
PwC Georgia Tax & Law Brief

20 February 2017

Amendments to the Order #996 on Tax Administration

VAT taxable advance payment

- According to the amendments, VAT would apply on the advance payments if at the moment of the receipt of the advance all the following terms are known/defined:
 - the goods/service to be delivered;
 - the quantity of the goods/service to be delivered;
 - the price of the goods/services to be delivered;
 - whether the delivery of goods/services constitutes VAT taxable or exempt transaction.
- If any of the above conditions are not met, but advance payment is made according to an agreement between the parties and VAT invoice is issued for the given period, then taxable moment is time of receipt of the advance.
- VAT registered taxpayer is entitled to credit the VAT paid in advance on the goods/service.
- The above rules are not applied to the utility supplies or services provided on continuous/regular basis.
- In addition, the amendments provide examples of various scenarios with the relevant VAT implications.

Source: The Legislative Herald of Georgia, 15 February 2017

The Draft Law on Electronic Document and Trust Services

Electronic signature and other trust services

- The Draft Law on Electronic Document and Trust Services has been submitted to the Parliament.
- The draft law provides for new terms including:
 - **Qualified Electronic Signature** – an e-signature, which may be made on the basis of relevant certificate and, which has the same legal force as personal signatures on tangible papers;

- **Qualified Electronic Seal** – an e-seal, which can be used on the basis of the relevant certificate and, which makes available to identify legal entity using that seal;
 - **Qualified Electronic Time Stamp** – a stamp, which binds electronic document to particular time and which certifies that such document existed at that time;
 - **Qualified Trust Service Provider (QTSP)** - a person, who creates, examines, stores qualified e-signatures, seals, time stamps and certificates related to them. QTSP grants special codes to the persons, who use electronic documents. QTSP shall be authorized by the Data Exchange Agency within the Ministry of Justice of Georgia.
- According to the draft law, properly created electronic documents may be used in all legal relations, where written document is required. Moreover, all public authorities, including courts, must accept such electronic documents.
 - According to the explanatory note, the draft law intends to enhance trust in electronic transactions between citizens, businesses and public authorities, thereby increasing the effectiveness of public and private online services, electronic business and electronic commerce.

Source: The Parliament of Georgia, 15 February 2017

Decision of the Constitutional Court of Georgia

***Provision of
confidential
information to tax
authorities***

- The dispute concerned constitutionality of administrative proceedings for issuing court order to transfer confidential information to tax authorities. In the given case, information was to be provided to tax authorities by commercial banks for the purposes provided under international agreements of Georgia.
- Under the disputed provisions, the taxpayer whose confidential information was to be provided to the tax authority could not participate in the proceedings and could not appeal court order.
- The Constitutional Court deemed that such regulation was unconstitutional in terms of the right to fair trial and held for the taxpayer to have right to participate in the proceedings and appeal court order.

Source: The Constitutional Court of Georgia, case №1/3/638, 14 February 2017

Let's talk

For a deeper discussion of how this issue might affect your business, please contact us at PwC Georgia

Sergi Kobakhidze

Director, Tax & Law Practice
E-mail: sergi.kobakhidze@ge.pwc.com
Tel: + 995 32 250 80 50

Vano Gogelia

Head of Legal Services
E-mail: vano.gogelia@ge.pwc.com
Tel: + 995 32 250 80 50

PwC in Georgia offers Integrated Assurance, Tax, Legal and Advisory services. PwC Network globally employs 208,109 people in 756 locations across 157 countries who share their thinking, experience and solutions to develop fresh perspectives and effective practical advice.

PwC Georgia **Tax Services** includes tax advisory services, tax reviews and tax compliance, transfer pricing compliance, representation during tax disputes, tax structuring, double tax treaty advice, tax due diligence support, customs matters and others.

PwC Georgia **Legal Services** offers a full range of legal support in corporate and commercial law, corporate reorganizations, corporate secretarial work, M&A, competition compliance & litigation, secured transactions, employment law, immigration, construction law and other. With over 2,400 lawyers across more than 80 countries, we have the broadest geographical coverage of any legal services network in the world.

