

Tax and Legal Alert

**Overview of changes in Georgian legislation
May, 2020**



Tax News

An amendment of 112-116 parts has been made to the Article 309 of the Tax Code of Georgia on May 22, 2020, in particular:

- Starting May 1, 2020, during 6 months period, employer has the right to reduce (not to pay to the budget) the personal income tax from the salary under GEL 750 paid to employee, if the salary received by the employee from the same employer within one calendar month does not exceed GEL 1500.

The abovementioned exemption shall not apply to - budget organizations, National Bank of Georgia, national regulatory authority, an enterprise, where the state or municipality owns more than 50% of shares/interest as well as the enterprise under its control, if the ownership of shares/interest is more than 50%.

- Starting March 1, 2020, during 6 months period, a person has right to tax rent/leasing services with VAT in the reporting period of actual payment of the corresponding amount/part of amount.
- The Minister of Finance/Head of the Revenue Service of Georgia is entitled to extend the term specified by the Tax Code of Georgia for payments of income tax and/or property tax for certain taxpayers to be paid in 2020 (including February, March, April and May 2020) no later than January 1, 2021. In this case, no fines shall be imposed to the taxpayer.
- Providing incorrect information to the tax authority, which leads to unfounded compensation of the employee, will result in a penalty of the employer equal to double amount of compensation issued on the basis of this information.
- The following property is exempt from property tax (including the current payments) payable in 2020:
 - Property used in hotels and similar accommodation facilities and/or leisure and other short-term accommodation services;
 - Property used in restaurants' and mobile food services;
 - Property used by travel agencies, tour-operators and other bookings' and related services.

Abovementioned tax exemption is also applied on property used for the said purposes, and which is leased, rented, or taken in possession through other similar forms.

Public Decision of the Minister of Finance # 107 "On the Taxation by Property Tax of the Right of Use of the Leased Asset" has been published on May 05, 2020.

The right of use of the asset under lease agreement, which in accordance with the requirements of the Accounting Standards and Financial Reporting Standards, is booked by the taxpayer (lessee) under the section of fixed assets, does not constitute an object of property tax for the taxpayer (lessee).

Several so called "manuals" have been published on May, in particular:

- Person rendering delivery services has no obligation to issue a waybill if the service recipient is a natural person.
- An enterprise, that is taxed according to the new so-called "Estonian model", may write off receivables raised starting January 01, 2017 in two cases:
 - 1) The enterprise claims to fulfill debtor obligations through various types of communication. At the same time, the enterprise did not use the appropriate legal mechanism to get receivables, as the amount of time, human resources and / or financial costs to be deducted from receivables exceeds the amount of income / benefits.
 - 2) The enterprise applied to the relevant legal mechanism to get receivables, however, the request could not be satisfied through the enforcement body.

Legal news:

1) On 23 May 2020, on the basis of Resolution № 322 of the Government of Georgia, appropriate measures were taken to reduce life and health threat of population of the country and to manage the epidemiological situation. Certain restrictions and exceptions have been taken.

International passenger air, land and sea traffic has been suspended, as well as direct international regular flights, passenger transport by rail;

It has already been allowed to transport long-distance passengers by M2 and M3 categories of transport since June 8;

It is forbidden to take more than 3 people (including the driver) by taxi (M1 category). In addition, the driver must be equipped with a personal face mask and passengers must be placed on the back side of the car in accordance with the recommendations of the Ministry of Health;

Also, all persons (including the driver) must be equipped while travelling with the public transport, including the metro and by cable car.

As for the regulation of the educational process, general education and higher education institutions still remain in distance learning and also all kinds of training, conferences and seminars should be held in a remote form.

Cultural events are allowed to be held only remotely.

The resolution restricts the gathering of more than 10 individuals related to social events (weddings, funerals, etc.); when gathering in a closed public areas, all persons are obliged to wear a face mask. Public area is considered to be any place under the roof as well as outside, unless it is a place to be used for private purposes.

As of today, all economic activities are allowed under this resolution, except:

A) Organizing / holding sports, cultural and entertainment events;

B) sports-recreation procedure / activities.

On-site customer service in the restaurant, bar, cafe and any kind of dining room, which is provided indoors is already allowed; As well as the activities of currency exchange offices;

Gambling is only allowed in electronic form;

Hotels and similar accommodation activities are permitted only for the purpose of arranging quarantine spaces. It is also permissible in case of following health recommendations and getting a positive conclusion as a result of the examination.

2) On May 29, 2020, on the basis of the Order Georgia № 01-227 / O of the Minister of Health of, recommendations to prevent the spread of the new coronavirus (COVID-19) to various sectors of the economy, including recommendations for the office work, retail and wholesale trade, etc. were approved.

All economic activities should be carried out taking into account the specifics of the facility, maintaining a social distance of at least 2 meters, and taking into account the recommendations to prevent the spread of new coronavirus (COVID-19) in the workplace.

Sources:

<https://matsne.gov.ge/ka/document/view/4877009?publication=7>

<https://www.matsne.gov.ge/ka/document/view/4883653?publication=0>

Matters covered in this publication are intended for general overview and discussion. They are not intended, and shall not be used, as substitute to seeking professional advice for specific issues

In case you need additional information, our tax and legal experts will be happy to comment and clarify all possible matters on the amendments.

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