TAX GUIDE GEORGIA

Focus on your core business.
We will take care of the rest.

SCHNEIDER GROUP

EXPERIENCE. EXPERTISE. EXCELLENCE.

Eastern Europe, Central Asia,
Caucasus and Balkans
Since 2003

www.schneider-group.com

GENERAL RULES AND IMPORTANT POINTS IN THE TAX SYSTEM OF GEORGIA

Georgian taxes are governed by the Tax Code of Georgia (hereinafter – Tax Code).

The various types of taxes and levies in Georgia are:

- Personal income tax
- Profit tax / corporate tax
- Value added tax (VAT)
- Excise duty
- Import tax
- Property tax

CORPORATE PROFIT TAX

Taxpayers

For profits tax purposes, taxpayers include resident enterprises and non-resident enterprises carrying out economic activities in Georgia through a permanent establishment (PE).

Rates

Corporate income tax is 15%.
From 2023 the corporate income tax rate applicable to commercial banks, credit unions, microfinance organisations, and loan providers is 20%.

Tax base

The tax base is the income recognised as per International Financial Reporting Standards (IFRS).
Taxable income
Since 2017 Georgia switched to a new system which represents the adoption of the Estonian model to the Georgian tax system. As such, retained profits are no longer taxable until they are distributed. The new regime does not exempt the profits from taxation but is designed to defer the taxation moment. As a result, a standard corporate income tax rate of 15% is applicable to the grossed-up value of the following transactions:

- Profit distribution
- Costs incurred not related to economic activity
- Free of charge distributions
- Over limit representative expenses

Tax-deductible expenses

The concept of deduction is no longer applicable for the taxpayer companies operating under the new system, since they follow IFRS.

Corporate residence

Any legal entity established under the laws of Georgia or has its place of effective management in Georgia will be deemed to be a resident enterprise.
Non-resident enterprises earning income from Georgian sources are subject to withholding taxes.

VALUE ADDED TAX (VAT)

Taxpayers

For VAT purposes, taxpayers include persons and legal entities who are registered for VAT, importers and non-resident persons. A person established in Georgia must register as a VAT payer when its taxable turnover exceeds GEL 100,000 in any continuous 12-month period.

Taxable operations

Normally, VAT is chargeable at the moment of supply of goods and services. VAT is also applied on the advances received on goods and services to be supplied.

VAT applies to the following transactions:

- Supplies of goods (works and services) in Georgia
- The transfer of property rights
- The transfer of goods (works and services)
- The performance of construction and installation works for internal consumption
- The importation of goods in Georgia

Place of supply of goods and services

The general rule is that the place of supply of services depends on whether it is business-to-business or business-to-consumer supply, for instance:

- In case of business-to-business supplies, the place where the service recipient or its fixed establishment is located is considered as the place of service delivery.
- In case of business-to-consumer supplies, the place where the supplier or its fixed establishment is located is deemed the place of service delivery.

Goods are deemed to be supplied in Georgia if they are located on the Georgian territory upon its transfer. If the supply of goods is accompanied by transportation, then the place of supply is considered in Georgia if its shipment originates in Georgia.

Rates

The standard VAT rate is 18% and applies to the supply of all goods and services for consideration on the territory of Georgia within the scope of economic activities.
A zero VAT rate applies to specific supplies, in particular to exports and re-exports of goods.

Time of supply

Generally, VAT is chargeable at the moment of supply of goods and services. VAT is also applied on the advances received on goods and services to be supplied. The taxable amount is determined based on the received/receivable consideration.

Recovery of VAT by taxpayers

VAT charged by suppliers is generally recoverable by the buyer, provided that the related costs pertain to the buyer's taxable business activities and that properly issued VAT invoices from suppliers are available.

Tax reporting and payment

Taxpayers are required to file VAT returns on a monthly basis.

Imported goods

Imported goods are subject to import VAT, which is levied at the customs border. This VAT is generally collected at customs and is payable by the entity declaring the goods for import, based on the total value of the goods, including any applicable import duties and excise duties.

PERSONAL INCOME TAX

Taxpayers

Personal income tax is levied directly on the individual taxpayer. An individual is recognised as a tax resident of Georgia if was actually located in Georgia for 183 days or more in any continuous 12-month period ending in the current tax year.

Rates

Personal income is subject to a flat tax rate of 20%.

Taxable income

The gross taxable income of a resident individual is any income received in the form of salary, from economic activity not related to employment or from other activities, such as employment income (per-diems and accommodation expenses, health insurance etc), capital gains (profit received from sale of an apartment subject to tax rate at 5%) and rental income (5%).

Tax-deductible expenses

No deductions are applicable, however special tax regimes are available: individuals with annual turnover of less than GEL 30,000 and who register as a micro business will be exempt from tax on their business income.

Double Tax Treaty Relief

Tax residents of Georgia and respective counties are entitled to double tax relief under the effective Double treaties of Georgia with those countries subject to the applicable Multi-Lateral Instrument (MLI) provisions.
As of beginning of 2025, Georgia has entered into Double Tax Treaties with 58 jurisdictions, including European Union countries, UK, Japan and some other.

WITHHOLDING TAX (WHT)

When a foreign entity receives income from Georgian sources, that income is subject to Georgian withholding tax (WHT). WHT applies to various types of income that are considered Georgian taxable source income, which includes dividends, interest, royalties, and other. Additionally, the category “other income” is included, which is broadly interpreted by Georgian tax authorities. This means they may classify any payments from Georgian entities abroad not explicitly listed as “other income.”

