



Georgian Legal News

Refer to the Law

Tax Code of Georgia

On 1 January 2019, several important amendments to the Tax Code of Georgia entered into force, amongst others:

- Paragraph 11 was added to Article 269, setting forth that:

“50% of fines imposed as a result of a tax inspection is cancelled in cases where the tax liability imposed after such tax inspection has been declared and the taxpayer has fully paid the taxes and 50% of fines imposed as a result of the tax inspection within 30 days following the submission of a tax notice.”
- Paragraph 2¹ was added to Article 272, setting forth that:

“Accrual of penalties shall cease upon expiration of three years following the day on which the penalty is imposed.”
- Article 274 was amended as follows:
 - late submission of a tax declaration/calculation will result in a fine of 5% (up to two months late) or 10% (over two months) of the respective tax amount based on such declaration/calculation.

- late submission of a zero tax declaration/calculation is not penalised.
- Article 275 was amended as follows:
- if the deductible amount does not exceed 5% of the tax declared/calculated, the fine shall amount to 10% of the deductible amount.
 - if the deductible amount is greater than 5% but less than 20%, the fine shall amount to 25% of the deductible amount.
 - in all other instances, the fine shall amount to 50%.
 - overstating the deductible/refundable amount in a tax declaration/calculation shall be treated as an understatement of the payable tax.
 - Paragraph 5 was added to Article 275:
 “5. The total of fines imposed as a result of a tax inspection in accordance with Article 275 shall not exceed the amount of taxes imposed during such tax inspection.”

The Law of Georgia on the Defined Contribution Scheme

As of 1 January 2019, participation in the defined contribution scheme is required for all employees, except for those who have reached the age of 60 (55 for women) before the law's entry into force.

An employee who has reached the age of 40 before this law's entry into force and does not wish to be a member of the defined contribution scheme may opt out of the scheme in accordance with the procedure determined by this law.

Upon making a salary payment, each employer is obliged to deposit in its own name 2% of the gross salary of each employee who is a member of the pension scheme and another 2% on behalf and at the expense of each employee to their individual pension account via an electronic system (i.e. 4% of the gross salary in total).

The state additionally deposits 1 or 2% of the gross salary, depending on the total annual salary of a scheme member – on the individual pension account of an employee or does not make any pension contributions.

Order No.281/04 of the President of the National Bank of Georgia

On 24 December 2018, the President of the National Bank of Georgia approved a statute on issuance of loans to natural persons, according to which financial institutions may not issue loans to or impose other types of obligations (i.e. suretyship) on natural persons without a prior examination of their solvency.

The Statute applies to all lenders regulated by the National Bank. When originating a loan, the lender must evaluate the income of the borrower, the value of the security and issue a loan the monthly payment of which and the value of the security does not exceed limits established by the Statute. The limits will be different for loans in GEL and in foreign currencies, protecting the borrowers and the financial system from risks associated with the foreign currency fluctuations.

The statute came into effect on 1 January 2019.

Ratification of the BEPS Multilateral Convention

On 27 December 2018, the Parliament of Georgia passed a resolution on the ratification of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting of 24 November 2016 (the MLI).

At this stage, only the minimum standards envisaged by the MLI will be implemented in the tax legislation of Georgia; relevant reservations will be made for the remaining provisions.

In light of the foregoing, following the signing and the ratification of the MLI, its provisions will be introduced to the major part of the agreements on avoidance of double tax treaties signed and approved by Georgia.

Contacts

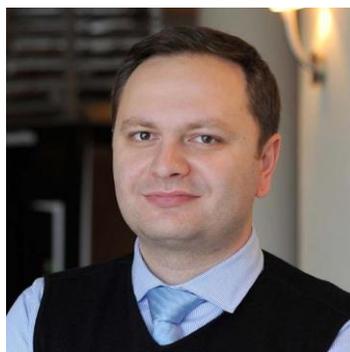
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