

Doing business in Georgia 2023

A guide for investors





If you are planning to do business in Georgia, knowledge of the investment environment and information about accounting, tax, legal and HR frameworks is essential to stay on the right track.

“This Guide helps investors unlock their potential for growth in Georgia. It answers questions as to why to invest in and how to do business in Georgia”.

Vakhtang Tsabadze,
Managing Partner

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Foreword

Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms. These firms help dynamic organisations unlock their potential for growth by providing meaningful, forward-looking advice. Proactive teams, led by approachable partners in these firms, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients and help them find solutions. More than 68,000 Grant Thornton people, across over 145 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work.

Grant Thornton operates in Georgia since 2005 and is one of Georgia's leading firms for assurance, advisory, accounting, tax, and legal services. We invest time to understand client business, by offering fresh perspectives in meeting clients' changing needs, with the insight and agility that helps our clients to stay one step ahead.

If you require any further information, please do not hesitate to contact your nearest Grant Thornton member firm.

This guide has been prepared for the assistance of those interested in doing business in Georgia. It does not cover the subject exhaustively but is intended to answer some of the important, broad questions that may arise. This guide neither aims to render any professional advice or services nor is intended to replace professional tax, legal or any other advice. When specific problems occur in practice, it will often be necessary to refer to the laws and regulations of Georgia and to obtain appropriate accounting and legal advice. This guide contains general information only and includes legislation in force as of 30 October 2023. Any reliance made on the information contained in this guide is the reader's sole responsibility, and Grant Thornton shall not be held liable for any losses that may arise thereby. In all situation, before making any decision or taking any action that may affect your finances and/or your business, it is recommended to seek for full professional tax, legal and/or any other advice tailored to your specific circumstances and objectives. Grant Thornton will gladly address inquiries for any further information.

Country Profile



Snapshot

Georgia bundles together some of the most promising business opportunities, as one of the most competitive and dynamic economies in the region.

Georgia's strategic location, free trade agreements, an association agreement with the EU, free economic zones and decent global rankings make the country an attractive investment destination.

Georgia is a multinational country. The population encompasses representatives from diverse communities. As of 2023 January, the total population is 3.7 mln.



4 Ports
Located in Poti, Batumi, Kulevi and Supsa



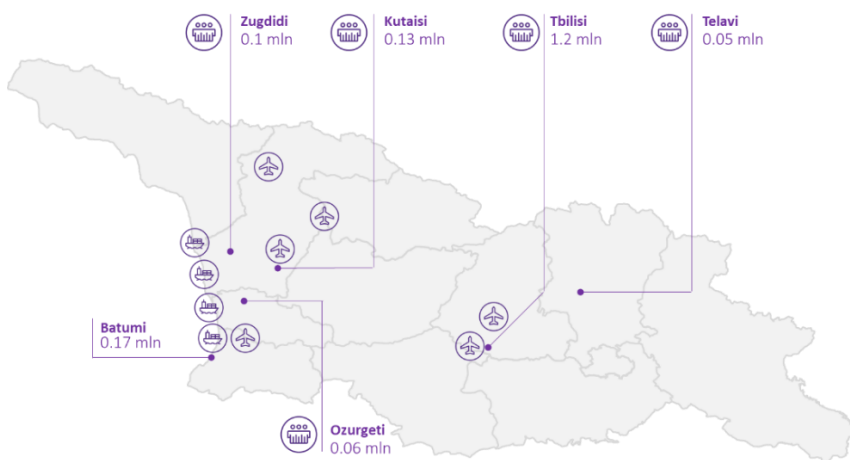
6 Airports
Located in Tbilisi, Kutaisi, Batumi, Mestia, Ambrolauri and Natakhtari



Railway
1,992 km



International state Roads
5,298 km



Quick Facts

Land Area	69,700 km ²
Population	3.7 million
Gender, women	52%
Labor force, active population	1.5 million
Currency	GEL
1 USD, end of period 2022	GEL 2.7020
1 EURO, end of period 2022	GEL 2.8844
GDP per capita, 2022, preliminary	USD 6,671
Annual Inflation, end of period 2022	9.8 %
Unemployment rate	17.3 %
Average monthly nominal wages	USD 589
Utility Costs, per kwh	USD 0.088
Property tax	Not exceeding 1% of the value of the taxable property

Global Rankings



World Justice
Project



As of 2022, Georgia is in **49th** place among 139 countries assessed in the index and **1** place among 14 countries in the regional ranking by law index.



