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I. Legal Framework in Georgia



Any Georgian or foreign citizen can register a business in Georgia, using any type of business entities existing under Georgian laws.

Business Registration

One of the key decisions when starting a business abroad is choosing the form of legal presence in the country. It can have significant implications on the company's future operations, including the benefits afforded and the amount of potential liability.

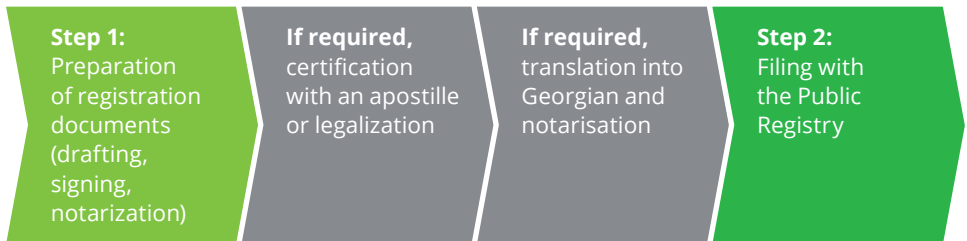
According to the Georgian Law "On Entrepreneurs", there are six types of business entities that may be formed and may carry out business activities in Georgia:

- **An individual entrepreneur** is an individual who carries out entrepreneurial activities and manages legal affairs as a natural person. An individual entrepreneur is personally liable to his/her creditors with all of his/her assets for all obligations arising from his/her entrepreneurial activities.
- **A general partnership** is a partnership that several individuals (partners) set up to carry out entrepreneurial activities together, under one common name, and for whose obligations they are jointly and severally liable with all their assets.

Note: both Georgian and foreign companies may establish a branch/representative office in Georgia. A branch/representative office is a presence (but not a separate business entity) through which a company carries out its trade or business activities. A branch/representative office of a foreign business entity must be registered at the Public Registry, while the registration requirement does not apply to branch offices of a Georgian company.

- **A limited partnership** is a partnership that several individuals (partners) set up to carry out entrepreneurial activities together, under one common name, where the liability of one or several partners (limited partners) to the creditors of the partnership is limited to a fixed amount and the liability of other partners (general partners) is not limited. General partners are jointly and severally liable for debts and obligations of the partnership with all their assets.
- **A limited liability company** is a company whose liability to creditors is limited to all its assets. The capital of a limited liability company is divided into shares, which are transferrable.
- **A joint-stock company** is a company whose capital is divided into shares of one or several classes; the number of shares is determined by a charter. The liability of a joint-stock company to its creditors is limited to all of its assets.
- **A cooperative** is a legal person based on labour activities of its members or established for developing the business and increasing the income of the members. The liability of a cooperative to its creditors is limited to its assets.

Registering a business in Georgia:



Legalisation and certification with apostille

To be used in Georgia, foreign documents must be certified with an apostille or legalisation seal and notarised. Legalisation/apostille certifies the validity of the stamp/seal and the authority of the person who signed the document.

If a document is prepared in a country that is a signatory to the Hague Convention of 5 October 1961 Abolishing the Requirement of Legalisation for Foreign Public Documents, an apostille is required.

However, if a country is a signatory to the Minsk Convention on Legal Assistance and Legal Relations in Civil, Family and Criminal Matters, neither apostille nor legalisation is required.

Documents prepared in a country that is not a signatory to the Hague Convention must be legalised, unless the country is a signatory to the Minsk Convention. The following former Soviet Union countries are signatories to the Minsk Convention: Armenia,

Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, the Ukraine, and Uzbekistan. You can see the status table of the Hague Convention here: <https://www.hcch.net/en/instruments/conventions/status-table/?cid=41>

Immigration

Legal grounds for entry and stay in Georgia:



Residence permit



Citizens of any of the 95 countries listed in Order No. 255 of the Government of Georgia can enter and stay in Georgia without a visa.



Other cases governed by the laws of Georgia (such as a Georgian visa)

The Order No.255 of the Government of Georgia

In accordance with the Order No.255 of the Government of Georgia, the citizens of 95 countries (which includes all EU member states) may enter Georgia without a visa or a residence permit in advance and remain in the country for up to 1 year. In other words, upon entry, a foreigner is automatically granted a one-year period of stay in Georgia.

