

EY TAX AND LAW BRIEF

April 2021

Changes were made to the Procedure of implementation of measures of collection of tax liabilities

- ▶ Order of the Minister of Finance of Georgia on amending the Order of the Minister of Finance of Georgia No. 994 dated 31 December 2010 was published on the webpage of the Legislative Herald of Georgia on 26 April 2021.
- ▶ According to amendments made to the Tax Code in July 2020, if the property under a tax lien/mortgage is sold or in any other way transferred to any other holder without cancelling the tax lien/mortgage and the new owner of the property wishes to repay the debt in the amount of tax lien/mortgage applied to his property, an agreement (schedule) for repayment of these tax liabilities may be signed with such owner.
- ▶ The procedure of signing the above schedule was approved by amendments made to the Order of the Minister of Finance No. 994, including:
 - ▶ Data to be specified in the application to be submitted for deferral of collection of acknowledged tax liabilities;
 - ▶ The list of documents attached to the application;
 - ▶ The timelines and procedure of consideration of the application by the Tax Authority;
 - ▶ Procedure of signing the Agreement (schedule) for deferral of collection of acknowledged tax liabilities;
 - ▶ Procedure of cancellation of the resolution on deferral of collection of acknowledged tax liabilities;
- ▶ The amendment envisaged that the amount of acknowledged tax liabilities which are being deferred, shall be defined in the amount not exceeding the liabilities imposed on the former owner of the property at the moment of its purchase by the new owner of the property.

- ▶ In case of signing the schedule, by decision of the head of the Tax Authority, the measures of seizing the property and sale of the seized property may be cancelled on this property to the extent of the deferred acknowledged tax liabilities.
- ▶ The Order became effective upon publication.

Source and date of publication: Legislative Herald of Georgia, 26/04/2021.

The 2021 Edition of International Financial Reporting Standards (IFRS) was adopted for application

- ▶ On 28 April 2021, the Order of the Head of Accounting, Reporting and Audit Supervision Service No. N-7 ("Order") was published on the webpage of the Legislative Herald of Georgia.
- ▶ The 2021 Edition of International Financial Reporting Standards (IFRS) adopted and published by International Accounting Standards Board (IASB) in Georgian language were introduced for application.
- ▶ It is mandatory to apply International Financial Reporting Standards (IFRS) for the accounting period commencing on 1 January 2021 and after that date.
- ▶ The Order became effective upon publication.

Source and date of publication: Legislative Herald of Georgia, 28/04/2021.

The procedure of preparing the land balance and the inventory of agricultural land resources was approved

- ▶ On 12 April 2021, the Resolution of the Government of Georgia No. 166 ("Resolution") was published on the webpage of the Legislative Herald of Georgia.
- ▶ According to the Resolution, a database will be created where data about the land fund of Georgia, including agricultural land resources will be entered.
- ▶ Such data includes, for example, the information about the land location, climate conditions, geographic position, the land data registered at the Public Registry, the indicators of economic assessment results obtained by agrotechnical and business activities, etc.
- ▶ Creation of the database and processing of its data will be ensured by the LEPL National Agency for Sustainable Land Management and Land Use Monitoring.
- ▶ The Resolution will become effective gradually and will enter into full force from 1 December 2023.

Source and date of publication: Legislative Herald of Georgia, 12/04/2021.

Updated procedure and forms of issuance of veterinary (health) certificates to be used during export of products subject to veterinary control were approved

- ▶ On 5 April 2021, the Resolution of the Government of Georgia No. 147 ("Resolution") was published on the webpage of the Legislative Herald of Georgia.
- ▶ The procedure of issuance of veterinary (health) certificates to be used during export of products subject to veterinary control was approved by the Resolution.
- ▶ The veterinary (health) certificate is issued by the LEPL National Food Agency and in the control zones defined by the Customs Code of Georgia - by the LEPL Revenue Service.
- ▶ The Resolution, among other things, defined the following:
 - ✓ The procedure of submission of an application to the authority issuing the certificate and content thereof.
 - ✓ The list of the documents to be attached to the application.
 - ✓ The veterinary control procedures to be carried out for issuance of the certificate.
- ▶ On the basis of this Resolution, the veterinary (health) certificate forms were approved by the Order of the Minister of Environmental Protection and Agriculture No. 2-422 dated April 12, 2021.
- ▶ The Resolution No. 147 became effective on the 5th day from its publication.
- ▶ The Order No. 2-422 became effective upon publication.

Source and date of publication: Legislative Herald of Georgia, 05/04/2021, 13/04/2021.

The 2020 Report of the Competition Agency was published

- ▶ On 21 April 2021, the 2020 Report of the LEPL Georgian National Competition Agency ("Report") was published on their webpage.
- ▶ According to the Report, the study of 5 markets was finalized in 2020:
 - ✓ Monitoring of filtered and unfiltered cigarette market.
 - ✓ Sectoral monitoring of retail trade chain facilities market.
 - ✓ Baby food market monitoring.
 - ✓ Vehicle insurance market monitoring.
 - ✓ Wheat and bread product market monitoring.
- ▶ The Competition Agency indicated in the Report that risks of possible violation of the competition laws of Georgia were not identified on any market.

