

## Tax Legislation Updates

### Methodological Guidelines and Manuals of the Revenue Service

In accordance with the amendment made by the Order N19593 of the Director General of the Revenue Service on the Approval of the Methodological Reference on Value Added Tax, dated 17 June, 2021, Annex N8 – “Provision of Services” was added to the methodological reference.

In addition, the following situational manuals have been approved:

- Property tax when renting a space by an organization;
- Taxation of income received by a person with small business status;
- Receipt of living space (apartment) rent by a natural person in cash, without the use of cash register;
- Review of income received by the intern as salary;
- Taxation of salary issued by an international company;
- Taxation of distributed profits by an international company.

### Amendment to the Resolution # 275 of the Government of Georgia of April 4, 2014 on the Approval of the Rules for Concluding a Tax Agreement

The amendment to the Resolution # 275 of the Government of Georgia of April 4, 2014 on the Approval of the Rules for Concluding a Tax Agreement defines the form of filing an application for concluding a tax agreement by a taxpayer, the document to be attached to the application, as well as the grounds for determining the defects in the application and the form of its notification.

### Order # 134 of the Minister of Finance of Georgia of June 8, 2021

By the order # 134 of the Minister of Finance of Georgia of June 8, 2021, an amendment was made to the rule

on “conducting ongoing control procedures, writing off inventory, repaying recognized tax debt, taking measures to ensure payment of tax debt, and instituting proceedings for deliberating offences”. According to the amendment the simplified rules for writing-off inventory applies to public catering establishments with respect to inventory (except excise goods) subject to writing-off in the same activity (public catering activity).

The change will affect public catering establishments such as restaurants, cafes, bars, fast food establishments, canteens, confectioneries, bakeries or other establishments that produce and sell food on their facilities (including the so-called “take away” and “drive”), as well as through delivery in person or with the assistance of a third party (so-called “delivery” service).

## Other Legal Updates

### Changes in the legislation on Mediation

On June 22, 2021, the Parliament of Georgia ratified the United Nations Convention “on International Settlement Agreements Resulting from Mediation”. At the time of ratification of the Convention, reservations were made that the Convention shall not apply to settlement agreements to which Georgia is a party, or to which any governmental agencies or any person acting on behalf of a governmental agency is a party, to the extent specified in the declaration. Georgia reserved the right to apply the Convention only to the extent that the parties to the settlement agreement have agreed to the application of the Convention.

With the ratification of the above Convention, national legislation has also undergone relevant changes, namely:

On June 21, 2021, the amendment to the Law of Georgia on Mediation defined the legal basis for the recognition and enforcement of international mediation settlement agreements in accordance with the United Nations Convention on International Settlement Agreements Resulting from Mediation, adopted on August 7, 2019. According to the amendment, the Supreme State Court of Georgia will be the competent

state authority for the recognition and enforcement of international mediation settlement agreements.

According to the law, international mediation settlement agreements shall not subject to recognition and enforcement, which is:

- a) Concluded to resolve a dispute arising from transactions engaged in by one of the parties (a consumer) for personal, family or household purposes;
- b) Concluded for the settlement of a dispute arising from family, inheritance or labor relations;
- c) Approved by a court or concluded in the course of proceedings before a court and is subject to enforcement as the judgement pursuant to the effective legislation of the country where the judgement was delivered;
- d) Concluded and subject to enforcement as an arbitral award.

The rules for the recognition and enforcement of international mediation settlement agreements shall not apply to settlement agreements to which a state is a party, or to which any governmental agencies or any person acting on behalf of a governmental agency is a party.

In order to create procedural guarantees related to the recognition and enforcement of international settlement agreements resulting from mediation, relevant amendments have been made to the Code of Civil Procedure, which establishes the obligation to pay state fees for deliberating applications concerning the recognition and enforcement of international mediation settlement agreements, determines the person,

authorized for filling with the application in the court for recognition and enforcement of international mediation settlement agreements and mandatory requirements for the documents to be submitted in relation to it, provides the deadlines for the examination of admissibility and the merits of the petition, as well as the grounds for refusal to recognize and enforce the international mediation settlement agreements.

### Amendment to the Law of Georgia on State Property

On June 9, 2021, the amendment to the Law of Georgia on State Property entered into force, which defined the measures to be taken in connection with the party (the contractor) in the event of a state of emergency, epidemic or pandemic.

In particular, according to the amendment, if the fulfilment of the obligations of privatization/transfer of ownership is impossible or burdensome due to an emergency, especially dangerous for public health epidemic or pandemic situation, the decision on the measures to be taken in connection with the contracting party (except for the reduction of the privatization fee) in accordance with Article 398 of the Civil Code of Georgia, on the basis of a substantiated request by this party (person) to the property manager, is made by the Government of Georgia upon the submission of the property manager. Thus, according to the amendment, the circumstances that hinder the fulfilment of the obligation were specifically mentioned, in the presence of which it is allowed by the decision of the Government of Georgia to adapt the contractual relations to the changed circumstances.

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