Tax rates

Payments of dividends, interest and royalties are subject to WHT at a 5% rate (however, 10% rate of WHT is applicable to non-residents registered in certain offshore jurisdictions which are defined by the government). Income from services rendered in Georgia or other Georgian-source income are subject to WHT at 10% rate.

Income	WHT (%)
Dividends	5
Interest	5
Royalties	5
Oil and gas subcontractor income	4
International transportation and communication	10
Income from services rendered in Georgia	10
Other Georgian-source income	10

Tax agents

When the WHT is applicable, it must be calculated and withheld by the Georgian resident enterprise or an individual. Typically, WHT is withheld on each payment of Georgian source income.

Treaty relief

Domestic rates of Georgian withholding tax (WHT) can generally be reduced or eliminated under an applicable Double Tax Treaty. In some cases the rates are reduced or 0% withholding tax (WHT) rates apply under Georgia’s double tax treaties. Generally, a 0% WHT rate on dividends or interest may apply if the recipient is a foreign company owning at least 10–50% of a Georgian company and has made a qualifying investment—typically between EUR/USD/GBP 2–3 million. A 0% rate on royalties is often limited to copyright-related works (excluding software), while royalties for leasing technical equipment are taxed at 5%.

TRANSFER PRICING

Georgia has its own transfer pricing regulations which is in force since 2013. The rules are described in certain articles of the Georgian Tax Code and the Decree of the Ministry of Finance of Georgia #423, dated December 18, 2013. The OECD Transfer Pricing Guidelines are acceptable if Georgian regulation does not cover a specific issue.

According to Georgian law, if a Georgian company conducts controlled transactions (business operations between a Georgian company (or a branch) and its associated foreign entity or any person based in a tax haven jurisdiction), it has an obligation to prepare transfer pricing documentation on an annual basis. This documentation must be submitted upon request by the Revenue Service within 30 days of such a request.

The “arm's-length principle” of transfer pricing is also applicable which states that the amount charged by one related party to another for a given product/service must be the same as if the parties were not related.

Georgian tax legislation does not impose specific penalties for failing to prepare transfer pricing documentation. However, if a taxpayer does not have written documentation supporting the arm's length nature of its controlled transactions, the burden of proof remains with the Georgian taxpayer in the event of a dispute.

If a Georgian entity fails to prepare and submit transfer pricing documentation upon request, it may face fiscal sanctions. While these fines are relatively small, they can be imposed repeatedly and without limit. To mitigate these risks, it is essential for companies to maintain proper transfer pricing documentation, ensuring that the Georgian Revenue Service must first demonstrate that the company's pricing does not comply with the arm's length principle before any adjustments or penalties can be applied.

For transfer pricing purposes, taxpayers should follow the implementation of one or combination of the following methods:

- The Comparable Uncontrolled Price Method
- The Resale Price Method
- Cost Plus Method
- Transactional Net Margin Method
- Profit Split Method
- Transactional net margin method

Generally, the “best method” rule should be applied in selecting the most appropriate transfer pricing method. However, when both the Comparable Uncontrolled Price (CUP) method and another method are applicable, priority should be given to the CUP method.

Under Georgian regulations, there is no defined threshold for annual turnover or the volume of controlled transactions that would exempt a Georgian company from the obligation to prepare transfer pricing documentation. All taxpayers engaged in controlled transactions are expected to comply, regardless of the transaction size.

YOUR CONTACTS

Irakli Pipia
Head of office/Head of legal

Pipial@schneider-group.com

SCHNEIDER GROUP

EXPERIENCE. EXPERTISE. EXCELLENCE.

Eastern Europe, Central Asia, Caucasus and Balkans Since 2003

www.schneider-group.com

18 offices
15 countries
1 team

ALMATY, KAZAKHSTAN
+7 727 355 44 48
almaty@schneider-group.com

ASTANA, KAZAKHSTAN
+7 7172 425 822
astana@schneider-group.com

ATYRAU, KAZAKHSTAN
+7 727 355 44 48
atyrau@schneider-group.com

BAKU, AZERBAIJAN
+994 12 310 53 15
baku@schneider-group.com

BERLIN, GERMANY
+49 30 615 089 10
berlin@schneider-group.com

BELGRADE, SERBIA
+49 30 615 089 10
belgrade@schneider-group.com

BISHKEK, KYRGYZSTAN
+7 727 355 4448
bishkek@schneider-group.com

CHISINAU, MOLDOVA
+374 60 50 66 05
chisinau@schneider-group.com

KYIV, UKRAINE
+380 44 490 55 28
kyiv@schneider-group.com

MINSK, BELARUS
+375 17 290 25 57
minsk@schneider-group.com

MOSCOW, RUSSIA
+7 495 956 55 57
moscow@schneider-group.com

ST. PETERSBURG, RUSSIA
+7 812 458 58 00
spb@schneider-group.com

TASHKENT, UZBEKISTAN
+998 78 120 44 30
tashkent@schneider-group.com

TBILISI, GEORGIA
+995 32 223 10 30
tbilisi@schneider-group.com

VIENNA, AUSTRIA
+49 30 615 089 10
vienna@schneider-group.com

VILNIUS, LITHUANIA
+ 370 611 555 61
vilnius@schneider-group.com

WARSAW, POLAND
+48 22 695 03 10
warsaw@schneider-group.com

YEREVAN, ARMENIA
+374 60 50 66 05
yerevan@schneider-group.com

**Eastern Europe, Central Asia,
Caucasus and Balkans
Since 2003**

SCHNEIDER GROUP

EXPERIENCE. EXPERTISE. EXCELLENCE.