NUMBEO



As of 2022, Georgia ranks **15th** among 142 countries in the world by safety index.



THE WORLD BANK



Georgia is **7th** among 190 states in the World Bank Doing Business ranking.



The
Heritage Foundation



As of 2022, Georgia ranks **35th** among 176 countries by economic freedom index.

Moody's Investors Service changed its outlook on Georgia's 'Ba2' credit rating to 'negative' from 'stable' in April 2022.

Fitch rating changed to BB positive from BB stable in February 2023.

Standard & Poor's credit rating for Georgia stands at BB with a negative outlook.

FitchRatings
MOODY'S
S&P Global

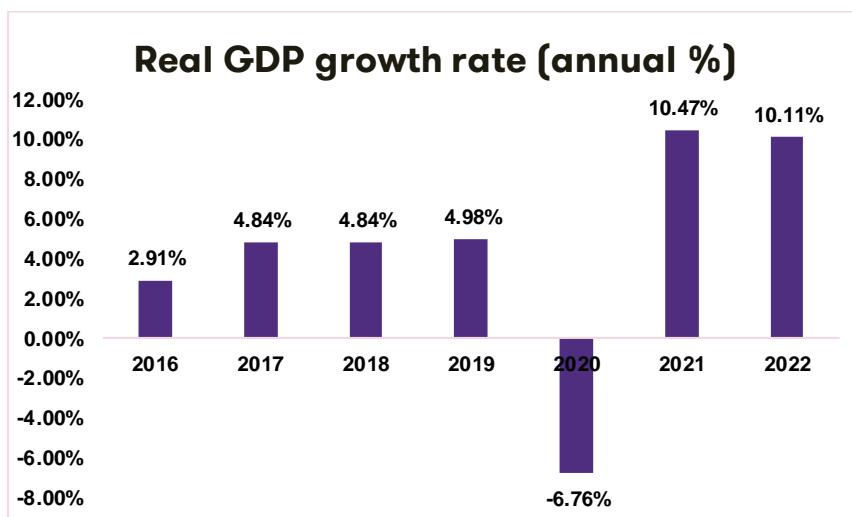
Georgia's Credit Rating		
Agency	Rating	Outlook
Fitch	BB	Positive
Moody's	Ba2	Negative
Standards & Poor's	BB	Negative

Economic Outlook



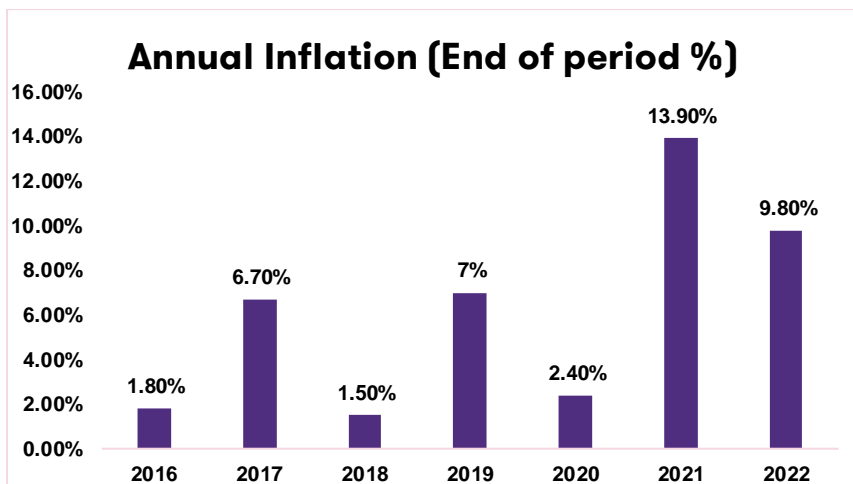
Key Economic Figures

The Georgian economy has shown resilience in terms of global and regional economic conditions and the economy grew by 10.11 percent in 2022. Growth was based with the performance recorded in mining, energy, construction, transport and communication sectors.



