

**DOING BUSINESS**

IN GEORGIA

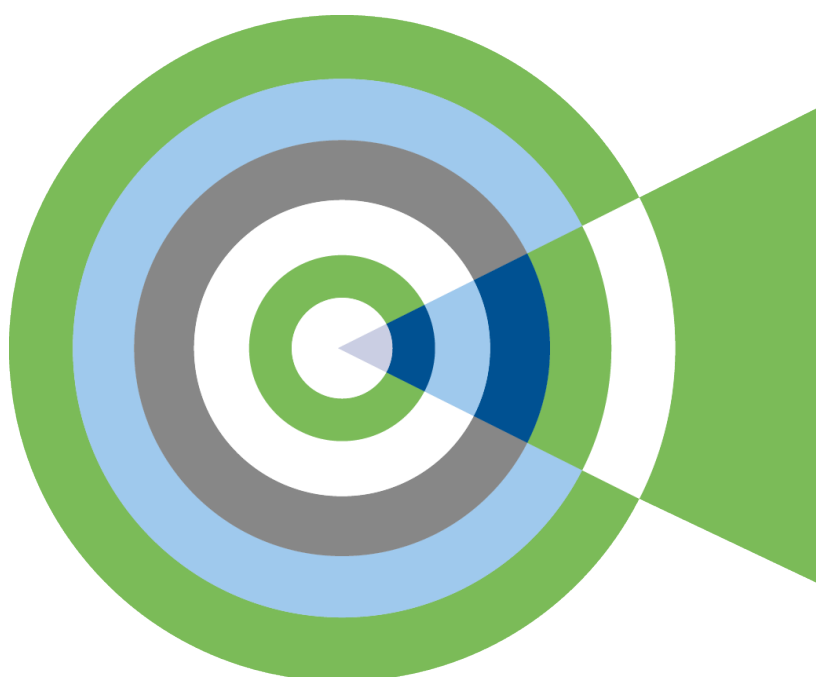


The network  
for doing  
business

---

## CONTENTS

1 – Introduction	3
2 – Business environment	4
3 – Foreign Investment	7
4 – Setting up a Business	10
5 – Labour	12
6 – Taxation	14
7 – Accounting & reporting	20
8 – UHY Representation in Georgia	21



# 1 – INTRODUCTION

---

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in 100 countries worldwide.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report provides key issues and the information for investors considering business operations in Georgia and describes the types of services offered by UHY LLC in Georgia:

## UHY LLC

47, Merab Kostava Street, 3<sup>rd</sup> floor, office 9  
0179 Tbilisi  
Georgia

Mobile +995 577 225 578-  
Website [www.uhy.ge](http://www.uhy.ge)  
Email [info@uhy-ge.com](mailto:info@uhy-ge.com)

You are welcome to contact [Guka Ubiria \(gubiria@uhy-ge.com\)](mailto:gubiria@uhy-ge.com) for any enquiries you may have.

Information on the following pages has been updated so that it is effective at the date shown, but inevitably it is both general and subject to change and should be used for a guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current as of March 2023.

We look forward to helping you do business in Georgia.

## 2 – BUSINESS ENVIRONMENT

Georgia is an independent state in the Caucasus region of Eurasia, located at the crossroads of western Asia and Eastern Europe.

Georgia is pleased to emerge and serve as a physical and political bridge connecting European and Western markets to the vast potential of the markets in the Caspian/central Asian region. This has been achieved through the ongoing implementation of several major energy and transport projects. Four existing sea ports, upgraded railway infrastructure, three international airports and a highway of international standards passing from the eastern border of Georgia to the Black Sea, are creating the fastest transit possibilities for goods from central Asia to Europe, and vice versa

### POPULATION

Ethnic Georgians constitute around 86.8% of Georgia's population of 3.689 million (2022 est.). Other ethnic groups include Abkhazians, Jews, Azeris, Bulgarians, Estonians, Germans, Russians, Belarusians, Greeks, Armenians, Ossetians, Moldovans, Poles, Turks and Ukrainians. Georgia's Jewish community is one of the oldest Jewish communities in the world. A large majority of Georgia's population (83.4%, 2014 est.) practices Orthodox Christianity. Religious minorities in Georgia include Roman Catholics, Muslims and Armenian Christians. The urban population comprises 59.5% of total population (2020) and urbanization has a 0.42% annual rate of change (2015-20 estimate).

