

PwC Georgia Tax & Law Brief

19 February 2019

Amendments to the Instruction Established by the Order N996 of Minister of Finance of Georgia

The new article 61 has been added to the Order N996 of Minister of Finance of Georgia that defines the category of taxpayer.

The category of taxpayer

- According to the amendments, taxpayers can be attributed to the following categories:
 - Small – A person whose total amount of accrued or deducted taxes is less than 100,000 GEL;
 - Medium – A person whose total amount of accrued or deducted taxes is equal to 100,000 GEL or less than 2,000,000 GEL;
 - Large – A person whose total amount of accrued or deducted taxes is equal or more than 2,000,000 GEL;
 - Category is determined on monthly basis, according to the any previous consecutive 12 calendar months period;
- The person is attributed to the category of large taxpayer (whether or not the amount of accrued or deducted taxes equals or exceeds 2,000,000 GEL) if performs one of the following activities:

The category of large taxpayer

- Activities executed by a person holding a banking license under the Law of Georgia on Licenses and Permits;
- Activities executed by a person holding a license of life insurance, non-life insurance, and/or reinsurance as defined by the Law of Georgia on Licenses and Permits;
- Activities executed by a person holding a license or a permit under the Law of Georgia on Electronic Communications;
- Activities executed by a person holding a private broadcasting and/or community broadcasting license envisaged by the Law of Georgia on Licenses and Permits;
- Arrangement of casinos by a person holding a relevant permit as per the Law of Georgia on Licenses and Permits;

***Tax notice form for
automatic
reimbursement of
overpaid tax amounts***

- Activities of companies operating in the industry of oil and gas under the international agreement;
- As per amendments, for the purpose of automatic reimbursement of the overpaid taxes, a special form of taxpayer's request has been determined.

Source: The Legislative Herald of Georgia, 18 February 2019

**Order of the President of the National Bank of Georgia (NBG) № 18/04 on
“Approving rule of calculating annual APR, financial costs, penalties
and/or any other financial sanctions of the finance lease”**

On 8 February 2019, the order of the NBG entered into force, which establishes rules of calculating annual APR, financial costs, penalties and/or any other financial sanctions for financial lease.

***Terms related to the
finance lease***

- The order defines the following important terms related to the finance lease:
 - Price of the leased property - the sales price of the leased property defined by the relevant agreement executed with the supplier. Furthermore, VAT will be included in the price of the leased property if the lessor is not entitled to deduct taxes;
 - Amount of funding the finance lease – the price of the leased property, along with the capitalized expenses borne by the lessee for receiving leased property;
 - The remaining amount of funding the finance lease – the remaining amount of funding the finance lease as of the current date, provided that the lessee has made repayments to the lessor;

Financial costs

- Positive difference between the price of the leased property and its price of the direct payments *inter alia* shall be included in calculation of annual APR of the finance lease.
- Daily amount of penalties/any other financial costs imposed due to any kind of violation shall not exceed 0.27% of the remaining amount of funding the finance lease. For the purposes of calculating daily penalty the following shall not be included:

***Amount of daily
penalty***

- In the case of overdue (until total elimination), a single imposed penalty amount which does not exceed 20 GEL;
- Early repayment commissions imposed in case of refinancing the finance lease, or terminating the finance lease/redemption of the leased property before expiration.

**Maximum amount of
financial sanctions**

- For each overdue day until its full elimination, total amount of imposed financial sanctions shall not exceed the remaining amount of funding the finance lease 1.5 times. The following shall be included in calculating maximum amount of financial sanctions:
 - Costs used in calculating APR;
 - Interest of the finance lease;
 - Expenses included in 0.27% limit of the remaining amount of funding the finance lease;
 - A single penalty imposed beyond 0.27% limit;
 - Commission for early repayment;
 - Any other financial costs/commissions/sanctions;
- Calculation of “1.5 times amount” will commence from the overdue date and any costs/commissions/penalties/sanctions imposed prior to the present day will not be included.
- Furthermore, for the purposes of calculation of “1.5 times amount”, the remaining amount of funding the finance lease is the amount existed on the first overdue day and fluctuations in the remaining amount of funding the finance lease until its elimination shall not be taken into consideration.

**Commission for early
repayment**

- Amount of early repayment commissions imposed in case of refinancing the finance lease, or terminating the finance lease by the lessee or third party/redemption of the leased property before its expire, shall not exceed 2 % of the remaining amount of funding the finance lease.

Source: The Legislative Herald of Georgia, 18 February 2019

Drafts amendment to the code of Georgia on “Space Planning, Architectural and Construction Activities” and code of Georgia on “Product Safety and Free Movement”

The draft amendments to the code of Georgia on “Space planning, architectural and construction activities” and code of Georgia on “Product Safety and Free Movement” were submitted to the Parliament of Georgia, pending 1st hearing, according to which identical amendments are to be introduced.

**Defacing the
appearance of
municipality**

- According to the draft amendments, failure to repair, reconstruct, restore and/or dismantle buildings that are visible from public space and deface the appearance of municipality shall give rise to certain liability.

Amount of fines

- Amount of fines are as follows:
 - On the territory of special regime construction zone, forest fund, on the territory defined by the Law of Georgia on Water, cultural heritage zones, resort-recreation zones and Tbilisi – 5000 GEL;
 - On the territory of self-governing city, except for places indicated above – 1000 GEL;
 - On the territory of municipality (city) – 500 GEL;
 - On the territory of municipality (borough or country) – 200 GEL;

Source: The Parliament of Georgia, 18 February 2019

Let's talk

For a deeper discussion of how this issue might affect your business, please contact us at PwC Georgia

Sergi Kobakhidze

Director, Tax & Law Practice
E-mail: sergi.kobakhidze@pwc.com
Tel: + 995 32 250 80 50

Vano Gogelia

Head of Legal Practice
E-mail: vano.gogelia@pwc.com
Tel: + 995 32 250 80 50

PwC in Georgia offers Integrated Assurance, Tax, Legal and Advisory services. PwC Network globally employees 208,109 people in 756 locations across 157 countries who share their thinking, experience and solutions to develop fresh perspectives and effective practical advice.

PwC Georgia **Tax Services** includes tax advisory services, tax reviews and tax compliance, transfer pricing compliance, representation during tax disputes, tax structuring, double tax treaty advice, tax due diligence support, customs matters and others.

PwC Georgia **Legal Services** offers a full range of legal support in corporate and commercial law, corporate reorganizations, corporate secretarial work, M&A, competition compliance & litigation, secured transactions, employment law, immigration, construction law and other. With over 3,200 lawyers across more than 85 countries, we have the broadest geographical coverage of any legal services network in the world.

