



Legal Newsletter

(January 2021)

The present newsletter contains significant legislative changes made in various legislative and sub legislative acts in January 2021.

Tax Code of Georgia

On 5th of January 2021, number of legislative amendments were made in the Tax Code of Georgia. As a result of these amendments and supplements several articles of the Code were formed as follows:

1. „6. The dispute settlement bodies have the right to review a complaint remotely, using technical devices. They also have the right to process the complaint without the prosecutor, if the factual circumstances related to the subject of the complaint are fully established from the materials of the case. ”

2. Parts 112 and 113 of the article 309:

„112. The employer is entitled to reduce the income tax (not pay in the Gaverment Budget) which is up to 750 GEL paid to the employee, during 6 calendar months from May 1, 2020, also, from December 1, 2020, during 6 calendar months, if the salary received by this employee from the same employer during 1 calendar month does not exceed 1500 GEL. The privilege does not apply to the budgetary organization; The National Bank of Georgia; to the National Regulatory Authority; on the enterprise in which the state or municipality owns more than 50% of the shares and on the enterprise established/subsidiary by that enterprise, if that enterprise owns more than 50% of the shares of the enterprise/subsidiary established by it.

113. The person is entitled from 1st of March, 2020 during 6 calendar months (accounting period), as well as from 1st of December 2020 during 6 calendar months (accounting period), to

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tax the leased/leasing service with VAT during the accounting period of actual payment of the compensation amount/part of the amount of this service. ”;

After Section 114 of the code, the part 114¹ has been amended with the following content:

„114¹. The Minister of Finance/The Head of the Revenue Service of Georgia has the right to extend the deadline defined by this Code for the payment of income tax, which had to be paid in November and December of 2020, no later than 1st of July, 2021 to the taxpayer who carries out the activities provided in subparagraph “a” of the part 115 of this article, in Bakuriani, the Municipality of Borjomi, in the village of Gudauri, Kazbegi Municipality, at the resort Goderdzi in Khulo Municipality or in the small town of Mestia in the municipality of Mestia. In this case, no fines shall accrue to the taxpayer provided in this Code. ”;

The part 115 of the 039th article was formed as follows:

„115. The following are exempted from the property tax, the declaration of which is envisaged by this Code in 2020 or 2021, according to the "Georgian National Classifier of Economic Activities" (Sec 006-2016):

a) Property used in the activities provided with the code 55.1 (hotels and similar accommodation facilities) and/or with the code 55.2 (rest-home and other short-term accommodation).

b) Property used in the activities provided with the code 56.1 (restaurants and takeaway food service activities);

c) Property used in the activities provided with the code 56.3 (different drink service activities);

d) Property used in the activities provided with the code 79 (travel agencies, tour operators and other booking services and related activities)

Note: The tax exemption provided in this section is applied to the property transferred by lease, leasing or on the other similar form, if such property is used in any of the activities specified in this section. ”

d) After the part 129 the part 130 was added with the following content:

„130. The tax payer is entitled to reduce the income tax (not pay in the Gaverment Budget) which is deferred according to the article 114 (the income tax for which the term of payment specified with this code is extended), if it carries out any of the activities provided in paragraph 115 of this article. The rule of usage of this part is determined by an order of the Minister of Finance of Georgia. ”;

e) After the part 130 the part 131 was added with the following content:



„131. Part 2 of the article 1641 of this code and subparagraph (kh) from the part 4 in the article 172, will be used for the importation of goods from 1st of January 2023. In addition, before 1st of January, 2023, the amount of taxable VAT for import of goods (goods value for customs purposes) includes the import tax due to Georgia, except VAT.

The subparagraph „e" from the 2nd part of the first article in previous law, which is the part 131 of the article 309 of Georgian tax code, is applied on legal relations arising from 1st of January, 2021.

You can see the above law at the link: <https://matsne.gov.ge/>, with the registration code: 200000000.05.001.020226.

The law came into force on 6th of January 2021.

