

Tax Legislation Updates

In order to mitigate the negative consequences of the economic restrictions imposed for the purpose to alleviate the mass spread of the new Coronavirus (COVID-19), the Tax Code of Georgia was amended on January 5, 2021 to introduce tax privileges in the field of income and property taxes, allow certain tax payers to postpone payment of taxes, as well as to make it possible to hold the tax dispute resolution procedures through distance communication means and to simplify customs procedures.

According to the amendment:

- During the 6-month period starting from December 1, 2020, employer is granted the possibility 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 privilege 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%.
- Rendered leasing services from December 1, 2020, during 6 calendar months (reporting period) will be taxed with VAT during the reporting period of actual payment of the compensation amount/part of the amount of these services.
- The Property which is subject to declaration in 2020 or 2021 and is used in the activity of hotels and similar accommodation and/or leisure or other short-term accommodations, as well as property used in restaurants and mobile food services, services concerning beverages, travel agencies, tour operators and other booking services and related activities will be exempt from property tax.
Tax exemption also applies to property leased or otherwise transferred in the ownership, if the

property is used in any of the abovementioned activities.

- According to the amendment, persons exempt from property tax are entitled not to pay deferred income tax to the budget in accordance with Article 309, Part 114 of the Tax Code;
- The Minister of Finance/Head of the Revenue Service has been authorized to extend to the taxpayer the deadline for payment of income tax for no later than July 1, 2021, payable in November and December 2020 who carries out activities prescribed by the Article 309 paragraph 115(a) of the Tax Code in the settlement Bakuriani in Borjomi municipality, village of Gudauri in Kazbegi Municipality, in the resort Goderdzi in Khulo Municipality or in settlement Mestia in Mestia Municipality.
- As a result of the amendments, it became possible for taxpayers to participate in the tax dispute resolution proceedings remotely, without having to go to a dispute resolution authority.

Amendment to the Order of the Minister of Finance of Georgia on Tax Administration

In accordance with the amendments made to the Order #996 of the Minister of Finance of Georgia of 31 December, 2010, from February 1, 2021, the maintenance of the register of hired employees shall become mandatory.

An employer shall be obliged to fill with the register of hired employees the information about its employees, on the web-portal of the Revenue Service (eservices.rs.ge) through a personal authorized page before the start/termination/suspension of employment.

Distortion of information about employed natural persons by an employer shall entail liability in accordance with tax legislation.

According to the amendment, an employer shall be obliged to electronically display the information about employees with active and suspended status as of 1 February 2021 in the Register of Hired Employees by 1 March 2021.

The formation of a new database envisages the collection of comprehensive information about employees. The creation of the register is in line with the Association Agreement.

Other Legal Updates

Amendment to the Rules on Isolation and Quarantine

A set of restrictions has been repealed as a result of amendments to the Ordinance #323 of May 23, 2020 of the Georgian Government, in particular:

- The restriction on international air transportation of passengers has been removed. In addition, the conditions of isolation for persons arriving from a foreign country were defined as follows: a) Any person coming from a foreign country (regardless of citizenship) is not subject to isolation/self-isolation upon presentation of a document on the border certifying taking the full course (two doses) of any type of covid vaccine. In other cases, when crossing the border, they must present a document confirming the PCR examination conducted during the last 72 hours before the visit to Georgia and provide a PCR test at their own expense on the 3rd day after crossing the border; b) In case of a negative answer to the PCR test conducted in the last 72 hours before the visit to Georgia, a Georgian citizen who has arrived from abroad will on its own choice be subject to 8 days of

self-isolation (in case of impossibility of self-isolation - quarantine) or mandatory PCR testing on the 3rd day after arrival. In case of absence of PCR test conducted in 72 hours before coming to Georgia, Georgian citizen will be subject to 8-day mandatory self-isolation (in case of impossibility of self-isolation - transfer to quarantine space);

- restrictions on the functioning of public transport have been partially lifted for the following administrative territories: public transportation has been allowed within the administrative boundaries of Batumi, Gori, Zugdidi, Poti and Telavi municipalities, except on weekends;
- It became permissible both retail and wholesale sales of goods with access to the customer's sales space in Tbilisi, Batumi, Kutaisi, Rustavi, Gori, Zugdidi, Poti and Telavi, except Saturdays and Sundays;
- in the territory of the Autonomous Republic of Adjara it has become permissible to operate cafes/restaurants/bars by receiving guests in the outdoor area, although they are still prohibited from hosting social events;

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