Employment matters

Employees are arguably a company’s most important asset, and they play a key role in its success. Georgian law regulates employment relations and sets minimum standards from which an employment agreement may not derogate in a manner to worsen the employee’s state. Below is a brief overview of the key aspects of the relevant legislation.

At the pre-contractual stage, an employer must consider a number of factors such as the age of the employee, professional qualification and the field of work. The below table illustrates several core issues.

	Younger than 14	From 14 to 16	From 16 to 18	18 and above
Fields	Sports, culture, advertisement arts	-	-	-
Hours per week	-	Up to 24	Up to 36	Up to 40
	Work in excess of the above hours by individuals of the relevant age group is generally considered overtime work.* Importantly, consent must be obtained from pregnant women, women who have recently given birth, persons with disabilities, or minors before requiring them to work overtime			

	Younger than 14	From 14 to 16	From 16 to 18	18 and above
Further Details	Consent of a legal representative, guardian, or custodian must be obtained before employing individuals younger than 16. Employment relations must not be detrimental to a minor's interests or impair their moral, physical or mental development, nor should it hinder their right to acquire compulsory primary and basic education		An individual has the legal capacity to enter into an employment agreement at the age of 16	
	Individuals younger than 18, as well as pregnant women and nursing mothers, may not perform hard, harmful or hazardous labour			

* Different terms and conditions for working hours and overtime apply when specific operating conditions require more than eight hours of uninterrupted work.

Notably, the employer must remunerate the employee for overtime at an increased hourly rate. Alternatively, the parties may agree that the employee is granted supplementary time off.

The laws of Georgia also stipulate a number of restrictions regarding the form and duration of employment agreements. The table below contains several important tenets.

	Probationary	Fixed-term*
Duration	Up to 6 months	Up to 30 months (if the term of the agreement exceeds 30 months, the term is deemed indefinite)
Form	Written	Written, if it is for a period longer than three months
Further Details	Such contracts may be concluded only once and only during the probationary period, any party may terminate it. The employer must pay the employee for work performed during the probation pro rata with the worked time	<p>If the duration is less than a year, such fixed-term agreement may only be concluded if:</p> <ul style="list-style-type: none"> • work is seasonal or of a limited quantity; • the volume of work is temporarily increased; • an employee temporarily absent due to suspended labour relations is being replaced; • other objective justifying circumstances exist. <p>Termination is subject to a wide range of legal requirements according to Georgian law</p>

* An employment agreement may be for an indefinite term and in case of termination, as with the fixed-term agreement, a number of legal requirements would apply.

Lastly, in the beginning of 2019, the Law of Georgia “On Occupational Safety”, laying out the main requirements for ensuring workplace safety, entered into force. Save for several exceptions provided by this law, all employers must comply with these obligations, and their failure to do so may lead to sanctions.

Free Trade Agreements and the Deep and Comprehensive Free Trade Area

Georgia has free trade agreements (FTA) signed with the European Union, Turkey, China, the Commonwealth of Independent States (CIS), and the European Free Trade Association. Georgia also signed the Association Agreement (AA) with the European Union on 27 June 2014, which entered into force on 1 July 2016. The Deep and Comprehensive Free Trade Area (DCFTA) is an important part of the AA. The AA establishes bodies such as the Association Council to oversee its application, with the Association Agenda defining priorities for its implementation. The latest Association Agenda encompasses the priorities to be followed during 2017–2020.

The DCFTA envisages the elimination of the import duty upon certain conditions. In order to benefit from this regime, it is necessary to prove that the goods imported by one contracting party into another originate in the former.

Notably, the difference between the terms “produced” and “originated” should be taken into account. Not all goods produced in the contracting party may have a status of origin. For the goods to benefit from the regime, the following conditions must be met:

- the goods must be fully produced in Georgia/the EU; or
- for goods not fully produced in Georgia/the EU, materials used for production should have undergone sufficient processing within Georgia/the EU, as defined by the Agreement.

Importantly, Georgian citizens have been able to travel to the Schengen area visa-free since 28 March 2017.

