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## Amendments to the Instruction established by the Order №996 of the Minister of Finance of Georgia

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According to the amendments dated 25 September 2019, the rules for documenting employer's vehicle used by an employee for personal purposes and for providing such information to the tax authority were defined. Namely:

### *Using employer's vehicle by an employee for personal purposes*

- The vehicle is considered to be used for personal purposes (non-business activities) only if the employee is authorized to such use under an employment agreement, charter or other document (this refers to the vehicles under 8703 of the National Commodity Nomenclature of Foreign Economic Activities).
- If the employee uses the employer's vehicle for personal purposes, Personal Income Tax (PIT) will be paid in full, regardless of the number of days of usage during the relevant reporting period.
- If during reporting period two or more vehicles are used:
  - simultaneously by the employee for personal purposes, PIT will be paid separately per vehicle;
  - by the employee at different time periods, then PIT will be paid on the vehicle that was used for longer period. In case of an equal number of days of usage during the reporting period - depending on the vehicle which engine capacity is higher.
- If the same vehicle during the reporting period is used:
  - by two or more employees for personal purposes at the same time, PIT will be paid separately with regards to each employee;
  - by two or more employees for personal purposes at different times of the year, PIT will be paid separately with regards to each employee.

A few changes have been made to the withholding tax return. Further, appendix "d" has been added to reflect information on the vehicles for use of which, the employees' received benefits are subject to PIT.

*Source: Legislative Herald of Georgia, 11 October 2019*

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## **Amendment to the Ordinance №255 of the Government of Georgia on the Terms and Conditions for Issuing a Construction Permit and Operating a Building**

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According to the amendments to the Ordinance №255 effective from 11 October 2019:

### ***Building class of gas pipelines***

- Low pressure gas pipelines, as well as medium pressure gas pipelines with internal diameter not exceeding 100 mm are considered as first-class buildings.
- Medium pressure gas pipelines of more than 100 mm internal diameter, as well as all high pressure gas pipelines belong to the third-class buildings.
- In case of construction / installation of a first-class gas pipeline, the notification shall be accompanied by an architectural project and technological scheme.

*Source: Legislative Herald of Georgia, 11 October 2019*

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## **№10/04 Order of the President of the National Bank of Georgia on Maintenance of Minimum Reserves Requirements by Commercial Banks**

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### ***Minimum reserve requirement***

According to the amendment dated 2 October 2019, the minimum reserve requirement for foreign currency-denominated funds is 25%, except for the borrowed funds with remaining maturity of 365 days to 730 days.

*Source: Legislative Herald of Georgia, 11 October 2019*

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## **Order №178/04 of the President of the National Bank of Georgia on Expanding the List of Financial Institutions and Granting the Status of Financial Institutions to Loan Issuer Entities**

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### ***Status of loan issuer entities***

For the purpose of concluding a financial pledge agreement with a commercial bank, loan issuing legal entities are granted the status of a financial institution.

*Source: Legislative herald of Georgia, 12 October 2019*

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## **Draft Amendments to the Code of Product Safety and Free Movement**

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### ***Buildings which distort the appearance of a municipality***

On 3 October 2019 the Parliament of Georgia passed the draft amendments on the second hearing, according to which, the failure to repair (reconstruct), to restore or dismantle the buildings, which distort the appearance of a municipality and are located in a publicly visible area will result in following fines:

Territory	Fine (GEL)
Tbilisi	5000
The territories defined by the Law of Georgia on Forest fund and the Law of Georgia on Water	5000
Cultural Heritage Protection Zones and Recreational Zones	5000
Special regime zone	5000
Self-governing city	1000
Municipal settlement - city	500
Municipal settlement – Village	200

- According to the draft amendments, external damage to buildings, their roofs, sheathings, fences, external restraint structures are considered as distortion to a municipal appearance .
- The law does not apply to dwellings on homestead land, cultural heritage sites and buildings used for residential purposes.

Source: The Parliament of Georgia, 11 October 2019

## **Draft Law on Prevention of Money Laundering and Terrorism Financing**

On 15 October 2019 the Parliament of Georgia for second hearing reviewed the draft law on prevention of money laundering and terrorism financing. According to the draft law:

### ***List of reporting entities***

- An insurance/reinsurance broker, law firm and certified accountants are added to the list of reporting entities.
- The draft law provides for the following new definitions:

- **One-off agreement** – an agreement, except for an agreement prepared, executed and fulfilled in the course of business relations, which implies provision of services as prescribed under the legislation of Georgia;

### **New definitions**

- **Business relations** - continuing commercial or professional relations involving provision of services by a reporting entity as prescribed under the legislation of Georgia;
- **Verification** - obtaining information that enables a person to verify client's identifying data and become aware of beneficial owners' identity (if any).
- According to the draft law, a reporting entity shall take preventive measures when:
  - Establishing the business relations;
  - Concluding a one-off agreement if the amount of the agreement or the total amount of the set of related transactions exceeds GEL 15,000 or its equivalent in another currency;
  - Carrying out a one-off money transfer, if the amount of the transaction or the total amount of the set of related transactions exceeds GEL 3,000 or its equivalent in another currency;
  - In case of any suspicion prescribed by law.

### **Preventive measures**

- According to the draft law, a reporting entity shall take the following preventive measures:
  - Client identification and verification;
  - Identification and taking appropriate measures for verification of a beneficial owner;
  - Determining the purpose and intent of the business relations;
  - Monitoring the business relations.

*Source: Parliament of Georgia, 11 October 2019*

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## **Draft Amendments to the Labor Code of Georgia**

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On 23 September 2019, the draft amendments to the Labor Code of Georgia were submitted to the Parliament of Georgia. According to the draft law:

### **Maximum overtime hours**

- The duration of overtime should not exceed 2 hours per day and 8 hours per week.
- For enterprises with specific regime, overtime should not exceed 2 hours per day and 6 hours per week.

*Source: Parliament of Georgia, 11 October 2019*



### Let's talk

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

**Sergi Kobakhidze**  
Partner, Tax & Law Practice

E-mail: [sergi.kobakhidze@pwc.com](mailto:sergi.kobakhidze@pwc.com)  
Tel: + 995 32 250 80 50

**Vano Gogelia**  
Head of Legal Practice

E-mail: [vano.gogelia@pwc.com](mailto:vano.gogelia@pwc.com)  
Tel: + 995 32 250 80 50

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