Source: Geostat

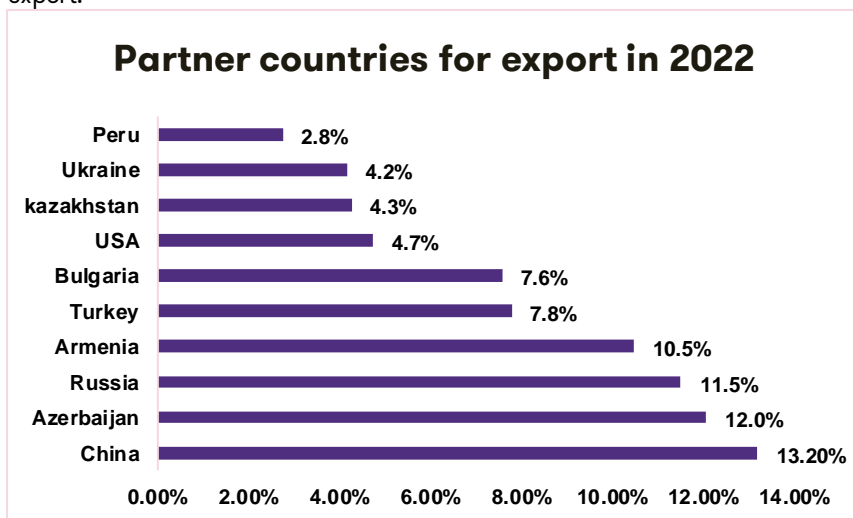
End period 2022 inflation reached to 9.8 percent. The annual inflation rate was mainly influenced by price changes for the following groups: Food and non-alcoholic beverages (15.6%), alcoholic beverages and tobacco (9.5%), Hospitality (13.6%), Housing, water, electricity, gas and other fuels (14.4%).



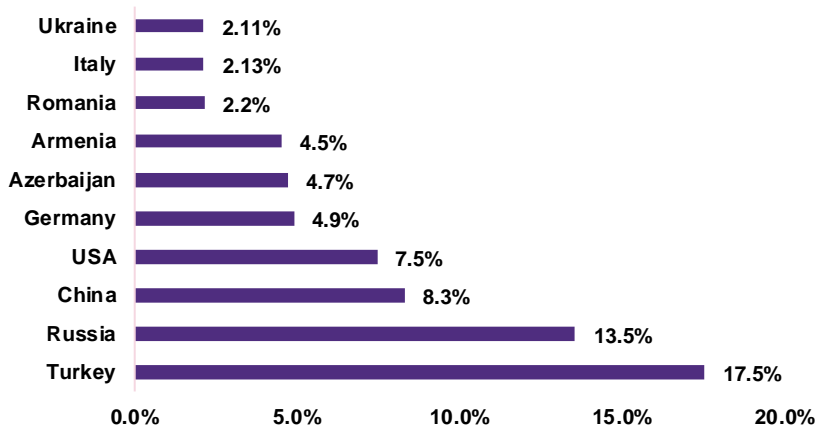
Source: Geostat

International Trade

Top 10 countries account to 67% in terms of total import and 78% in terms of export.



Partner countries for Import in 2022



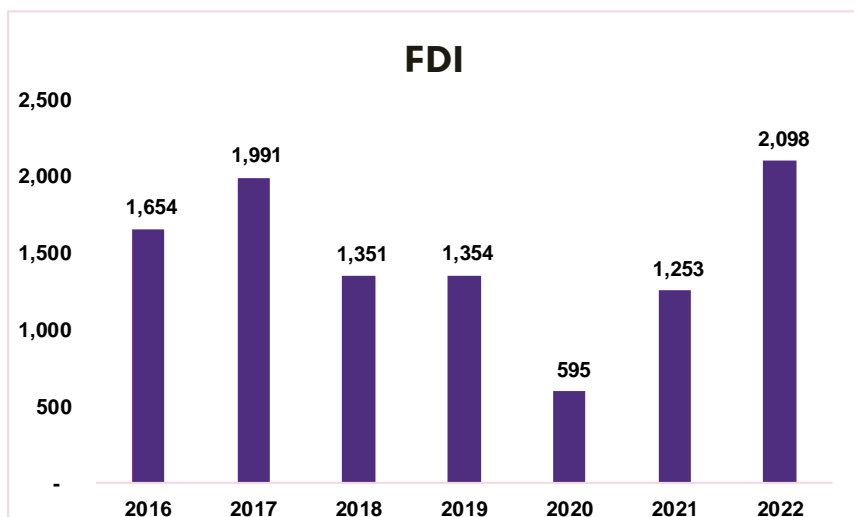
Source: Geostat

Total exports (FOB) accounted to USD 5 583 mln in 2022 and included mineral and spring water, wine, copper and concentrates, nitrogenous fertilizers, ferro-alloys, vehicles.

