



Legal Newsletter

(February 2021)

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

The Code of Administrative Offenses of Georgia

On 18th of March, 2021, number of legislative amendments were made in the Code of Administrative Offenses of Georgia. As a result of these amendments and supplements several articles of the Code were formed as follows:

Article 421) 42¹¹ of the article:

a) The first part was formed as follows:

„1. The violation of the rule of wearing a mask in an open or closed public spaces during a pandemic and/or epidemic – for a natural person will result to a fine in amount of 20 GEL.”;

b) After the part 2, the part 2¹ was supplemented with the following content:

„2¹. The action provided in the part 2 of this article, done repeatedly, will result to a fine of 1,000 GEL.”;

c) After the part 4, the part 5 was supplemented with the following content:

„5. The action provided in the first, third or fourth part of this article, done repeatedly, will result to a fine of 40 GEL.”;



d) The note was formed as follows:

“The note: The rule of wearing a mask provided in this article (including the rule of wearing a mask in an open public spaces or/and in a closed public spaces) is established by the Government of Georgia or a ministry defined by the Government of Georgia for the protection of public health.”

You can see the amendments made in the above law in detail at the following link: <https://matsne.gov.ge/>, with the registration code: 020000000.05.001.020232

The law entered into force on 19th of February, 2021

Order №16 of the Minister of Finance of Georgia

On 1st of February, 2021, legislative amendments were made in the order № 996 of the Minister of Finance of Georgia of 31st of December 2010 on the Administration of Taxes and based on the above-mentioned, a number of articles of the order were formed as follows:

1. After the article 11¹ should be supplemented the following 11² article:

Article 11². Registry of the Employed Persons

1. An employer defined in accordance with the article 12 of the Tax Code of Georgia is obliged to display information about employees in the "Registry of Employees" maintained by the Revenue Service.

2. The information about employees will be submitted to the Revenue Service electronically, before starting the employment relationship, through the Revenue Service website (www.rs.ge).

3. The following information about employees will be represented in the "Registry of Employees":

a) Personal number, name, surname, sex, citizenship, date of birth, mobile phone number of the employee; B)working time; C)status-active, suspended, terminated; D)Date of termination/suspension of status.



4. For the purposes paragraph 3 of the article:

- a) the active status is granted to an employee who fulfills his/her contractual obligations on the basis of an employment contract;
- b) Suspended status is granted to an employee who temporarily doesn't fulfill his contractual obligation, which doesn't lead to a termination of employment and at the same time the period of suspension of employment exceeds 90 calendar days;
- c) Terminated status is granted to an employee with whom an employment contract has been terminated.

5. In case of changes of the data provided in paragraph 3 of this article, the employer is obliged to represent the relevant changes within 5 working days in the "Registry of Employees", unless the employee is granted the status - active, in this case the relevant change must be represented in the "Registry of Employees" from the period of registration.

You can see the above-mentioned order at the following link: <https://matsne.gov.ge/>, with the registration code: 200090000.22.033.017431

The Order entered into force on 1st of February, 2021

Order №13 / 04 of the President of the National Bank of Georgia

On 2nd of February, 2021, on the bases of the Order №13/04 of the President of the National Bank of Georgia the code of ethic principals and professional conduct for banking and securities market participants was approved. The purpose of the Code is to provide the ethical conduct of commercial banks, brokerage firms and asset management companies, as well as those who are involved in their activities, which in turn will enhance the reputation of the banking sector and the securities market and increase consumer confidence. These will have a positive impact on the effective functioning of the whole financial system, the sustainability of market participants and the



public welfare. In addition, the purpose of this Code of Ethics is to establish internationally recognized standards of ethics and professionalism in the financial markets, which promotes to increase public trust in banking, brokerage and asset management activities, including, stable and efficient functioning of investors and banking and securities markets.

It should be noted that the principles and standards defined by the Code applies to the commercial banks, brokerage companies and asset management companies (including investment companies that don't have an external asset manager), their shareholders/governing body members, administrators and employees who are engaging in banking, brokerage or/and asset management.