### GEOGRAPHY

The country is bounded to the west by the Black Sea, to the north by Russia, to the south by Turkey and Armenia, and to the south-east by Azerbaijan. The exclaves of Abkhazia and South Ossetia are under Russian military occupation. The capital of Georgia is Tbilisi. Georgia covers a territory of 69,700km<sup>2</sup>. It is a very mountainous country. Forests cover around 40% of Georgia's territory while the alpine/subalpine zone accounts for roughly around 10% of the land. The climate of Georgia is extremely diverse, though there are two main climatic zones, roughly separating eastern and western parts of the country. Georgia has a transitional climate from humid subtropical to continental

### GOVERNMENT

On 9 April 1991, shortly before the collapse of the Soviet Union, Georgia declared its independence. Georgia is a democratic Parliamentary Republic, with the president as the head of state and prime minister as the head of government. The executive branch of power is made up of the president and the cabinet of Georgia. The cabinet is composed of ministers, headed by the prime minister, and appointed by the president. Notably, the ministers of defense and interior are not members of the cabinet and are subordinated directly to the president of Georgia. Legislative authority is vested in the parliament of Georgia. Parliament of Georgia (Sakartvelos Parlamenti) (150 seats is directly elected in a single multi-mandate electoral district for a term of 4 years by a proportional system on the basis of universal, free, equal and direct suffrage, by secret ballot. . Last elections held on 31 October 2020 (next to be held on October 2024).

Georgia is a member of the United Nations, the Council of Europe, the World Trade Organization, the Organization of the Black Sea Economic Cooperation, the Organization

for Security and Cooperation in Europe, the Community of Democratic Choice, the GUAM Organization for Democracy and Economic Development, and the Asian Development Bank. Georgia is currently working to become a full member of the European Union (EU) and the North Atlantic Treaty Organization (NATO). Georgia has signed an Association Agreement with EU in 2014.

#### CURRENCY

The national currency of Georgia is the Lari (GEL), where one GEL is equivalent to USD 2.56 or to EUR 2.78. (as 31 March 2023)

#### LANGUAGE

The official language of the country is Georgian, the most widely spoken of the Kartvelian languages. The second official language is Abkhazian, spoken in the Abkhazian Autonomous Republic, occupied by the Russian Federation. The Georgian is the primary language of approximately 87.6% of the population, followed by 9% speaking Russian, 7% Armenian, 6% Azeri, and 7% other languages.

#### THE ECONOMY

Georgia's main economic activities include cultivation of agricultural products such as grapes, citrus fruits, and hazelnuts; mining of manganese, copper, and gold; and producing alcoholic and non-alcoholic beverages, metals, machinery, and chemicals in small-scale industries. The country imports nearly all of its needed supplies of natural gas and oil products. It has sizeable hydropower capacity that now provides most of its energy needs. Georgia has overcome the chronic energy shortages and gas supply interruptions of the past by renovating hydropower plants and by increasingly relying on natural gas imports from Azerbaijan instead of from Russia. Construction of the Baku-T'bilisi-Ceyhan oil pipeline, the South Caucasus gas pipeline, and the Kars-Akhalkalaki Railroad are part of a strategy to capitalize on Georgia's strategic location between Europe and Asia and develop its role as a transit point for gas, oil, and other goods. The expansion of the South Caucasus pipeline, as part of the Shah Deniz II Southern Gas Corridor project, will result in a \$2 billion foreign investment in Georgia, the largest ever in the country.

Georgia's economy sustained GDP growth of more than 10% in 2006-07, based on strong inflows of foreign investment and robust government spending. However, GDP growth slowed following the August 2008 conflict with Russia, and sunk to negative 4% in 2009 as foreign direct investment and workers' remittances declined in the wake of the global financial crisis. The economy rebounded in 2010-13, but FDI inflows, the engine of Georgian economic growth prior to the 2008 conflict, have not recovered fully. Unemployment has also remained high. Georgia has historically suffered from a chronic failure to collect tax revenues; however, since 2004 the government has simplified the tax code, improved tax administration, increased tax enforcement, and cracked down on petty corruption, leading to higher revenues. The country is pinning its hopes for renewed growth on a determined effort to continue to liberalize the economy by reducing regulation, taxes, and corruption in order to attract foreign investment, with a focus on hydropower, agriculture, tourism, and textiles production. The government has received high marks from the World Bank for its anti-corruption efforts.

Since 2012, the Georgian Dream-led government has continued the previous administration's low-regulation, low-tax, free market policies, while modestly increasing

social spending, strengthening anti-trust policy, and amending the labour code to comply with International Labour Standards.

Tourism increasingly plays a significant part in the Georgian economy. Georgia is also developing into an international transport corridor through its Batumi and Poti ports, and also with its oil pipeline from Baku through Tbilisi to Ceyhan – the Baku-Tbilisi-Ceyhan pipeline (BTC) –and a parallel gas pipeline, the South Caucasus Pipeline. In mid-2014, Georgia signed an association agreement with the European Union, paving the way to free trade and visa-free travel.

