

Profile——Georgia

I . Jurisdiction Background

Georgia is situated between Asia and Europe and occupies a land of 69,700 square kilometers. Georgia is divided into nine regions and two autonomous republics, with the capital Tbilisi and an estimated population of 3.7 million. Georgia is a semi-presidential Republic with the president as the head of state, the official language is Georgian, and the currency is the Georgian lari (GEL). Georgia is rich in tourism resources, and its favorable natural environment attracts a large number of tourists from Europe and neighboring countries. In 2023, the nominal GDP of Georgia was GEL 80.2 billion (about \$30.5 billion), and the real GDP growth rate was 7.5%, of which the wholesale and retail industry accounted for the largest proportion (15.6%). In 2023, Georgia attracted FDI up to \$1.6 billion, with Britain being the largest source of foreign investment.

II . Organizational Structure

Georgia Revenue Service is a Tax and Customs Administration-SPS Border Control Agency under the Ministry of Finance of Georgia. Revenue Service holds a status of Legal Entity of Public Law, with its own budget generated from the services provided to the taxpayers. The main responsibilities of the Revenue Service are administration of taxes and duties; provision of tax and customs control; ensure compliance with tax legislations; provision of tax services; review complaints; cooperate with the relevant services of foreign states and international organizations and etc. Revenue Service consists of Head office: including analytical,

legal, financial and other departments and Operational departments: including Audit Department, Customs Department, Tax Monitoring Department, Service Department and Debt Management Department.

III. Current Tax System

Georgia features a relatively straightforward tax system with 6 taxes, including VAT, Excise Tax, Tax on Import, Corporate Income Tax, Individual Income Tax, Property Tax (local tax)

IV. Overview of tax preference policies

◆ Corporate Income Tax (CIT)

CIT exemptions: profit earned by a Free Industrial Zone (FIZ) enterprise from its permitted activities conducted in an FIZ; profit earned from supplying the information technologies created by virtual zone persons outside Georgia; profit earned by a special trading company from selling and re-exporting foreign goods in related activities, etc.

5% preferential tax rate: income derived from operations of international companies.

10% preferential tax rate: income derived from exploration for, and exploitation of, oil and gas resources, if the agreements to engage in these activities were signed before 1 January 1998. (Such income continues to be taxed under the classical corporate income tax system.)

◆ Individual Income Tax (IIT)

For micro businesses and small businesses: Registered micro businesses,

which are businesses with annual turnover lower than GEL 30,000 , inventory value lower than GEL 45,000 and no employees, are exempt from individual income tax. Registered small businesses, which are businesses with annual turnover not exceeding GEL 500,000, are subject to a 1% rate, which is levied on the total turnover. The rate is increased to 3% if the annual turnover exceeds GEL 500,000.

5% preferential tax rate: capital gains derived from the sale of a vehicle or residential property, including the related land; salary income received as a result of employment in an international company.

◆ VAT

Zero tax rate: exports of goods, international air transport and shipment services, tourist services in Georgia and the supply of natural gas to thermo-electric power stations, etc.

VAT exemptions: financial services; import of equipment to be used in the exploration for, or exploitation of, oil and gas resources; public transport services; medical services; supplying the information technologies created by virtual zone persons outside Georgia; conducting business in a free industrial zone, etc.

◆ Latest policies

The industries that benefit from the International Company Regime are expanded to the information technology (IT) and shipping sectors.

Taxable income received by a single parent up to GEL 3,000 during a calendar year is not subject to income tax.

Starting from 1 December 2024, the income tax rate for income received from foreign individuals by the organizers of electronic (online) betting activities will be reduced from 7% to 5%.

V. Tax Collection and Administration

After submitting an application for registration of establishment to the National Agency of Public Registry (NAPR), an enterprise may obtain a tax registration certificate free of charge from the tax authorities. Registration as a VAT taxpayer is mandatory if the turnover exceeds GEL 100,000 within 12 months.

Taxpayers shall use national accounting standards based on the International Financial Reporting Standards (IFRS) and must adopt a uniform accounting method for financial and tax treatment (i.e. both on the cash or accrual basis) which remains unchanged during the tax year.

VAT and corporate income tax shall be declared and paid before the 15th day of the month following the taxable transaction, and individual income tax of natural persons whose income is not taxed at source shall be declared and paid before 1 April of each year

The Revenue Service may assess tax returns within 3 years from the year they are filed; it may also conduct desk audits or on-site audits on taxpayers, and issue tax acts to taxpayers on the results.

