

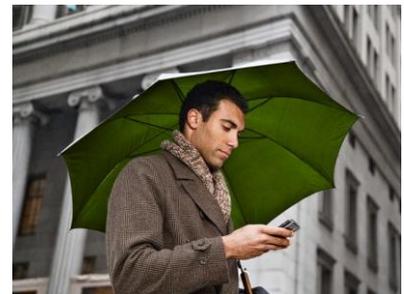


Georgian Legal News Refer to the Law

Important amendments to the Tax Code of Georgia

The Parliament of Georgia made important amendments to the Tax Code of Georgia, which became effective on 1 January 2018, including the following:

- According to the amended Article 8(12)(b), dividends shall not include payments made by a legal person to a shareholder/interest-holder by transferring the ownership of shares/interest of/in the same legal person, except for transfer of equity securities by a resident legal person, offered through public offering in Georgia and listed on an exchange recognized by the National Bank of Georgia
- Article 26(1) was amended to read as follows:
"A legal person engaged in organizing market (trade) in Georgia may be granted the status of a Special Trade Zone ('STZ') at its request."
- Article 26(4) was amended, according to which if a person is granted the status of STZ, the person will be required to comply with the requirements of Article 26 as of 1 January of the year, following the year when the person was granted the status of STZ.



- Paragraph 6² was added to Article 34, pursuant to which Georgian residency, apart from the instances provided by Paragraphs 2, 6, and 61 of this article, may be granted to a natural person who is a foreign citizen in the instances and in accordance with the rules established by the Minister of Finance of Georgia.
- Incentives and privileges related to agriculture will become effective on 1 January 2023 instead of 1 January 2018.
- Paragraph 5 of Article 130 was deleted (according to it, the dividends received from freely tradable securities did not have to be taxed at source and included into the total income of the payee).
- Article 98¹ (2)(b):
Payments to a partner of an enterprise by transfer of the ownership a share/interest of the same enterprise shall not be considered shared profit, apart from transfer of equity securities by a resident legal person offered through public offering in Georgia and listed on organized market recognized by the National Bank of Georgia.
- Article 181¹ was added to the Code, pursuant to which VAT payers of a member state of the EU can recover the VAT paid on goods/services (except for real estate) purchased or imported to Georgia, provided certain conditions are met.
- As of 1 January 2018, an excise payer is a person who is engaged in provision of oil product gases indicated in Foreign Economic Activity National Commodity Nomenclature Codes 2711 12, 2711 13, 2711 14 000 00, 2711 19 000 00 to automotive vehicles.
- Paragraph 92¹ was added to Article 309 of the Code, according to which the distribution of profit received prior to 1 January 2017 by a permanent establishment of a non-resident enterprise is exempt from profit tax.
- Paragraphs 93¹-93² were added to Article 309 of the Code, setting forth that in the cases provided by Article 98²(3)(f) of the Code, a person is entitled to obtain a deduction for the profit tax charged and paid in accordance with Paragraph 92 hereof prior to the divided distribution for the accounting periods between 1 January 2008 and 1 January 2017.

If a person exercises its right under Paragraph 93¹ hereof:

- a) The tax deduction provided by Paragraph 92 for the dividends distributed for the accounting periods between 1 January 2008 and 1 January 2017 shall be reduced by the amount of profit deducted tax in accordance with Paragraph 93¹
 - b) When receiving compensation (actually receiving the sum) as the result of provision of right to capital participation (share/interest), a person will be entitled to a deduction in the accounting year when the amount related to the previously paid profit tax is received, but no more than the profit tax calculated in accordance with the recovered amount.
- Article 309(99) was amended to set forth that for the purposes of Article 98¹ of the Code:
 - a) The dividend sharing received by a person envisaged under paragraph 94 hereof, from the profit for the periods between 1 January 2008 and 1 January 2019, the dividends distribution shall not be treated as profit sharing
 - b) The dividend sharing received by a person envisaged paragraph 94 hereof from the profit for the periods between 1 January 2008 and 1 January 2017, as well as the dividends sharing received by a person envisaged in Paragraph 94 from the profit for the periods between 1 January 2017 and 1 January 2019, the dividend distribution until 1 January 2019 shall be treated as profit sharing.



Law of Georgia “On Insurance”

Several amendments to the Law on Insurance became effective as of 1 January 2018, to name just a few key ones:

Article 9² “Internal Audit” was added, pursuant to which the activities of an insurer shall be subjected to internal audit in accordance with rules and conditions provided hereunder.

Article 19¹-19³ were added, providing for a supervision’s fee rate, rules for its payment, and sources of financing.

Law of Georgia “On the Mandatory Civil Liability Insurance for Owners of Vehicles Registered Abroad and Move within the Territory of Georgia”

On 15 December 2017, the Parliament of Georgia adopted a new law, which aims to regulate the consequences of road accidents, involving vehicles registered in foreign countries, which resulted in damage to a third party’s health, and/or property.

The law applies to all citizens of Georgia, foreign citizens, and stateless persons staying in Georgia.

If you have any questions regarding the information provided in this newsletter, please contact one of the Tax & Legal professionals at our Deloitte office in Georgia:

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