TABLE: Economic data

	2021 est.
GDP (PPP)	USD 18.70 billion
GDP (official exchange rate)	USD 16.59 billion
GDP – real growth rate:	1.4%
GDP – per capita (PPP)	USD 4 927.06
GDP – composition by sector	
• Agriculture	7%
• Industry	19.7%
• Services	73.3%
Labour force – by occupation	
• Agriculture	18%
• Industry	19%
• Services	62%
Unemployment rate	20.6% (2021 estimated)
Investment (gross fixed)	6.2% of GDP
Budget	
• Revenues	USD 16.8 billion
• Expenditure	USD 18.4 billion
Taxes and other revenues	28.5% of GDP
Inflation rate	13.9%
Agriculture – key products	Citrus, grapes, tea, hazelnuts, vegetables; livestock
Main industries	Steel, machine tools, electrical appliances, mining, chemicals, wood products, wine
Exports	USD 4.243 billion
Exports – commodities	Vehicles, ferro-alloys, fertilizers, nuts, scrap metal, gold, copper ores
Exports – partners	Russia 14.5%, Azerbaijan 10%, Turkey 7.9%, Armenia 7.7%, China 7.6%, Bulgaria 6.6%, Ukraine 4.6%, US 4.5%
Imports	USD 10.099 billion
Imports – commodities	Fuels, vehicles, machinery and parts, grain and other foods, pharmaceuticals
Imports – partners	Turkey 17.2%, Russia 9.9%, China 9.2%, Azerbaijan 7.6%, Ukraine 5.6%, Germany 5.4%

## 3 – FOREIGN INVESTMENT

---

To protect investors and to enhance Georgia's role as an investment destination, it has established bilateral treaties on investment promotion and protection and has concluded double taxation treaties with 57 countries across the globe.

### BILATERAL INVESTMENT TREATIES

Bilateral investment treaties have been signed with: Armenia, Austria, Azerbaijan, Belgium, Luxemburg, Bulgaria, China, the Czech Republic, Egypt, Estonia, Finland, France, Germany, Greece, Iran, Israel, Italy, Kazakhstan, Kyrgyzstan, Kuwait, Latvia, Lithuania, Moldova, the Netherlands, Romania, Sweden, Turkey, Turkmenistan, Ukraine, the UK, the USA and Uzbekistan.

### DOUBLE TAXATION TREATIES

Double taxation treaties have been concluded with: Armenia, Austria, Azerbaijan, Belgium, Bulgaria, China, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Iran, Ireland, Italy, Japan, Kazakhstan, Latvia, Lithuania, Luxemburg, the Netherlands, Poland, Romania, Russia, Turkey, Turkmenistan, Ukraine, the UK and Uzbekistan.

### INVESTOR PROTECTION

Promoting investments is considered to be a primary goal of state economy policy. Georgian legislation provides for the protection of investors and their assets through domestic regulations, as well as through a number of bilateral investment treaties and international agreements with partner countries and organizations. Foreign investors are guaranteed fair and equal treatment under the law regardless of their nationality, and have the same rights and guarantees as Georgian companies.

### CHOICE OF LAW

Georgian legislation provides for the possibility of foreign investors having their contractual obligations governed by the law of the country they choose. These choices of law provisions are legal, valid and binding under the laws of Georgia and will be recognized and followed by Georgian courts.

### DISPUTE RESOLUTION

According to the Law of Georgia on Promotion of Investment Related Activities, unless otherwise agreed between the parties, any dispute arising out of or in connection with an investment activity between the Government of Georgia and a foreign investor shall be resolved by the courts of Georgia. However, the most commonly favored tribunal is the International Centre of Settlement of Investment Disputes where decisions are final and binding on the parties and are easily enforceable through the 1958 New York Convention of Recognition and Enforcement of Foreign Arbitral Awards to which Georgia joined on 2 June 1994.

### INTERNATIONAL AGREEMENTS

Georgia is party to the European Neighborhood Policy, a European Union (EU) initiative which, from a legislation standpoint, means that Georgian legislation should be brought in line with EU laws. Furthermore, Georgia has recognized technical regulations of the

European Council, the Organization for Economic Cooperation and Development (OECD) and Georgia's main trading partner countries and permitted comparable activities, which will help to promote the development of the business environment and the reduction of technical obstacles in trading.

#### INTERNATIONAL TRADE AGREEMENTS

Georgia has been a member of the World Trade Organization (WTO) since 2000 and benefits from the 'Most Favoured Nation Regime' with WTO members, which provides for lower tariffs among WTO members. It has joint major bilateral agreements within the WTO. Georgia is a beneficiary of the EU's Generalized Scheme of Preferences Plus (GSP+) trading regime, which allows Georgia to export products to the EU market duty free.

#### BUSINESS ENVIRONMENT

An attractive and liberal investment environment and an equal approach to local and foreign investors make the country an attractive destination for foreign direct investment (FDI). Large inflows of FDI have been a driving factor behind rapid economic growth in Georgia since 2003. Other key factors which contribute to ensuring Georgia offers a solid base for successful businesses are:

- A stable economic development
- A liberal and free market-oriented economic policy
- The existence of only six taxes and reduced tax rates
- A reduced number of licenses and permissions
- Dramatically simplified administrative procedures
- Preferential trade regimes with foreign countries
- An advantageous geographic location
- Well-developed, integrated and multimodal transport infrastructure
- An educated, skilled and competitive workforce.