Taxpayers who fail to pay or underpay tax within the time prescribed by the tax law, fail to perform tax registration procedures or submit tax-related information according to law, or commit invoice fraud and other tax violations will be fined accordingly, among which major tax

evasion will also be identified as criminal cases.

VI. Taxpayer Services

According to the Doing Business 2020 report released by the World Bank, Georgia ranks 7th in the overall business environment, with the tax index ranking 14th, up two places from the previous year.

Revenue Service actively works in the direction of promoting remote use of electronic services and self-service approach. In order to facilitate remote use of services and self-service the following has been ensured:

- ▶ Data feeds for applications have been updated.
- ▶ User manuals for electronic applications have been developed and placed in the electronic catalog.
- ▶ Video instructions have been developed regarding submitting the application remotely from the authorized page of the Revenue Service, where the stages of submitting the application from the page of an authorized user are discussed in detail.
- ▶ Information roadmaps have been placed on the website of the Service.

All these led to the reduction of the number of service centers in the capital city of Georgia to only 1 and as the result the number of visitors to the service centers by 38% as of July 2024, compared with the previous two years, while the overall utilization rate of electronic services reaches more than 90%.

Range of online services, provided by the Revenue Service through its website including taxpayer registration, tax return filing and calculation, registration of taxpayers benefiting from tax incentives, electronic payments, electronic invoicing, etc.

The website also provides user-friendly services such as video calls, the “RS-chat”, and version for people with disabilities.

Taxpayers whose rights have been violated can appeal through the Business Ombudsman.

VII. Tax Legislation Process

As the main basis of Georgia domestic tax law, Tax Code is a normative statutory code, which was officially published in December 2004 and has since been amended several times. In January 2011, the Parliament of Georgia adopted and implemented a new version of the Tax Code of Georgia.

In recent years, Georgia has promulgated new tax policies as well as collection and administration measures mainly through amendments to the Tax Code, orders of the Minister of Finance, orders of the Head of the Revenue Service and resolutions of the Government. For example, in 2016, the Parliament passed the income tax amendment to reform the corporate income tax system for resident enterprises and permanent establishments of non-resident enterprises, and from 1 January , 2017, enterprises only pay corporate income tax when distributing profits; in 2019, the VAT amendment was passed to align VAT legislation with EU VAT Directive (2006/112); In 2019, the Revenue Service has introduced

automatic VAT refund system, where excess VAT amount is automatically credited on the taxpayers' bank account without sending a payment request. In 2024, the consumption tax amendment was passed, which mainly revised the excise tax rate of tobacco and tobacco products.

VIII. Future Tax Reform Plan

According to the new 2025-2030 strategy document of the Revenue Service of Georgia digital transformation and raising the level of legal compliance; modernization of information technology systems and strengthening of analytical capabilities; development of institutional capacities and International cooperation will be the main priorities of the Service for the next 5 years.

IX. International tax cooperation

Georgia's international cooperation in the field of taxation has been deepening, reflecting its influence and contribution in the international tax arena.

◆Expanding the network of tax agreements: Georgia has signed and implemented bilateral tax agreements with 58 countries or regions to better serve foreign investment and cross-border trade.

◆Belt and Road Initiative Tax Administration Cooperation Mechanism: Georgia became one of the first member states of the BRITACOM in 2019 and hosted the fourth Belt and Road Initiative Tax Administration Cooperation Forum in 2023. Levan Kakava, Head of the Revenue Service of Georgia, became the chairman of the 4th BRITACOF and of council of the BRITACOM.

◆Participation in international tax cooperation organizations and forums: International Monetary Fund (IMF), Intra-European Organization of Tax Administrations (IOTA), The Forum on Tax Administration (FTA), Global Forum on Transparency and Exchange of Information, etc.

◆Georgia has also signed the Multilateral Competent Authority Agreement (MCAA) for the automatic exchange of financial account information according to the Common Reporting Standard, and has established cooperative relations with overseas tax authorities and organizations such as the BEPS Inclusive Framework, the European Commission, the World Customs Organization and the World Bank.

◆Role in international tax cooperation: Georgia's importance in international tax cooperation is increasing, both in terms of the quantity of international tax agreements signed and the frequency of participation in international tax cooperation organizations and forums.

X. Others

None.