situational manuals were added in February 2022:

2664 - Sale of goods in the free industrial zone.

Other Legal Updates

Planned Amendment to the Code of Georgia on Spatial Planning, Architectural and Construction Activities

On February 9, 2022, a bill to amend the code of Georgia on Spatial Planning, Architectural and Construction Activities was submitted to the Parliament of Georgia. According to the bill, it is planned to amend the rules for serving decisions made by the higher administrative bodies on the appeals of the public supervisory bodies` decisions.

In order for a decision of a higher administrative authority, related to an administrative complaint against a decision made by a public construction supervisory authority, to enter into legal force, it must be notified to the interested party. Although in many cases due to subjective or objective obstacles, serving of a decision to the interested party is practically very complicated, which makes it problematic to exercise public supervision.

The legislative initiative aims to facilitate the delivery of a decision made by a higher administrative authority on an appeal against an administrative act of an inferior administrative authority and to regulate it in line with the procedures, established for serving the inspection report issued by the construction supervisory body, the decision and the notification of it to an interested party. In particular, in case the legislative amendment is adopted, the decision made by the higher administrative body regarding the complaint will be sent to the interested party by post, to the address indicated in the administrative complaint. In case the decision is not delivered to the interested party (due to the absence of the interested party at the address or the refusal to get acquainted with the document), the decision will be placed in a visible place on the construction site and thus, it will be considered delivered.

Changes related to lotteries, gambling and winning games

From March 1, 2022, the amendments of December 22, 2021 to the legislation on lotteries, gambling and winning games came into force, which concern the advertising of these activities, the object of taxation and the tax rate, the establishment of effective mechanisms for protection of gambling addicts, raising the age limit for gambling and other issues.

According to the Law of Georgia on “Organizing Lotteries, Games of Chance and Other Prize Games” the protection mechanisms for persons addicted to gambling have been introduced, as well as the age limit for Georgian citizens has been increased to 25 years.

The Law of Georgia on Advertising also prohibits the distribution of advertisements about gambling, betting, gambling organizers and/or betting organizers, unless certain conditions are met.

Interested parties can get more information about the relevant changes to the legislation on lotteries, gambling and winning games in our review of tax and other legislative amendments prepared in December 2021.

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