From 2003–2011, FDI in Georgia amounted to USD 8 511.5 million. The highest volume of FDI – USD 2,015 million – was attained in 2007, with a 69.3% yearly growth. The high rate of investment was maintained until 2008 and then in 2009, FDI inflows were characterized by a decreasing trend. The main reasons for this decrease were the Russian-Georgian war and the global financial crisis. In 2009–2011, the largest shares of FDI were in the industrial sector (31.2%) amounting to USD 765 billion and in the real estate sector (15.8%) amounting to USD 389 billion.

Georgia undertook a number of profound institutional reforms aimed at modernizing the economy and improving the business climate. Such institutional reforms created an effective, professional and transparent public sector, which is motivated to protect the principles of democracy. Due to the economic deregulation policy, the number of state regulated spheres has decreased sharply, and regulation procedures have also been simplified.

Georgia has succeeded in tackling the corruption that was one of the main obstacles for development. This success has been recognized by different rating agencies. According to Transparency International, Georgia is the top country for fighting corruption in the post-Soviet region. According to Transparency International's 'Corruption Perception Index 2011', Georgia ranks 61st (up from 85th in 2002). By the 'Global Corruption Barometer 2010', Georgia ranks first among countries for decreasing corruption levels.



According to the International Finance Corporation (IFC) Business Perception Survey 2012 only 0.11% of those surveyed (1 respondent out of 920) named corruption as a problem in relation to Georgia's public organizations.

Georgia has the most liberal tax jurisdiction in Europe. The number of taxes has decreased from 21 to only 6, with tax rates also lowered. In addition, significant procedural and institutional reforms have been implemented – a simplified system for tax disputes has been established, the tax administration system was streamlined and most taxes can now be paid online. Due to customs reform, customs procedures have been dramatically simplified. Customs tariffs reform significantly simplified and sharply reduced the costs connected to foreign trade. A number of import tariffs were abolished on approximately 90% of products and only three tariff rates remain (compared with the previous 16). Currently, 86% of tariff lines are duty free (compared with 26% in 2005). Modern 'customs clearance zones' have been established and procedures for clearing customs can take from as little as 15 minutes only. The modernization of the system of licences and permits has resulted in a decrease in the number of licenses and permits and the simplification of related administrative procedures.

#### PRIVATISATION OF STATE PROPERTY

Starting from 2004, a transparent privatization policy became one of the important reforms undertaken by the government of Georgia which is committed to the denationalization of any remaining state property in order to attract foreign investments, increase and develop the private sector and ensure the effective use of the country's resources. Liberal labor legislation has simplified relations between employers and employees. As a result of labour reform, the Heritage Foundation and other analytical centers have named the Georgian Labor Code as one of the most liberal in the world, because it has significantly reduced hiring and firing expenses.

#### SIMPLIFIED ADMINISTRATIVE PROCEDURES

Georgia offers the most simplified procedures and unique service for the registration of business and property, and for obtaining documentation via 'One-Stop-Shops', where most procedures can be performed online. As of January 1, 2022, the new Law on Entrepreneurs came into force, bringing the law closer to the standards required by the Association Agreement with the European Union.

The 2020 World Bank 'Doing Business' report placed Georgia 7th in its 'Ease of Doing Business' index (up from 16th in 2012), naming Georgia as the top reformer among 174 countries over the last five years. Georgia is also among the leaders in other ratings, namely for registering property – 5th place, [Enforcing Contracts](#) – 12th, starting a business – 2nd and [Protecting Minority Investors](#) – 7th place.

## 4 – SETTING UP A BUSINESS

---

Setting up a business in Georgia is a straightforward process.

Procedures are simple and efficient, and based on a transparent system that promotes the establishment of new enterprises. In fact, the registration process takes only one day to complete. As industries in Georgia develop, firms and investors are looking for opportunities to invest. The combination of dynamic growth, pro-business legislation, a liberal tax code, a strong legal framework to protect investors and an educated and skilled workforce present a solid platform for successful business opportunities in Georgia. Based on the official information from the National Statistics Office in Georgia, there are approximately 260,000 businesses operating in Georgia, with more than 4,600 businesses established by foreign capital or with its involvement.

### SIMPLIFIED LICENSING PROCEDURES

The number of licences and permits required in Georgia are minimal, and rules for obtaining them are simple. Since 2003, the Georgian government increased efforts to reduce corruption in public and private sectors and sought to meet international standards. These efforts have resulted in significant improvements in Georgia's ranking in the World Bank's Doing Business Survey. The Georgian tax system was simplified, customs duties were reduced and procedures for granting licences and permits were simplified. Georgia enjoys competitive trade regimes with many countries.

### GETTING CREDIT

Georgia improved access to credit by implementing a central collateral registry with an electronic database which is accessible online.

### PROTECTING INVESTORS

Georgia strengthened investor protections by allowing greater access to corporate information.

### ENFORCING CONTRACTS

Georgia made contract enforcement easier by streamlining procedures for public auctions, introducing private enforcement officers and modernizing its dispute resolution system.

### CLOSING A BUSINESS

Georgia improved insolvency proceedings by streamlining the regulations of auction sales.

