



Georgian Legal News

Refer to the Law

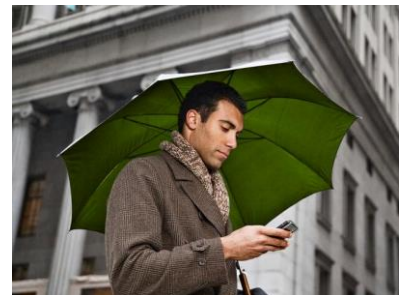
Orders of the Government of Georgia No. 84 and No. 86

On 16 February 2018, the Government of Georgia adopted Order No. 86 on the Amendment to Order No. 136 of the Government of Georgia "On Approving the Rules and Conditions for the Issuance of a Mining Licence" dated 11 August 2005.

Various changes were made to the existing regulations by virtue of Order No. 86, according to which:

- The Mining Licence Issuing Authority was changed and, consequently, it is now the National Minerals Agency ("NMA") – a legal entity of public law operating under the Ministry of Economy and Sustainable Development of Georgia;
- Auctions can only be conducted electronically;
- A licence seeker is required to submit documentation to the NMA through an automatic management system – via an electronic programme – in order to obtain a licence or for other purposes provided by the law;
- The NMA controls the compliance of a licence owner with the licence conditions.

Along with Order No. 86, the Government of Georgia issued a new Order No. 84 "On Approving the Rules for the Performance of State Control during a Compliance Check with the Conditions of a Mining Licence or Licence for the Use of Mineral Resources".



Order No. 84 further sets forth basic principles and procedures for obtaining a Mining Licence and a Licence for the Use of Mineral Resources as well as for performing state control procedures and related case administration.

The aforementioned changes came into force on 20 February 2018.



Order No. 34/04 of the President of the National Bank of Georgia

On 23 February 2018, the President of the National Bank of Georgia issued Order No. 34/04, which amended Order No. 93/04 of the President of the National Bank of Georgia dated 22 June 2017. Pursuant to the amendments, the requirement pertaining to the denomination of prices in Georgian lari does not apply to the sale of property or the offer and/or advertisement of services in Georgia by an entrepreneur provided that they are linked to:

- The sale of aeroplane tickets, hotel and travel services so long as these services are provided in a foreign language only. However, this rule does not apply to outdoor advertising;
- An individual offer of hotel and/or travel services so long as the final receiver of the services is a non-resident;
- The provision of services and/or performance of work and/or the delivery of goods by a non-resident (including through its permanent establishment); the services rendered and/or the work performed and/or the delivery of goods to a non-resident so long as they are provided in a foreign language only. This rule does not apply to outdoor advertising in Georgia.

According to Order No. 34/04, entrepreneurs are required to bring their activities into compliance with the foregoing requirements until 1 April 2018.

Order No. 34/04 has been effective as of 23 February 2018.

Possible changes to the Tax Code of Georgia

On 22 February 2018, a draft bill on amendments to the Tax Code of Georgia was published on the official website of the Legislative Herald of Georgia, which envisages several possible changes to the following articles:

- Article 88 (1) according to which the status of a small business may be given to a sole trader whose total income does not exceed 500,000 Georgian lari;
- Article 90 (1) pursuant to which the taxable income of a small business will be taxed at one percent;
- Article 309 (94) and (95) according to which:

From 1 January 2023, commercial banks, credit unions, insurance organisations, microfinance organisations and pawnshops will be subject to profit tax according to the objects of taxation as per Article 97(1) of the Tax Code.

Until 1 January 2023, the object of profit taxation for commercial banks, credit unions, insurance organisations, microfinance organisations and pawnshops shall be the difference between the total income received during a calendar year and the deduction amounts under the Tax Code.

- Article 309 (99) under which:

For the purposes of Article 98¹ of the Code:

- a) The distribution of dividends from profits attributed to the periods from 1 January 2017 to 1 January 2023 received from a person designated by Article 98¹(94) shall not be considered the distribution of profit;
- b) The distribution of dividends from profits attributed to the periods from 1 January 2008 to 1 January 2017 to a person designated by Article 98¹(94), as well as the distribution of dividends until 1 January 2023 from the profits attributed to the periods from 1 January 2017 to 1 January 2023, shall be considered the distribution of profit.

- Paragraph 107 was added to Article 309:

For the purposes of the taxation of value added tax, the provisions effective prior to 1 January 2018 apply to long-term contracts concluded before the foregoing date.

- The Special provisions of VAT taxation for long-term contracts may be abolished.

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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