On 21 October 2019, Georgia and the United Kingdom (UK) signed a Strategic Partnership and Cooperation Agreement, which is aimed to substitute the AA and the DCFTA in relations with the UK after Brexit.

The Free Trade Agreement (FTA) with China was signed in May 2017 in Beijing and became effective on 1 January 2018.

The FTA provides for the elimination of all customs duties for goods originating in another contracting Party, with few exceptions. The elimination will take place from the date of entry

into force of the Agreement in accordance with its Schedule.

Under the Agreement, the following goods are considered as originating in the contracting Party:

- goods wholly obtained or produced in a Party as defined by the Agreement;
- goods produced in a Party exclusively from originating materials; or
- goods produced from non-originating materials in a Party, provided that the goods conform to a regional value content of no less than 40%, with exceptions as provided under the Agreement.

The creation of the DCFTA under the EU-Georgia Association Agreement and ratification of the FTA between Georgia and China provides new opportunities for the business to use Georgia as an intermediary between the EU and Chinese markets.

Dispute Resolution

Court System

Georgia is a civil law country, which means that the primary sources of law are codified statutes. The doctrine of precedent is not acknowledged; however, to establish uniform judicial practice, interpretations of legal regulations by the Grand Chamber of the Supreme Court are binding on common courts of all instances. Dispute resolution powers in Georgia are vested in common courts, comprising of three instances.

Common Courts of Georgia	Authority
Court of First Instance District (City) Courts	Reviewing disputes in civil, administrative or criminal cases
Court of Second Instance Court of Appeals	Reviewing appeals against the District (City) Courts Recognising and enforcing arbitration awards under Georgian jurisdiction
Court of Cassation Supreme Court	Reviewing appeals against the Court of Appeal Recognising and enforcing court judgements and arbitration awards of foreign jurisdictions

Cases are distributed among panels (chambers in the Court of Appeals and the Supreme Court) based on the nature of the dispute or offence.

Civil Cases Panel/ Chamber

Property disputes, compensation for moral and material damages, civil rights claims.

Administrative Cases Panel/Chamber

Claims against the actions and decisions of state authorities.

Criminal Cases Panel/ Chamber

Criminal offences

The Constitutional Court of Georgia is a judicial body of constitutional review that determines whether legal acts comply with the Georgian Constitution. It ensures observance of constitutional provisions, safeguards the separation of powers and protects the human rights and freedoms enshrined in the Constitution.

Arbitration and Mediation

Alternative dispute resolution mechanisms, namely arbitration and, more recently, mediation have been placed on a statutory footing in Georgia.

The Law of Georgia “On Arbitration” is based on the United Nations Commission on International Trade Law (UNCITRAL) Model Arbitration Law. This law establishes the rules for establishing arbitral tribunals, the conduct of arbitration proceedings and the rendering of arbitration awards. An arbitral tribunal is entitled to resolve a dispute arising from private property.

The Law of Georgia “On Mediation” sets forth alternative dispute resolution mechanisms and defines the principles of mediation proceedings. According to this law, court mediation is administered during court proceedings by a judge, while private mediation is administered by a mediator selected by the parties. If mediation results in a settlement, it must be enforced by court.

International arbitration and mediation conventions signed by Georgia

Arbitration	Mediation
The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards	United Nations Convention on International Settlement Agreements Resulting from Mediation (Singapore Mediation Convention)
The Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the ICSID Convention)	

II. Taxation in Georgia

The Tax Code of Georgia ("Tax Code") is the principal source of tax law. While other laws may affect taxation, they may not contradict the provisions of the Tax Code. Georgia has the following direct and indirect taxes:

Direct taxes:	Tax rates	Indirect taxes:	Tax rates
Personal income tax	20%	Value added tax	18%
Profit tax	15%	Excise tax	Varies
Property tax	1% (except land)	Import tax	Varies

* Please find the details below.

Personal Income Tax

Reporting period	Tax filing due date	Tax payment due date	Tax rate
Calendar month	15 th day of the month following the reporting calendar month	For salaries — upon payment of the salary. For in-kind benefits — at the end of a calendar month	20%

Individuals are only subject to the tax on income received from Georgian sources. An individual is considered to be a resident of Georgia for personal income tax purposes if he or she is present in Georgia for more than 183 days in any 12-month period ending in a tax (calendar) year, or if the individual was abroad during the tax year in public service of Georgia. An individual may also become a tax resident of Georgia if he or she possesses a high net worth as defined under the Law of Georgia on the Securities Market.