### REGULATORY LEGISLATION

The following major pieces of legislation (in addition to tax laws) affect foreign investment into Georgia:

- Law on Entrepreneurs
- Law on Licences and Permits
- Customs code of Georgia
-

- Civil code, which is the main law of Georgia regulating private relations between individuals and legal entities
- General Administrative Code
- Law on rehabilitation and the collective satisfaction of creditors' claims
- Free trade and Competition Act, which establishes the rules and measures for the protection of fair competition
- Labour Code.

#### INVESTMENT CLIMATE

Georgia encourages foreign trade and investment, and laws allow foreigners to purchase businesses and property, repatriate revenue and profits, and receive compensation when property is nationalized.

#### RESTRICTIONS ON FOREIGN INVESTMENT

Foreign enterprises and individuals are permitted to own up to 100% foreign ownership of the capital of Georgian companies. There are some limitations on the activities that may be conducted, however, and foreign investment in the defence and security sectors is not permitted.

#### INVESTMENT INCENTIVES

Georgia offers incentives for businesses located in free industrial zones, and for entities established as an Investment funds, The Special Trade Zone, international company or Special trading company.

#### FOREIGN EXCHANGE

The government maintains a free floating and freely convertible currency, the Georgian Lari (GEL).

#### GUARANTEES AND RIGHTS

Under the Law of Promotion and Guarantees of Investment Activity, foreign investments are not to be subject to nationalisation, confiscation, expropriation, requisition, or any other measure of similar effect, except in cases of natural disaster or an epidemic. In such cases, fair compensation must be provided to the investor no later than four months after the incident. Foreign investors are guaranteed the right to repatriate freely any funds in convertible currency after payment of appropriate taxes and other fees, which are specified by the law. The only things that may restrict an investor's rights are bankruptcy or breach of criminal or civil laws.

## 5 – LABOUR

---

Georgia has one of the most liberal Labour Codes in the world.

According to the Heritage Foundation, Georgia's rating on the Labour Freedom Index was 99.9. Georgia is a member of the International Labour Organisation (ILO) and investors are guaranteed authorisation to hire foreign workers, who are permitted to transfer their income abroad once they have complied with all state duties and levies. The new Labour Law was amended by the Georgian parliament in July 2013. The Labour Code regulates employment and employment-associated relations throughout the territory of Georgia, unless they are otherwise regulated by special laws or by international treaties.

### EMPLOYMENT

Issues relating to employment relations that are not regulated by the Labour Code or other special laws are regulated by the norms of the Civil Procedure Code of Georgia.

Any type of discrimination due to race, colour, ethnic and social category, nationality, origin, property and position, residence, age, gender, sexual orientation, limited capability, membership of a religious organisation or union, a person's family conditions or due to political or other opinions are prohibited in employment relations.

The legal employment age is 16 years. Employment agreements shall not be concluded with under-aged persons. In addition, pregnant or breastfeeding women should not be expected to perform physically arduous, hazardous or dangerous tasks.

An employment agreement is executed in writing or verbally, for a definite or indefinite term or for the period of the employment's duration. The employment agreement must be executed in writing if the period of employment exceeds three months.

In order to assess the suitability of a candidate to a certain role, upon agreement of the parties, an employment agreement can be drawn up for a probation period. This can be concluded with a candidate only once and last for no longer than six months. An employment agreement for a probationary period may be made only in writing; in other cases an agreement shall be deemed as the employment agreement. An employee should be paid during any probation period.

Unless otherwise addressed by the employment agreement, the duration of the business day is determined by the employer, but the assignments or work of any employee should not exceed forty hours a week. The duration of leave between work days (shifts) should not be less than 12 hours.

Employment of an under-aged person is prohibited, as is employment in evening hours (from 10pm until 6am) of a pregnant or new mother or breastfeeding mother or employment of a person taking care of a child under three years or with limited capabilities without his/her consent.

Employees are authorised to take paid leave of not less than 24 business days per annum. Employees are also entitled to take unpaid leave of not less than 15 calendar days per annum.

The form and amount of any labour compensation is determined by the employment agreement. The norms of any present agreement shall be applied only on occasions when the employment agreement does not state otherwise.

Employment wages/compensation shall be issued once a month at the workplace. In cases where there is a delay of any compensation or settlement, the employer must pay 0.07% of the overdue amount for each delayed day.

## 6 – TAXATION

---

Only six taxes remain in Georgia at low rates.

Tax free regimes may also be established in the country. Low tax rates together with tax exemptions make Georgia one of the most attractive tax jurisdictions in the world. Currently Georgia has established double tax treaties with a number of countries, and is planning to extend this list annually. The Georgian tax legislation considers these benefits to be unique opportunities and extends options to manufacturers to invest under the tax regimes described below.