Source and date of publication: Webpage of the LEPL Georgian National Competition Agency, 21/04/2021.

The Resolution of the Competition Agency on the possible fact of unfair competition between travel agencies was published

- ▶ On 6 May 2021, the Order No. 04/07 dated 27 April 2021 on Approval of the Decision of the Investigation of the Case ("Decision") was published on the webpage of LEPL Georgian National Competition Agency.
- ▶ The respondent was an employee of the claimant company, who established a company competing with the employer after leaving the job.
- ▶ The claimant considered that the respondent unfairly used the trade information or commercial secret obtained at the company.
- ▶ The Competition Agency made significant interpretations in the Decision, including on issues such as:
 - ✓ The actions contradicting the norms of business ethics.
 - ✓ The concept of trade information and commercial secret, according to the laws of Georgia and the court practice, as well as regulations of the EU, USA and the World Trade Organization.
 - ✓ Distinction between the use of the company's trade information or commercial secret and the use of experience and skills obtained during performance of job duties.
- ▶ According to the Competition Agency, freedom of labor guaranteed by the Constitution of Georgia implies freedom of competition with the former employer and establishment of communication with its clients.
- ▶ The Agency also considered that the major part of the information used by the former employee was publicly known and easily accessible. Further, the respondent was using experience and skills obtained during performance of the job duties.
- ▶ Considering these and other arguments, the Agency considered that the respondent had not illegally obtained/used the trade information or the commercial secret.

Source and date of publication: Webpage of LEPL Georgian National Competition Agency, 06/05/2021.

The procedure of implementation of preventive measures electronically by an accountable person was approved

- ▶ On 1 April 2021, the Order No. 48/04 of the President of the National Bank of Georgia dated 30 March 2021 ("Order") was published on the webpage of the Legislative Herald of Georgia.
- ▶ The procedure of implementation of preventive measures electronically by an accountable person under the supervision of the National Bank of Georgia was defined by the Order.
- ▶ Among other aspects, the following issues were defined by the Order:
 - ✓ The procedure of giving a consent of the National Bank of Georgia for introduction of electronic identification/verification process.
 - ✓ The list of countries in which registered legal entities are allowed to be electronically identified/verified, provided that other requirements defined by the Order are met.
 - ✓ The obligations of the accountable person in respect to an electronically identified/verified person.

- ✓ The list of cases when electronic identification/verification of a person is inadmissible.
- ✓ The stages of electronic identification/verification process.
- ▶ The Order became effective from 2 April 2021.

Source and date of publication: Legislative Herald of Georgia, 01/04/2021.

The updated Energy Market Monitoring and Reporting rules were approved

- ▶ On 7 April 2021, the Resolution of LEPL Georgian National Energy and Water Supply Regulatory Commission No. 7 dated 30 March 2021 ("Resolution") was published on the webpage of Legislative Herald of Georgia.
- ▶ The updated energy market monitoring and reporting rules were approved by the Resolution.
- ▶ The approved Rules apply to energy enterprises and other participants of the wholesale energy market, as well as water supply licensees in accordance with the conditions defined by the Rules.
- ▶ The Energy Market Monitoring Rules became effective upon their publication, while Reporting Rules will become effective from 1 July 2021.

Source and date of publication: Legislative Herald of Georgia, 07/04/2021.

The rule of issuing a flight authorization - special permit was approved

- ▶ On 1 April 2021, the Order of the Director of LEPL Civil Aviation Agency No. 70 dated 31 March 2021 ("Order") was published on the webpage of Legislative Herald of Georgia.
- ▶ The operator registered in Georgia does not have a right to operate flights which require a special permit, without the authorization issued by LEPL Civil Aviation Agency.
- ▶ The rules and conditions of issuing a special permit to an aircraft operator registered in Georgia or an applicant for obtaining a certificate were approved by the Order.
- ▶ The Order became effective from 1 April 2021.

Source and date of publication: Legislative Herald of Georgia, 01/04/2021.

Contact information:

Tato Chantladze

Partner | Tax & Law

EY LLC

Kote Abkhazi st. 44, 0105, Tbilisi, Georgia

Tel.: +995 (32) 215-88-11

Tato.Chantladze@ge.ey.com

George Svanadze PhD., LL.M., MLB (Bucerius/WHU)

Associate Partner | Head of Law Practice

EY LLC

Kote Abkhazi st. 44, 0105, Tbilisi, Georgia

Tel.: +995 (32) 215-88-11

George.Svanadze@ge.ey.com

EY | Assurance | Tax | Strategy and Transactions | Consulting

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://www.ey.com).

© 2021 EY LLC

All Rights Reserved

<http://www.ey.com/georgia>

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

The views of parties set out in this publication are not necessarily the views of the global EY organization or its member firms. Moreover, they should be seen in the context of the time they were expressed.