Personal income tax is imposed on wages and other forms of compensation paid to employees, as well as income earned by a physical person or an individual entrepreneur from their economic activities.

Funded Pension

The Law of Georgia on Funded Pension came into force on 1 January 2019. The law applies to employers, citizens of Georgia as well as to foreign nationals and stateless persons residing in Georgia on a permanent basis. This effectively means that the scheme applies to foreign nationals if they satisfy the following two criteria: they are Georgian residents in accordance with the Tax Code and simultaneously hold a permanent residence permit for Georgia.

Contributions are made as follows:

- An employee contributes 2% of their gross salary to the pension scheme through an electronic system upon payment of the salary;

- An employer contributes 2% of the employee's gross salary to the pension scheme;
- The state contributes:
 - 2% of the salary if the employee's annual income is < GEL 24,000; and
 - 1% if GEL 24,000 < annual income < GEL 60,000;
- A self-employed person pays 4% of the annual income.

Profit Tax

Reporting period	Tax filing due date	Tax payment due date	Tax rate
Calendar month*	15 th day of the month following the reporting calendar month	15 th day of the month following the reporting calendar month	15%**
or			
Calendar year***	Before April 1 of the following reporting calendar year	Before April 1 of the following reporting calendar year	15%

* To whom the distributed profit tax system rules apply.

** To calculate the taxable amount under the distributed profit tax system rules, the distributed amount subject to taxation must be divided by 0.85.

*** To whom distributed profit tax system rules do not apply.

Distributed profit tax system

On 1 January 2017, Georgia moved from a tax regime in which companies were subject to tax on their annual taxable profits, to a system where tax is only paid if corporate profits are distributed. The distributed profit tax system currently only applies to Georgia resident companies and the permanent establishments (“PEs”) of nonresident entities. The rules will apply to commercial banks, credit unions, insurance organizations, microfinance organizations and Loan Issuers, defined under the Law on National Bank of Georgia from 1 January 2023.

Georgia resident companies and PEs are taxed on their actual and deemed distributed profits, including the following:

- Distributed profits;
- Expenses incurred or other payments not related to economic activities;
- Gratuitous supplies of goods/services and/or transfers of funds; and
- Representation expenses that exceed the maximum amount defined in the Tax Code.

Legal entities to which distributed profit tax system rules do not apply are taxed on profit, which is determined as gross income from economic activities less allowable deductions. Special rules apply to profits arising from transactions related to Baku–Tbilisi–Ceyhan (“BTC”)

and South Caucasus Pipeline (“SCP”), under Host Government Agreements, and oil and gas operations, under current agreements to engage in these activities that were concluded before 1 January 1998 in line with Georgian laws;

Taxation of a Non-resident’s Income Not Related to a PE

Non-residents who are not engaged in economic activities through a PE are subject to withholding tax on gross income from Georgian sources. No deductions from this income are allowed, and the tax is withheld at the source of payment. However, the Tax Code allows non-resident taxpayers who receive certain types of income to file a return and claim any deductions allowable as if this income was related to a PE.

The following withholding tax rates normally apply to the following items of income from Georgian sources payable to non-residents, provided that such income is not attributable to a non-resident’s PE in Georgia:

Income received from Georgian sources	Tax rate
Dividends	5%
Interest	5%
Oil and gas subcontractors	4%
International telecommunication and transportation services	10%
Royalties	5%
Management fees	10%
Income received in the form of wages	20%
Service-related payments to non-residents from other Georgian sources not related to their PE in Georgia	10%

If a non-resident is registered in a low tax jurisdiction, interest, royalty and service fee payments will be subject to withholding tax at the rate of 15%.

Taxation of Cross-Border Transactions

Since resident entities are taxable on their worldwide income in Georgia, and may also be taxable by foreign states on income derived from sources or business conducted in these states, the same income could potentially be subject to double taxation. In terms of domestic tax law, profit tax paid outside Georgia is credited upon payment of tax in Georgia. Excess foreign tax credit cannot be offset against a resident taxpayer’s Georgian tax liabilities on any domestic source income, nor can they be carried forward or backward.