You can see the amendments made based on the above order at the link: <https://matsne.gov.ge/>, with the registration code: 220010000.18.011.016546

The Order will enter into force from 2nd of August, 2021

Order №35 of the Minister of Finance of Georgia

On 17th of February, 2021, a number of legislative amendments were implemented in the order №999 of the Minister of Finance of Georgia dated 31st of December, 2010 “On the Use of Special Tax Regimes”. In particular, on the basis of the above-mentioned amendments, paragraph 2 of article 5 of the instruction approved by the Order №999 of the Minister of Finance of Georgia “On the Use of Special Tax Regimes” of 31st of December 2010 was formed as follows:

„2. If a natural person decides to obtain the status of a micro-business in the current accounting year or/and to switch from another mode of taxation to the mode of taxation of a micro-business, the income received by him before the granting of the status of a micro-business is subject to



taxation with the regime or/and rule in which it was taxed of its activities prior to the granting of the status, and income from the granting of micro-business status shall be subject to taxation in accordance with the special regime established for micro-business.

You can see the above-mentioned order at the following link: <https://matsne.gov.ge/>, with the registration code: 200230040.22.033.017440

The Order will enter into force on 18th of August, 2021

Order №36 of the Minister of Finance of Georgia on Tax Administration

On 17th of February, 2021, legislative amendments and supplements were made to the instruction approved by the Order №996 of the Minister of Finance of Georgia “On Tax Administration” dated 31st of December, 2010. According to these amendmentss, several articles of the instruction were formed as follows:

1. The first paragraph of the article 2 is formed as follows:

„1. A natural person, citizen of Georgia (except from a person whose income is taxable at the source of payment or is exempt from taxation) is obliged to apply for tax registration to the Revenue Service before starting economic activity, except for the case provided in paragraph 4 of this article.

2. The following paragraph 13 is supplemented after paragraph 12 of the article 3:

„13. Tax registration of a natural citizen of Georgia (except for an individual entrepreneur), instead of provided in paragraph 1 of this article, may be carried out via video call to the rating authority. The application of a natural person for tax accounting via video call is also a requirement



to switch to the electronic communication in accordance with the article 11, paragraph 3 of this instruction. In a separate case, the tax authority is entitled, instead of making a video call, to request the person to submit the relevant application in accordance with the annex NI-01. ”

You can see the amendments made based on the above order at the link: <https://matsne.gov.ge/> with the registration code: 200090000.22.033.017441

The Order was published in the Legislative Herald on 18th of February , 2021 and it will enter into force on the 30th day after its publication.

Order №38 of the Minister of Finance of Georgia

On 25th of February, 2021, on the basis of the Order №38 of the Minister of Finance of Georgia, a number of legislative amendments were made in the Order №994 of the Minister of Finance of Georgia dated 31st of December 2010 "on conducting current control procedures, writing off inventory, repaying recognized tax debt, implementing measures to ensure payment of tax debt, approving the rule for conducting violating cases". Based on the above amendments, the following amendment was made in the article 35 of the rule approved by the order:

1. Paragraph 3 is formed as follows:

„3. If it is not possible for an authorized person to compare the actual material goods, referred in the annex № 24, he/she has the right (except in the case provided in paragraph 31 of this article) to request the taxpayer to invite a relevant specialist on his/her own expense. ”

2. After the paragraph 3, the following paragraph 3¹ was supplemented:

„3¹. For the purposes of the paragraph 3 of this article, the Head of the Revenue Service is authorized to set a quantitative/monetary threshold for certain categories of taxpayers or/and for certain commodity-material values, within the commodity-material values specified in the annex 24 will be considered in accordance with what actually exists. ”



You can see the amendments made based on the above order at the link: <https://matsne.gov.ge/> with the registration code: 200090000.22.033.017443

The Order entered into force on 26th of February, 2021

Order №39 of the Minister of Finance of Georgia

On 25th of February, 2021, legislative amendments were made in the order №254 of the Minister of Finance of Georgia dated 27th of August, 2019 on approval of the rules of proceedings for customs violations, measures to ensure the enforcement of customs sanctions and approving the rules for their implementation" and the article 5 of the order, in particular the transitional provisions, was formed as follows:

