

Georgian Tax & Legal News

Refer to the Law



Amendments to the Tax Code of Georgia

A set of amendments were made to the Tax Code of Georgia in December 2015.

According to the amendment of 11 December 2015, excise tax was increased on ethyl alcohol and alcoholic beverages, as well as tobacco (except for raw tobacco). The amendment came into force on 1 January 2016.

According to the amendment of 18 December 2015:

- Losses revealed by a manufacturer during the production of goods, which require intangible excise stamps as determined by the legislation of Georgia, shall not be regarded as deficiency.
- The period of limitation for keeping the necessary documents for the determination of taxation objects as well as primary taxation documents shall be 3 years.
- In case of the letting of a flat by a proprietor natural person, the personal income tax rate shall be set at 5% even in cases when the tenant is an organization;
- Services listed by the Government of Georgia provided by a company operating from a free industrial zone to a non-resident with no permanent establishment in Georgia shall be exempted from VAT with the input VAT right;
- Tax privileges established for raw tobacco import shall be prolonged until 1 January 2018;
- Investment property shall also be subject to property tax;
- Certain amendments were made to the excise tax rates and rules of taxation.

The amendments of 24 December 2015 specified that the costs of the placement and issuance of equity securities and/or Global Depositary Receipts on stock markets (including stock markets recognized by foreign countries), as well as costs related to listing category/regime changes, shall be regarded as deductible expenses for the purposes of corporate income tax.

Amendments to the Law of Georgia on Accounting and Financial Audits

On 24 December 2015 certain amendments were made to the Georgian law on Accounting and Financial Audit. In particular:

- The obligation for auditors/audit firms to become members of accredited professional organizations was postponed until 1 June 2016;
- Accredited professional organizations are obliged to register auditors/audit firms in the respective registry without requiring membership. This obligation shall last until 1 June 2016. The law explicitly specifies that persons who are not registered in the registry are not entitled to carry out audits;
- It was specified that until 1 January 2017, to ensure the quality and ethical conduct of accounting and financial audits, final translated and published versions of the International Financial Reporting Standards (IFRS), Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs), International Standards on Auditing (ISA), and IESBA Code of Ethics established by the International Federation of Accountants (IFAC) shall be used. The translation and publishing of the listed standards shall be carried out by an accredited professional organization.

Possible Amendments to the Law on Licenses and Permits

The Parliament of Georgia is currently discussing a bill that calls for amendments to be introduced to the Georgian law on Licenses and Permits.

In particular, the bill calls for the termination of the permit established by Article 24 (7) (Permit to transport, import, export, re-export or transit material of restricted circulation) and for two separate permits to be created in its place: 1. Permit to import, export and transit waste; 2. Permit to import, export and transit ozone depleting substances (ODSs).

If the bill is accepted by the Parliament, the amendments shall enter into force from 1 April 2016.

Case Law

On 26 October 2015, the Supreme Court of Georgia ruled on case No. 5-2135-3-46-2015 and set forth important interpretations and constructions on conflict of laws, including Private International Law and International Civil Procedural Law. An essential part of the courts' decision and interpretations concerned the choice of international jurisdiction of courts and the legal nature/character and implications of the choice of jurisdiction in the context of the recognition and enforcement of foreign judgments in Georgia.

Legal nature/character of the choice of jurisdiction

The court ruled that, "An agreement on the choice of the international jurisdiction of a court is an independent agreement separate from the main/underlining contract concluded between respective parties and the validity and entrance into force of such an agreement should be governed by respective applicable substantive law and its form/admissibility and legal effects are subject to respective applicable procedural laws."

With this interpretation, the court underlined the separable and independent character of the choice of jurisdiction agreement from the underlining contract. Furthermore, by referring to particular provisions of the Private International Law of Georgia (the "PIL"), the court construed the methods of qualifying the choice of jurisdiction clause. In particular, the court ruled, that: "In Georgia, the issue of the form of the choice of jurisdiction is subject to Article 18 of the PIL and the applicable law on its validity and entrance in force is to be determined pursuant to Article 27 of the PIL."

Other important assessments by the court

Please note that with the decision in question, the Georgian court provided unprecedented wide-reaching reasonings on the fundamental concepts of the conflict of laws (including Private International Law and International Civil Procedure/Litigation) and PIL itself as follows below:

- **The distinction between the exclusive and specific international jurisdiction of courts;**
- **Forum shopping;**
- **Actor sequitur forum rei;**
- **Revizion au fond;**
- **The mirror-image rule/principle (in German: Spiegelbildsprinzip);**
- **The legal nature and effects of the recognition of foreign court decisions;**
- **The correlation of the bi- and multilateral treaties effective in Georgia (including the Minsk Convention) and managing the collision and conflict of the treaties with the applicable domestic rules of Georgian private international law.**

In the case in question, the court ruled in favor of recognition and enforcement of a foreign judgment (rendered by a Ukrainian court) in Georgia.

Georgian Legislative Tracking is available [here](#).

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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
Head of Tax & Legal

gtavartkiladze@deloitte.ge

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

gsvanadze@deloitte.ge



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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