Double Tax Treaties

Georgia has double tax treaties (“DTT”) with 56 countries (please refer to the link <https://mof.ge/en/5128> of the Ministry of Finance of Georgia), which generally follow the OECD or UN Model Tax Convention on Income and on Capital. In accordance with Georgian tax legislation, the provisions of international agreement covering taxation rules should prevail over conflicting provisions of the Tax Code. However, if the provision of the Tax Code provides a more favorable tax regime, the provisions of tax legislation would apply.

Country	Project duration for PE purposes	Maximum tax rates applicable in the country of source		
		Dividends	Interests*	Royalties
Austria	6 months	0% / 5% / 10%	0%	0%
Armenia	6 months	5% / 10%	5% / 10%	5%
Azerbaijan	6 months	5% / 10%	5% / 10%	5% / 10%
Bahrain	6 months	0%	0%	0%
Belarus	12 month	5% / 10%	5%	5%
Belgium	9 months	5% / 15%	5% / 10%	5% / 10%
Bulgaria	9 months	5% / 10%	5% / 10%	5% / 10%
China	6 months	0% / 5% / 10%	5% / 10%	5%
Croatia	9 months	5%	5%	5%
Cyprus	9 months	0%	0%	0%
Czech Republic	6 months	5% / 10%	5% / 8%	0% / 5% / 10%
Denmark	6 months	0% / 5% / 10%	0%	0%
Egypt	6/183 days	5% / 10%	5% / 10%	5% / 10%
Estonia	9 months	0%	0%	0%
Finland	6 months	0% / 5% / 10%	0%	0%
France	6 months	0% / 5% / 10%	0%	0%
Germany	6 months	0% / 5% / 10%	0%	0%
Greece	9 months	5% / 8%	5% / 8%	5%
Hungary	12 months	0% / 5%	0%	0%
Iceland	6 months	5% / 10%	5%	5%

Country	Project duration for PE purposes	Maximum tax rates applicable in the country of source		
		Dividends	Interests*	Royalties
India	90 days	5% / 10%	5% / 10%	5% / 10%
Iran	12 months	5% / 10%	5% / 10%	5%
Ireland	6 months	0% / 5% / 10%	0%	0%
Israel	9 months	5%	5% / 15%	0%
Italy	6 months	5% / 10%	0%	0%
Japan	12 months	5% / 15%	0% / 10%	0% / 10%
Kazakhstan	6 months	5% / 15%	5% / 10%	5% / 10%
Korea	9 months	5% / 10%	5% / 10%	5% / 10%
Kuwait	6 months	0% / 5%	0%	5% / 10%
Latvia	6 months	5%	5%	5% / 10%
Liechtenstein	9 months	0%	0%	0% Bottom of Form
Lithuania	9 months	5% / 15%	5% / 10%	5% / 10%
Luxembourg	6 months	0% / 5% / 10%	0%	0%
Malta	6 months	0%	0%	0%
Moldova	3 months	0% / 5%	0% / 5%	0% / 5%
Netherlands	6 months	0% / 5% / 15%	0%	0%
Norway	6 months	5% / 10%	0%	0%
Poland	6 months	5% / 10%	5% / 10%	5% / 10%
Portugal	9 months	5% / 10%	5% / 10%	5%
Qatar	6 months	0%	0%	0%
Romania	9 months	5% / 8%	5% / 10%	5%
San Marino	6 months	0%	0%	0%
Saudi Arabia	6 months	0% / 5%	0% / 5%	5% / 8%
Serbia	9 months	5% / 10%	5% / 10%	5% / 10%
Singapore	6 months	0%	0%	0%
Slovakia	6 months	0%	5%	5%

Country	Project duration for PE purposes	Maximum tax rates applicable in the country of source		
		Dividends	Interests*	Royalties
Slovenia	6 months	5%	5%	5%
Spain	6 months	0% / 10%	0%	0%
Sweden	12 months	0% / 5% / 10%	0%	0%
Switzerland	6 months	5% / 10%	0%	0%
Turkey	12 months	5% / 10%	5% / 10%	5% / 10%
Turkmenistan	6 months	5% / 10%	5% / 10%	5% / 10%
Ukraine	12 months	5% / 10%	5% / 10%	5% / 10%
United Arab Emirates	6 months	0%	0%	0%
United Kingdom	12 months	0% / 15%	0%	0%
Uzbekistan	6 months	5% / 15%	5% / 10%	5% / 10%

* Some agreements define a 0% rate on the interest paid or guaranteed by the government or any of its units; the table above does not take these provisions into account.