### **BENEFICIAL TAX FREE REGIMES**

#### **FREE INDUSTRIAL ZONES**

The Law of Georgia on Free Industrial Zones and the Tax Code of Georgia give manufacturers a unique opportunity to process, produce and export goods with a minimum tax burden. With Georgian free trade agreements, a business can export goods free of trade barriers to global markets comprising more than 300 million consumers. Thousands of goods can be exported from Georgia to the EU market free of trade barriers under GSP+ arrangements.

#### **SPECIAL TRADING COMPANY**

Georgia's goal to provide the shortest and fastest transit route between Europe and central Asia is ensured by relevant legislation. A special trading company, from a taxation perspective, is designed as an integral logistical unit for international transit companies. The benefits include:

- Exemption from corporate income tax applied to income received from re-exporting goods from customs warehouses via the special trading company
- Exemption from VAT on the supply of goods by a customs warehouse company to a VAT payer in a customs warehouse.

The special trading company categorization can effectively be used by international cargo companies, large regional network distributors, and any stakeholder desiring to transport goods from central Asia to global economic markets, or vice versa, in the fastest and least costly way.

#### **INTERNATIONAL COMPANY**

The Georgian tax legislation offers another unique opportunity for companies operating in the computer software development sector. An international company (IC) is a company that carries out activities defined by the decree of the Government of Georgia and has a status of an international company. Tax exemptions and preferences apply to:

- The income earned as a result of working for hire at an international company shall be taxed at 5%
- A dividend paid by an international company shall not be taxed at the source
- The profit tax rate for an international company shall be 5%
- An international company shall be exempt from property (except for land)

## TAXES

An effective Tax Code came into force on January 1, 2011 and significant changes for the approximation to the EU Directives came into force on January 1, 2021.

The new Tax Code aims to increase confidence in the Georgian tax system and enhance trust in the Georgian tax authorities, by improving communication between taxpayers and the tax authorities, by protecting the taxpayers' rights, by making administration more efficient and by harmonizing Georgian laws with the best international tax practices and EU directives.

On January 1, 2017 changes were entered into the force in the Tax Code, according to which the object of profit taxation of a resident enterprise (Commercial banks, credit unions, insurance organisations, microfinance organisations and loan providers) shall be distributed profit, which is referred to as „Estonian model“. A company will pay a profit tax in case of the distribution of dividends to founders.

Extended filing periods, automatic refunds and simplified taxation on imports are included in the constantly expanding list of benefits offered to taxpayers. Income and gain received from listed securities and government bonds have been exempted from taxation for both corporate and individual taxpayers. It is also important to note that Georgia has already started convergence to European tax standards, in that it has recognised the technical regulations of the Organisation for Economic Cooperation and Development (OECD) and has introduced the generally accepted transfer pricing rules within the new Tax Code. This will help to promote the development of the business environment and cross-border trading.

The tax administration system has been simplified and developed, and now offers a wide range of E-services to taxpayers. Communication between a taxpayer and the tax authorities will be improved by the newly introduced Advance Tax Ruling, Private Tax Agent and Tax Deal mechanisms.

The new function of a tax ombudsman secures the protection of taxpayers' rights and the role has the responsibility of facilitating a healthy tax environment in Georgia.

There are only six taxes in Georgia, of which five (personal income tax, corporate income tax, value added tax, excise tax, and import tax) are nationwide and one (property tax) is a local tax. There are no capital gains, inheritance, wealth, property transfer, social, branch remittance, or other taxes imposed in Georgia.

TABLE: Tax rates

	RATE
Personal income tax	20%
Personal income tax for micro businesses	Exempt
Personal income tax for small businesses	1% or 3%
Corporate income tax	15%
Dividends paid to individuals and non-residents	5%
Dividends paid to resident companies	Exempt
Dividends paid on free floating securities	Exempt
Dividends paid by international financial companies	Exempt
Dividends paid by international companies	Exempt
Interest paid to individuals and non-residents	5%
Interest paid to resident banks	Exempt
Interest paid by licensed financial institutes	Exempt
Interest paid on free floating securities	Exempt
Interest paid by international companies	Exempt
Interest paid on debt securities issued by Georgian legal entities and listed on a recognised foreign stock exchange	Exempt
Royalties paid to resident individuals	20%
Royalties paid to non-resident	5%
Rental income (excluding finance lease rentals) paid to resident individuals	20% or 5%
Payment of income from international transport or international communications	10%
Insurance premiums paid to non-residents	Exempt
Finance lease income paid to non-residents	Exempt
Payment of income from oil and gas operations	4%
Payments of other Georgian source income to non-residents not connected to their PE in Georgia	15%
Value added tax	18%
Excise tax	Varies
Import tax	0%, 5% or 12%
Property tax – corporate	Up to 1%
Property tax – individual	Up to 1% (0.05%, 0.2% or 0.8%)
Property tax – land	Varies
Carry back of losses	0 years
Carry forward of losses (for companies and individual entrepreneurs)	5 years or 10 years
Carry forward of losses (for small businesses)	0 years

### TRANSFER PRICING RULES

The Georgian transfer pricing rules generally apply to cross-border transactions between related parties. In special cases these rules may also apply to transactions between related Georgian entities or transactions between unrelated entities where one of the



parties is a resident of a low tax jurisdiction/offshore country, or is registered in the free industrial zone.

