

## Georgian Tax & Legal News

### Refer to the Law



### Intended Changes to the Georgian Tax Code

The Georgian Parliament is considering four bills making amendments to the Tax Code of Georgia.

#### ***The first bill***

The first bill was submitted to Parliament in September and includes a number of changes. One aims to define the concept of a Tourism Company and impose certain requirements, as well as establish privileges, for such companies. Another amendment intends to define the rules and legal nature regarding Public Decisions of the Finance Minister. Rules for obtaining confidential information from banks and other financial institutions will also be introduced.

If the Parliament accepts a bill on installation, assembly, maintenance, manufacturing, refurbishment and other services for goods under certain internal processing commodity operations, these operations will be exempt from VAT.

Postponing tax debt without providing any security measures will become possible as long as the debt does not exceed 5000 GEL.

Alcoholic beverages bottled in 10-liter containers or larger will be exempted from mandatory excise labeling.

#### ***the second bill***

According to the second bill, international calls on Georgian mobile networks will be charged excise tax based on call duration - one minute will cost 0.15 GEL. Excise will also be imposed on international calls to fixed-line phones in the amount of 0.08 GEL per minute.

The bill will reduce the tax rate on mobile communications services in Georgia to 8 percent, as well as free them from VAT, establishing the right to recover input VAT on international calls to Georgian mobile and fixed networks.

### ***The third bill***

The third bill aims to make tax agreements possible as well for duties on use of natural resources (regulated by tax bodies) along with related fines and penalties. Benefits derived from reducing the above duties, penalties, or fines will not be reflected in the taxpayer's gross income.

### ***The fourth bill***

The fourth bill, submitted along with a bill on the Georgian Budget Code, aims to define a budget organization in the following way:

"A Budget Organization is a central, autonomous and local government body, a body established by the government and/or their accountable/controlled legal persons (other legal persons with entrepreneurial status, the National Bank of Georgia and the Notary Chamber)."

## **Intended changes to the Law on Insurance**

The Georgian Parliament is considering a bill that would make a number of amendments to the Georgian Law on Insurance (the "Law") in order to ensure fulfillment of recommendations by the World Bank / International Monetary Fund.

The bill's main intended amendment comprises a limitation of legal form (business form). Whereas before the bill an insurance company could be established as a Limited Liability Company (the "LLC") or a Joint Stock Company, the only acceptable business form for insurance companies in Georgia will be that of a Joint Stock Company if the bill passes. Already-established LLC insurance companies will be obliged to change their form starting July 2015 if the bill is accepted.

According to the possible change, obligatory deadlines to submit financial audit reports from the previous year will be moved up to 15 April instead of 15 May. A clause will also be added to oblige insurers to separate their financial report, as an entrepreneurial person's, from the audited consolidated financial reports.

Article 29.4 will be added to the law, which entitles the Insurance State Supervision Service to determine rules for confidential information, its listing, and grounds for its issuance.

## **Intended changes to the Georgian Code of Product Safety and Free Turnover**

The Georgian Parliament is considering a bill that would amend the Georgian Code of Product Safety and Free Turnover.

According to the possible amendment, gas stations will be added to the list of objects with heightened technical risks and will therefore also be subjected to the special regime established by the Georgian Code of Product Safety and Free Turnover.

## **Important Case Law**

On 3 June 2014, the Chamber for Administrative Cases of the Tbilisi City Court made a decision regarding the compensation of lost income.

According to the decision, lost income should be real and grounded. It should not be based on only the assumption of profit-making potential. Damage should be derived from the actions/omission of the respondent, and it should be unlawful, intentional or grossly negligent. There should also be a direct (and not presumable) link between actions and the damages, since a presumable link is not sufficient grounds for legal liability.

# Deloitte Legal

## Representing Tomorrow



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:

**Giorgi Tavartkiladze**  
Senior Tax Manager

[gtavartkiladze@deloitte.ge](mailto:gtavartkiladze@deloitte.ge)

**Dr. George Svanadze LL.M., MLB (Bucerius/WHU)**  
Head of Deloitte Legal, Attorney-at-Law

[gsvanadze@deloitte.ge](mailto:gsvanadze@deloitte.ge)

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36A Lado Asatiani St.  
Tbilisi, 0105, Georgia  
Office contact information:  
Tel: + 995 (32) 224 45 66  
Fax: + 995 (32) 224 45 69

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