Transfer pricing

Georgian tax legislation contains comprehensive transfer pricing rules that generally follow 2017 OECD transfer pricing guidelines. Transfer pricing rules apply to transactions between a Georgian resident company and:

- A related foreign company;
- A resident of a safe harbor/off-shore country, regardless of whether they are related enterprises or not.

Georgia is actively participating in the Action Plan on Base Erosion and Profit Shifting (BEPS), introducing laws on transfer pricing aimed at increasing the transparency of corporate operations.

Property Taxes

Reporting period*	Tax filing due date	Tax payment due date	Tax rate**
Calendar year	April 1 of the year following the reporting calendar year	Property tax — April 1*** Land tax — November 15	1%

* Information about taxable property should be submitted to the tax return according to previous calendar year results, and about taxable land — according to a current calendar year as of the April 1.

** Specific rates apply to land, depending on the location and fertility of the land.

*** Taxpayer has to make an advance payment of the property tax (except for land tax) in the amount of the tax for the previous year before the June 15.

Property tax is a local tax and comprises land tax and property tax of individuals and enterprises. Local self-government bodies are entitled to set local taxes in their respective territories within the maximum limit stipulated by tax legislation.

The property tax rate of enterprises should not exceed 1% of the average residual value of fixed assets, investment property, uninstalled equipment and construction in progress recorded annually in a company's balance sheet, as well as similar property listed on the balance sheet of an organization and utilized for economic activity, unless specifically exempt.

The property tax rates of an individual are differential and are based on the amount of annual family income of the physical person, regardless of his or her tax residency status and sources of income. The property tax rate is between 0.05–1% of the fair market value of property located in Georgia.

Value Added Tax

Reporting period	Tax filing due date	Tax payment due date	Tax rate
Calendar month	15 th day of the month following the reporting calendar month	15 th day of the month following the reporting calendar month	18%

Taxable transactions

VAT is levied on the sale of goods, the provision of services and imports that are deemed to be carried out within Georgia. The Tax Code provides guidance on how to determine the place of supply of your services. A taxable transaction occurs at the time of a supply of goods (**services**) and, in the case of a supply of goods involving loading, at the time of loading. However, it may not be later than the time compensation was paid to the supplier of goods/services in advance. A reverse charge applies for certain supplies.

Pursuant to the Tax Code, a number of transactions are VAT exempt and Georgian tax legislation provides for two types of VAT exempt transactions: transaction exempted with or without the right to recover input VAT. A VAT registered taxpayer must charge customers output VAT on any sales if the sales are subject to the tax. Input VAT can be offset against output VAT and the excess output VAT is paid over to the tax authorities. Where there is an excess of input VAT, the tax can be reclaimed or offset against other tax liabilities.

Excise Tax

Reporting period	Tax filing due date	Tax payment due date	Tax rate
Calendar month	15 th day of the month following the reporting calendar month	15 th day of the month following the reporting calendar month	Varies

Taxable transactions

The production and/or import of excisable goods in Georgia are subject to excise tax. The producer of goods is subject to excise taxes for excisable goods produced or manufactured from raw materials in Georgia. Since excise duty is an indirect tax, any excise duty paid on exported items produced in Georgia can usually be refunded to the exporter. Excise tax is imposed for alcoholic beverages, tobacco products, petroleum products, automobiles and motorcycles (including motorized bicycle), natural gas condensate and/or natural gas and international calls termination service for mobile and home phones.