Organic Law of Georgia "Labor Code of Georgia"

On 28th of January, 2021, legislative amendments were made to the Organic Law of Georgia, the Labor Code of Georgia. According to the mentioned amendments, the paragraph 11 of the article 50 of the code was formed as follows:

„11. This article does not apply to the case of transfer of an enterprise due to insolvency of an enterprise within the Law of Georgia on „rehabilitation and collective satisfaction of creditors".

You can see the above law at the link: <https://matsne.gov.ge/> with the registration code: 270000000.04.001.017997.

The law will enter into force on 1st April, 2021.

The Order №996 of the Minister of Finance of Georgia „On Tax Administration"

On 11th of January 2021, the amendments were made to the Order of the Ministry of Finance of Georgia №996 "On Tax Administration", dated by 31st of December 2010. Legislative amendments were made in the instruction approved by the Order. Based on these amendments,

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the „note" in subparagraph „a.d" of paragraph 5 in the article 40¹ of the instruction was formed as follows:

As an exempt person from income/profit tax, in the relevant part of the activity, will be considered a person:

A) who is established or who is granted with the appropriate status for the purpose of exemption from income/profit tax (For example: FIZ enterprise, special trading company, tourist zone entrepreneur, highland settlement enterprise, agricultural cooperative, legal entity of virtual zone);

B) who carries out the permit activities which is exempted from the tax of income/profit (For example: a person who arranges a gambling club, a slot machine, a totalizator (except for a person who arranges a system-electronic form of gambling).

At the same time, for the purposes of the article 98¹, part 4, subparagraph “c” of the Tax Code of Georgia, a special trading company won't be considered free from the profit tax in respect of transactions which is satisfied with the permit by the subparagraph „C" , in the part 4 of an article 24¹ of the same code.

You can see the above law at the link: <https://matsne.gov.ge/>, with the registration code: 200090000.22.033.017422

The law came into force on 12th of January 2021.

The order №996 of the Minister of Finance of Georgia on „Tax Administration"

On 12th of January, 2021, amendments were made again to the instruction approved by the order №996 of the Minister of Finance of Georgia “On Tax Administration” adopted on 31st of December, 2010, in particular, the following paragraphs 42, 43 and 44 were added to the article 112 of the approved instruction:

„42. A person who carries out any activity provided in the part 115 of the article 309 of the Tax Code of Georgia, is obliged to submit this information electronically to the tax authority in



order to reduce (not pay in the Government Budget) in accordance with the part 130 of the same article, the deferred income tax in accordance with the article 309, part 114 of the Tax Code of Georgia (Tax, on which the term defined by the Tax Code of Georgia for the payment of income tax, is extended).

43. In case of submitting the information specified in the paragraph 42 of this article, the tax authority will reduce the income tax on the personal registration card of the taxpayer, for which the term defined by the part 114 of the article 309 of the Tax Code of Georgia was extended by the Tax Code of Georgia.

44. In case of verification of the information submitted in accordance with paragraph 42 of this article, the reduced income tax, in accordance with the paragraph 43 of the same article, will be restored on the personal card of the taxpayer. ”

You can see the above order at the link: <https://matsne.gov.ge/>, with the registration code: 200090000.22.033.017423

The order came into force on 15th of January, 2021 and its effect applies to the legal relationships arising from 7th of January, 2021.

The Order №01-4/n of the Minister of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia

On 14th of January, 2021, a legislative amendments were made in the order 01-11 /n of the Minister of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs "on the approval of the rules and form of registration of accidents and occupational diseases in the workplace, investigation procedures and reporting rules".

According to the above-mentioned amendments, subparagraph "i" in the article 3 of the annex №1 (Rules for calculation, investigating and reporting accidents in the workplace) approved by the order, was formed as follows:



"I) Supervising body - state-controlled LEPL - Labor Inspection Service of the Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia (hereinafter - the Ministry).

You can see the above order at the link: <https://matsne.gov.ge/>, with the registration code: 470230000.22.035.016832

The order came into force on 15th of January, 2021 and its effect applies to the legal relationships arising from 1st of January, 2021.