The following are the generally accepted transfer pricing methods:

- Comparable uncontrolled price method
- Resale price method
- Cost plus method
- Net profit margin method
- Profit split method.

A detailed description of transfer pricing methods, their application rules and other procedural matters are defined by the order of the Minister.

### **TAX ADMINISTRATION**

The Georgian taxation system (GTA) incorporates a self-assessment system under which taxes are calculated, paid and reported in accordance with prevailing tax legislation and regulations.

Property tax for individuals is calculated by the GTA based on tax returns filed. A notification of the amount of tax assessed is thereby issued.

### **STATUTE OF LIMITATION**

The statute of limitation in Georgia is three years. Tax cannot be reassessed after this period has elapsed.

If a taxpayer files a tax return, commodity declaration or calculation (including amended forms) within less than 12 calendar months of the end of a three-year period, the statute of limitation is extended by one year for tax accruals made based on these returns or calculations.

### **FILING OF TAX RETURNS**

If a taxpayer applies to the GTA for an extension of the deadline for submitting a personal income tax, corporate income tax or property tax return before the deadline expires, and has made the advance tax payments (or has no such obligation) due for the current tax year, the deadline will be automatically extended for a further three months. The granting of an extension does not affect the deadline for advance tax payments and does not suspend assessment of late payment interest on unpaid taxes.

If a taxpayer identifies changes leading to a reduction or increase of the tax liability in the submitted tax return, it is their responsibility to submit the corresponding amendments to the tax return. A taxpayer may submit their tax return either personally, electronically or via the insured mail.

### **MEASURES TO ENSURE FULFILMENT OF TAX LIABILITIES**

Fulfilment of tax liabilities can be pursued by the GTA using the following measures:

- Collection of funds from a taxpayer's bank account
- Withdrawal of cash from a taxpayer's account
- Tax lien/hypothecation
- Enforcement of payment on a third party

- Seizure of a taxpayer's property
- Disposal of a taxpayer's seized property.

The GTA are entitled to choose the sequence of these measures.

A decision to cease enforcement measures is made by the Minister, a person authorized by the Minister, or the Head of the Revenue Service. A decision to cease enforcement measures for up to one year will be made by the Head of the GTA, if a taxpayer has signed a guarantee contract or submitted a bank guarantee to the GTA to ensure the fulfilment of tax liabilities.

The cessation of enforcement measures to fulfil tax liabilities does not release a taxpayer from late payment interest on overdue taxes.

### TAX CONTROL PROCEDURES

Tax control procedures include:

- Current tax control procedures
- A tax udit.

### CURRENT TAX CONTROL PROCEDURES

The GTA may carry out current tax control procedures over taxpayer activities without preliminary notification. It can be done during official working hours and/or during any actual working period and the taxpayer is allowed to attend these procedures.

### CHRONOMETRIC EXAMINATION

Chronometric examination is the carrying out of an observation by the GTA on economic activities of a taxpayer to determine the taxpayer's income, volume of supplied goods/services and number of employees. Such an examination is performed for at least seven days by non-stop recording of the volume of produced and/or supplied goods/services by a taxpayer during a work day.

The taxpayer will be penalized on any difference between the turnover of the continuous seven days determined by chronometric examination (excluding the highest and the lowest figures) and the turnover of the previous continuous seven days presented by the taxpayer (excluding the highest and the lowest figures).

The penalty will be imposed only if the difference exceeds a threshold defined by the government that may not be less than 10%. The penalty will be calculated as 20 times the difference. The penalty is limited to a maximum of GEL 100,000 if the turnover of the continuous seven days determined by the chronometric examination (excluding the highest and the lowest figures) does not exceed GEL 25,000.

### TAX AUDIT

The tax legislation of Georgia envisages two types of tax audit – correspondence and field audits.

#### correspondence AUDIT

Under the correspondence audit, the tax auditor, without visiting a taxpayer's place of activity, determines the consistency of taxpayer tax liabilities according to the

requirements of the Tax Code of Georgia, based on analysis of financial reports, tax returns and other data in the possession of the GTA. If errors are revealed during the desk audit, the taxpayer is notified about them in writing.

#### FIELD AUDIT

A field audit consists of a full or random audit of documents related to the calculation of taxes. It is carried out at a taxpayer's place of activity. A field tax audit can be either planned or controlling. For a planned field audit, the taxpayer will receive a notification letter in advance, but will not do so for a controlling field audit. Field audits normally last no longer than three months (plus two months in coordination with the Head of the RS). The auditors may request accounting documents and/or copies of information related to taxation verified by the taxpayer. In cases where a taxpayer refuses to provide such documentation, auditors are entitled to remove original documents, but must return them by the end of the field audit.