Customs Duties

Customs duties are payable upon the release of goods by customs officials. The following fees are paid on the importation of goods:

Import tax	VAT	Excise tax
Goods transferred through the Georgian customs are subject to a customs tax at the rates 0%, 5% or 12%. The customs tax depends on the type of goods being imported	Goods imported into Georgia are subject to VAT in accordance with the Tax Code. The rate of VAT is 18 percent of the value of the imported goods	Excise tax is applicable to certain goods transferred through Georgian customs in accordance with the Tax Code*

* Importers can look up import tariffs at the website of the Revenue Service of the Ministry of Finance of Georgia here <http://www.rs.ge/4509> based on the 11-digit H.S. Code of goods, assigned according to the Foreign Economic Activity National Commodity Nomenclature. Please note that information is provided in the Georgian language only.

Export of goods — in terms of the Tax Code, the export of goods from Georgia is exempt from VAT and excise tax, with VAT and excise input rights.

Special zones

The Tax Code stipulates certain tax concessions for entities with special status, including but not limited to entities registered in Free Industrial Zones (FIZ), Special Trade Zones and Virtual Zones.

Statute of limitations

The statute of limitations for taxes is three years, however, it is extended by one year if a taxpayer files a tax return (including, an amended return), or submits a taxpayer's claim within one year of the expiration of the statute of limitations. If a loss is carried forward for three or more years, the statute of limitations is extended by a period of more than one year of the loss carry forward period.

III. Law of Georgia on Accounting and Financial Audit

The new Law on Accounting and Financial Audit groups entities in five main categories. An entity should meet at least two of the following criteria to fall under categories 1–4.

Category	Total Assets	Operating Revenue	Employees
I	> 50 mln	> 100 mln	> 250
II	< 50 mln	< 100 mln	< 250
III	< 10 mln	< 20 mln	< 50
IV	< 1 mln	< 2 mln	< 10
PIE	Public interest entities including: commercial banks and credit institutions, microfinance and insurance companies, non-governmental pension funds, investment funds, nonbank depositories and credit unions, other companies, defined as PIE by the Georgian government		

Size categories for the Group (parent company and all its subsidiaries) are determined based on the consolidated financial numbers using the same table above.

Financial Accounting and Reporting Requirements

Category	Reporting framework	Audit obligation	Management report obligation	Full financial reporting and filing obligation	Other reporting requirements
PIE	IFRS	Yes***	Yes	Yes	Payments made to the state* Non-financial report**
I	IFRS	Yes***	Yes	Yes	Payments made to the state*
II	IFRS for SME (Optional — IFRS)	Yes***	Yes	Yes	None
III	IFRS for SME (Optional — IFRS)	No	No	Yes	None
IV****	Defined by Agency (Optional — IFRS, IFRS for SME)	No	No	Yes	None

* Payments made to the state is a mandatory report for entities that perform oil and gas extraction, and wood production from natural forests.

** Only PIEs that fall under category I.

*** Are not exempt from standalone audit even if they are subsidiaries of an audited group.

**** According to the initiated amendments, the reporting deadlines for IV category entities will be postponed for two years. The amendments have not yet been adopted but no sanctions will be incurred by IV category entities if they fail to submit.

IV. FAQ on Payment Limitations



What currencies may be used in Georgia?

In most cases, the Georgian Lari is the only legal tender in Georgia. Even if fees are negotiated in a different currency, payments must be made in the Lari equivalent. The exceptions to this rule are payments made within free industrial zones (FIZ), and transactions between FIZ enterprises and Georgian entities, which may be made in any currency.



Are there limits to how much currency can be exchanged?

No, Georgian legislation does not stipulate any limits to currency exchange.



Are there limits to payment amounts per operation or per day?

No. However, certain transactions are subject to extra scrutiny:

- when the value of a single local or international transfer exceeds GEL 1,500;
- when the value of single agreement (operation) exceeds GEL 3,000;
- when the amount paid for precious metals exceeds GEL 30,000.

This extra scrutiny involves:

- identification and verification of the client;
- identification and verification of a company's beneficial owner(s);
- determination the purpose of the payment and nature of business relations;
- monitoring business relations.



Are there limits to profit repatriation?

No, Georgian law does not impose any limits on profit repatriation.

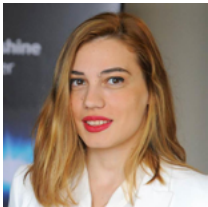
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