

Tax Legislation Updates

Amendment to the Order №996 of the Minister of Finance of Georgia on December 31, 2010 on Tax Administration

On July 27, 2021, the Order №184 of the Minister of Finance of Georgia was adopted, which amended the Instruction approved by the Order №996 of the Minister of Finance of Georgia on December 31, 2010 on Tax Administration. The amendment concerns the rules for calculating VAT, paying it to the budget and informing the foreign taxable person about his obligations, who carries its activities without registration as a VAT payer. According to the amendment, a foreign taxable person is a taxable person who is not established or does not have a habitual address in Georgia or does not have a fixed establishment in Georgia, if such a person participates in the provision of digital services.

Without the obligation to register as a VAT payer, the obligation to calculate and pay VAT tax arises for a foreign taxable person if the place of rendering of the digital services by such a person is within the territory of Georgia and this transaction is not subject to reverse charge in accordance with Article 161 of the Tax Code of Georgia. The service will be considered provided on the territory of Georgia if:

- a) the location of the financial institution (in which the account is opened and used to reimburse the services rendered) or the operator of the electronic financial means (through which the payment is made) is Georgia;
- b) the place of residence of the recipient of the services is Georgia (in addition, the recipient of the services is a natural person purchasing the service, who is not a taxable person or is a taxable person, although the services received by him are not related to the economic activity of this taxable person);
- c) the internet protocol address (IP) of the device used by the service recipient to purchase the service is located in Georgia; Or
- d) The telephone code of the country used to purchase/pay for the service belongs to Georgia.

As a result of digital services rendered on the territory of Georgia by a foreign taxable person, the amount taxable with VAT is the payment received (or future payment) in exchange for the provision of digital services, without VAT.

Foreign taxable person providing digital services on the territory of Georgia will have the following obligations:

- to pay VAT tax in USD, EUR or GEL of according to its choice;
- to ensure the inventory of digital services provided on the territory of Georgia;
- to keep accounting documents for 3 years from the end of the year in which the service was provided, in order to determine the correctness of the tax liability;
- In order to report and pay VAT, to register on the portal on the website of the Revenue Service - "VAT Portal on Digital Services" - no later than the 20th day of the month following the reporting period and to pay the tax no later than the last day of the same month;

Violation of the relevant obligation by a foreign taxable person will result in sanctions, envisaged by the Tax Code of Georgia. In addition, in order to inform foreign taxpayers, who provides digital services on the territory of Georgia, the amendment will take effect on October 1, 2021.

Amendment Concerning Personal Tax Advisor

Pursuant to the amendment of 21 July 2021 in the Order №996 of the Minister of Finance of Georgia of December 31, 2010 on Tax Administration the Chapter 5 of the Instruction, which regulated the conditions for the provision of services to a taxpayer by a personal tax advisor, was deleted. Meanwhile, it was established that the provisions of the relevant chapter, existing before the entry into force of the order deleting the chapter 5, retain legal force in relation to the service contracts of the personal tax advisor, which were effective at the time of entry into force of this order, for the duration of the relevant agreements.

Other Legal Updates

New Law on Entrepreneurs

On August 2, 2021, the Parliament of Georgia adopted the new Law on Entrepreneurs and the accompanying package consisting of 26 bills with the third reading.

The Bill and 26 accompanying bills regulate the issues related to the establishment of the enterprise, sole proprietorship, one-person companies, contributions, the structures of companies, accounting, reporting and audit, period of limitation, time-frames for appeals and other issues.

The new Law on Entrepreneurs will enter into force on January 1, 2022, after its signing and publication by the President of Georgia. Accordingly, the Law of Georgia on Entrepreneurs, adopted on October 28, 1994, which is outdated and can no longer meet the requirements of modern corporate law, is declared invalid from the above-mentioned date.

More detailed information on novelties proposed by the law on entrepreneurs is provided in our February 2021 Tax and Legal Update.

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