Article 5. Transitional Provisions

Considering that the outbreaks of coronavirus infection have been declared a pandemic by the World Health Organization (WHO), which, according to Article 12 of the Law of Georgia on Public Health, is a state of emergency, and the mentioned circumstance, in accordance with the first part of article 72 of the Customs Code of Georgia and the 5th part of article 269 of the Tax Code of Georgia, is considered an insurmountable force, in the customs territory of Georgia from October 1, 2019 to May 1, 2020, imported mechanical vehicles considered by commodity positions 8701, 8702, 8703, 8704, 8705 and 8711 of the National Commodity Nomenclature of Foreign Economic Activity (whose internal combustion engine has a cylinder capacity of more than 50 cm³, and in the case of an electric motor - the maximum power output is more than 4 kW), also, the owner of a trailer and semi-trailer considered under 8716 shall be exempted from the liability provided in the article 155 and 171 of the Customs Code of Georgia for violation of the deadline for submission/general declaration/declaration of the vehicle or violation of the terms of the customs procedure, as well as from the penalty specified in the article 272 of the Tax Code of Georgia for non-payment of the amount of tax payable on the mentioned vehicle within the term established by the tax legislation, if it ensures that this vehicle is placed under the customs procedure or declared in re-export before 1st of June, 2021 (except when the time limit for delivery of a vehicle declared at the customs export



declaration or moved with the vehicle registration certificate to the customs checkpoint of destination is violated) ".

You can see the above order at the link: <https://matsne.gov.ge/>, with the registration code: 230210000.22.033.017444

The Order entered into force on 1st of March, 2021

Order №40 of the Minister of Finance of Georgia

On 25th of February, 2021, a number of legislative supplements were implemented in the Order №239 of the Minister of Finance of Georgia of 30th of September, 2020 "on approval of the Rule of Authorization, Rules and Conditions for Issuance of Authorization Certificate". Based on these supplements, several articles of the order were formed with different edition, among them should be noted the changes according to which, if the initial investigation reveals deficiencies but there are no circumstances provided in the order, the selected person is entitled to determine a reasonable time for the applicant to correct the deficiency. If the applicant does not correct the defect within this period, the authorization process will be considered terminated. In case the applicant corrects the deficiency, the selected person confirms the correction of the deficiency and no new deficiency is identified, the selected person starts the integration procedures with the applicant system. Also, in the previous case, the selected person can initiate the integration procedures with the applicant's system, if the identified deficiencies are not essential and their temporary existence does not prevent the integration with the applicant's system. In such a case, the authorization certificate will be issued temporarily upon completion of the integration.

It should be noted that after the first paragraph of the article 8 of previous order, paragraph 11 have been added, according to which the permit holder is also obliged to apply to the selected person for requesting re-authorization, if there is a supplement in the standards/requirements introduced/set by the Minister of Finance of Georgia for gambling and/or gaming, as well as some essential products/services. The permit holder must apply to the selected person no later than 3 months after the supplement, unless other term is set by law. "



You can see the above order at the link: <https://matsne.gov.ge/>, with the registration code: 040170310.22.033.017445

The order will enter into force on 26th of February, 2021.

Resolution of the Government of Georgia №67

On 17th of February, 2021 a number of legislative amendments were made in the resolution N619 of Georgian government, dated 8th of October, 2021 „on Determining the International Status of the Company, affirming its permitting activities and list of particular expenses”. Based on these amendments, the annex approved by the resolution defines that the status of an international company can be granted only to a person who is taxed with profit tax according to the objects of taxation provided in the first part of the article 97 of the Tax Code of Georgia. The status of an international company will not be granted to a virtual zone person defined by the Tax Code of Georgia.

Previous resolution also defines that in order to be granted the status of an international company, for the purposes of establishing at least 2 years of experience in the permitted activities provided in the article 1, sub-paragraph A-N of the annex №2 approved by this resolution, the provision of services under the same subparagraphs of the same article shall be considered experience whose place of business or management is in Georgia. It should also be noted that a person with the status of an international company has the right to provide the service considered with sub-paragraphs "A" - "N", of the article 1 of the annex only to those persons whose place of registration or place of management is outside of Georgia. In addition, the activities provided in the same subparagraphs of the same article mean services rendered on the basis of a service contract.

You can see the above resolution at the link: <https://matsne.gov.ge/>, with the registration code: 200000000.10.003.022619

The Order entered into force on 18th of February, 2021.