The Order №01-56/N of 6th of June, 2020 of the Minister of Internally Displaced Persons from the Occupied Territories of Georgia, Labor, Health and Social Affairs

On 31st of January, 2021, number of legislative amendments were made in the order №01-56/n of 6th of June, 2020 of the Minister of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia on the approval of the rules and procedures for monitoring and control over the implementation of the recommendations “to prevent the spread of New Coronavirus (SARS-CoV-2) infection (COVID-19) in the workplace” developed by the Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia.

Based on these amendments, the title and preamble of the order was formed with the new edition, in addition to these, various important changes have been made in it, among them are, the annex N1 approved by the order, the list of agencies were changed that carry out the testing process on a job and the recommendations developed by the Ministry of Health, also, the article 3¹ has been added to the previous rule, according to which with the rule established by the resolution №975 of the Government of Georgia, in order to obtain the right to act economical activity, the list of persons who should be tested and the periodicity of testing will be determined in accordance with the rule established by Resolution №975 of the Government of Georgia, as well as a person who wishes to carry out the activities permitted by resolution № 322 of the Government of Georgia, which is subject to mandatory testing in accordance with the Rule №975



of the Government of Georgia, registration for testing must be done electronically through the electronic platform (www.labour.moh.gov.ge) posted on the official website of the Ministry of Health (www.moh.gov.ge).

It should be noted that in addition to the above-mentioned, various amendments and supplements have been made to the order, which should be precisely inspected and acquaintance by the employer.

You can see the amendments and supplements made in the above order in detail at the following link: <https://matsne.gov.ge/>, with the registration code: 470230000.22.035.016837

The order will enter into force on 31st of January, 2021 and its effect applies to the legal relationships arising from 21st of January, 2021.

Order №01-10 /n of the Minister of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia

On 31st of January, 2021, on the basis of the order №01-10 /n of the Minister of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia was approved „the Code of Conduct for Labor Inspectors". The Code of Conduct for Labor Inspectors sets norms and standards of conduct that aim to conduct the work of labor inspectors fairly, lawfully, impartially, transparently, objectively, qualitatively, effectively, with respect of confidential information, democratic principles, freedoms and human rights.

The Code also defines the principles of conduct of labor inspectors, which includes legality, integrity, freedom from the influence of state and other agencies, and political neutrality. The Code also defines the effective usage of resources by inspectors and their relationship with third parties, which should be based on the principles of openness and transparency.

It should be noted that violation of the norms provided by this code will cause disciplinary liability defined by the Law of Georgia on „Public Service."



You can see the above order at the following link: <https://matsne.gov.ge/> with the registration code : 470230000.22.035.016838

The order came into force on 2nd of February, 2021.

The Resolution №2 of the Government of Georgia

On 8th of January, 2021, with the resolution N2 of the Government of Georgia the State Program of 2021 for development of employment promotion services was approved. The purpose of this program is to develop active labor market policy and employment promotion services in the country.

The program is implemented by a legal entity of public law under the state control of the Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia- the State Agency for Employment Promotion. The subjects of the program are unemployed people, employers, social partners and media representatives.

You can see the above resolution in detail at the link: <https://matsne.gov.ge/> with the registration :190020010.10.003.022555

The order came into force on 1st of February, 2021.

The Resolution №26 of the Government of Georgia

On 21st of January, 2021, on the basis of the Resolution 26 of the Government of Georgia the amendments were made to the Resolution N631 of the Government of Georgia of 17th of December, 2015, "On Submitting of the Report on Information and Activities in the Field of Labor Migration by a Legal Entity, Individual Entrepreneur or Foreign Enterprise or Non-Entrepreneurial Legal Entity", in particular, the first article of the rule approved by the Resolution was amended as follows:



"Article 1. General Provisions

This rule defines the procedure of submission the information on foreign employer and report about the activities in the field of labor migration by the legal entity, individual entrepreneur or foreign enterprise or a branch (representative office, permanent establishment) (hereinafter - intermediary company) to the Ministry of Labor, Health and Social Affairs (hereinafter - the Ministry) in accordance with the form defined by the same rule.”

You can see the above resolution at the link: <https://matsne.gov.ge/> with the registration code: 040030000.10.003.022578

The order came into force on 22nd of January, 2021.