#### TAX AGREEMENT

With the aim of reducing taxes and/or tax sanctions, the taxpayer may apply to the RS. The decision on any tax deal is made by the government. Based on this decision, a tax deal act (the Act) is concluded between the taxpayer and the RS. The Act defines the revised amount of tax liabilities and the terms of payment. In cases where there is a violation of the terms of payment under a tax deal, a late payment interest of 0.5% will be imposed for every overdue day up to 10% of the tax liability.

**Personal tax advisor** A taxpayer can use the services of a Personal tax advisor, who is a tax authority employee, in order to improve communications with the GTA. The agreement concluded between a taxpayer and a personal tax advisor defines the rules and conditions of providing the services. Determination of the amount of tax liability of a taxpayer is excluded from the duties of a personal tax advisor.

## 7 – ACCOUNTING & REPORTING

---

Accounting is governed by the Law on Regulation of Accounting and Reporting, and is regulated by the Accounting Standards Commission.

International Financial Reporting Standards (IFRS) has been translated, fully adopted, and made mandatory as the only reporting standards in Georgia. The only exception is for small enterprises and non-commercial enterprises, as separate standards are adopted for them by the Accounting Standards Commission.

The functions of the Accounting Standards Commission are to:

- Approve the Georgian IFRS translations and interpretations for implementation
- Approve temporary accounting standards (for those issues currently not covered by IFRS)
- Approve a chart-of-accounts structure based on IFRS.

Financial statements must be prepared by and submitted as follows:

- An entity is obliged to submit a financial statement, a management report, a report on payments to the State determined by this Law, and an audit report in the cases provided for by this Law immediately, but not later than 1 October of the year following the reporting period, to the Service under the procedures established by the Service.
- The Service is obliged to issue the statements and audit reports submitted by the entities, except for statements of enterprises of the fourth category, within one month after their submittal. A person shall have a right to request a statement of an enterprise of the fourth category under the procedures established by the Service.
- If the reporting period of an entity does not coincide with the calendar year, it is obliged to submit a statement to the Service upon its availability, but not later than nine months from the end of the reporting period.
- PIEs are obliged to publish the statements on its own website or in a print publication.
- Entities shall be obliged to submit an interim financial statement to a regulatory/supervisory body in the cases provided for by the regulatory/supervisory body. The procedures for submitting an interim financial statement to a regulatory/supervisory body shall be determined by the legislation regulating the respective area.
- Procedures for submitting a financial statement in a simplified manner by an enterprise of the third category shall be defined by the Service taking into consideration the requirements of relevant European Union directives.

## 8 – UHY REPRESENTATION IN GEORGIA

---



## CONTACT DETAILS

UHY LLC  
41 Kostava Str  
Tbilisi  
Tbilisi  
Georgia  
Tel: +995 32 2 13 15 41  
www.uhy.ge

## CONTACTS

Liaison contact: Guka Ubiria  
Email: gubiria@uhy-ge.com

## SOCIAL MEDIA CONNECTIONS

- LinkedIn: <https://www.linkedin.com/company/uhy-llc-georgia>

Year established: 2010  
Number of partners: 4  
Total staff: 25

## BRIEF DESCRIPTION OF FIRM

UHY LLC is a well-known licensed auditor, accounting and consulting company in Georgia. UHY LLC is an Audit, Accounting and Consultancy Company incorporated in 2018.

Our clients range from building contractors and trade companies, to a broad range of service providers. Among those clients are Georgian firms as well as companies from other countries.

The firm's dynamic growth and development since then – and the subsequent high demand for its services – has placed it as a leading provider of audit and consulting services in Georgia.

As a strategic priority to meet client needs, UHY LLC's services are closely aligned with key aspects of the Georgian economy. A distinguishing element of our services is the use of modern technology to meet client needs in any operating sector. An essential criterion of our work is improving clients' quality indices which indicate business success factors, such as reporting transparency, risk management, control system improvements, legal services and support, etc.

## SERVICE AREAS

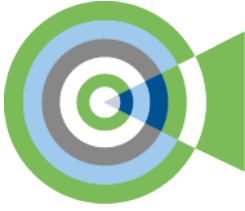
Audit & Assurance  
Accounting  
Tax Compliance  
Legal services  
Financial Modelling  
Other Consultations  
Due Diligence

## LANGUAGES

Georgian, English and Russian



The network  
for doing  
business



---

## LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online at [www.uhy.com](http://www.uhy.com) to find contact details for all of our offices, or email us at [info@uhy.com](mailto:info@uhy.com) for further information.

---

UHY is an international network of legally independent accounting and consultancy firms whose administrative entity is Urbach Hacker Young International Limited, a UK company. UHY is the brand name for the UHY international network. Services to clients are provided by member firms and not by Urbach Hacker Young International Limited. Neither Urbach Hacker Young International Limited, the UHY network, nor any member of UHY has any liability for services provided by other members.

UHY LLC (the "Firm") is a member of Urbach Hacker Young International Limited, a UK company, and forms part of the international UHY network of legally independent accounting and consulting firms. UHY is the brand name for the UHY international network. The services described herein are provided by the Firm and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for services provided by other members.

© 2023 UHY International Ltd