Total imports (CIF) accounted to USD 13 547 mln in 2022 and included petroleum, vehicles, copper ores concentrate, petroleum gases, medicaments.

Foreign Direct Investments

The foreign direct investments (FDI) in Georgia amounted to USD 2 097 million in 2022. FDI has increased by 4% six-year CAGR from 2016 to 2022.



Source: Geostat

Major investor countries were: United Kingdom, Spain, Netherlands, USA, Ireland and Russia.

The largest share of FDI was registered in the financial sector (USD 537 mln), followed by real estate sector (USD 366 mln) and water supply (USD 197 mln).

Foreign Investments

Legal framework

Georgia is open to investors and encourages foreign investment. Legislation governing foreign investment establishes favourable conditions, but not preferential treatment, for foreign investors. In conducting investment and entrepreneurial activity, foreign investors enjoy the same rights and guarantees as those granted to Georgian natural persons and legal entities. Legal basis for both foreign and local investments and guarantees of their protection are ensured by various normative acts – the Constitution, international treaties and two special laws “On Promotion and Guarantees of Investment Activity” and “On State Support of Investments”.

Legal status of investors

An investor is a natural person or legal entity, as well as an international organization investing in Georgia. The law also defines the concept of a foreign investor to be one of the following: a) foreign citizen; b) stateless person not residing in Georgia; c) Georgian citizen permanently residing abroad; d) legal entity registered outside Georgia.

Disputes between a foreign investor and a Georgian enterprise are subject to resolution through an agreement between parties or the courts of Georgia. Disputes between investors and public authorities shall be resolved in the courts of Georgia if the procedure for dispute resolution is not determined by agreement of parties or the relevant international agreements of Georgia.

Investments forms

Investments are deemed to be all types of property and intellectual valuables or rights invested and applied for gaining possible profit in the investment

activity carried out on the territory of Georgia. Such valuables or rights may be:

- Monetary assets, shares, stocks and other securities;
- Movable and immovable property – land, buildings, structures, equipment and other material valuables;
- Leasehold rights to land and use of natural resources (including concession), patents, licenses, know-how, experience and other intellectual valuables;
- Other property or intellectual valuables or rights determined by law.

Non-residents may register their operations as Georgian legal entities (including Individual Entrepreneur) or as Georgian branches or representations of foreign companies. Entrepreneurial activity in Georgia is regulated by Law “On Entrepreneurs”.

Business entities

Commercial legal entities (company) may be established in the form of joint stock companies, limited liability companies, general partnerships, cooperatives or limited partnerships. The founding (governing) document of a legal entity is the instrument of incorporation of the company. The instrument of incorporation of the company determines the size of the entity's subscribe capital, the composition and competencies of the governing bodies and the rules for decision-making, the rights and obligations of the participants / shareholders / partners, the rules for exit and the transfer of shares of a participant / shareholder / partner to another person.

It is also widely applicable to register a branch, then a separate legal entity. Particularly, this form is frequently chosen by foreigners. A branch is located and operates beyond the place of registration (jurisdiction) of its founding company. It does not have the status of a separate legal entity. A branch acts in accordance with the powers delegated by the founding company. Establishment of a branch does not require any capital investments. A branch of a foreign company must be registered at the Public Registry.

Limited liability companies

A Limited Liability Company (LLC) is one of the most widely spread entrepreneurial forms in Georgia. According to the Law “On Entrepreneurs”,

liability of an LLC before its creditors is limited to company assets, and partners are not personally responsible for company's liabilities.

Capital of an LLC is divided into shares. There is no legal requirement for minimum or maximum amount of capital (subscribed capital). Rights and obligations of partners and terms and conditions for share transfers are stipulated by the company statute.

A Limited Liability Company is founded by joining the partners' capital. The company's existence does not depend on its members; therefore, exit of a partner will not result in automatic liquidation. An LLC may be established by the state, by one or more individuals, legal entities or any combinations thereof. Company partners exercise their management authority at the general meeting of partners. Competences of general meeting, procedures for carrying out decisions, responsibility and competences of directors and composition and functions of governing bodies are stipulated in the company charter.

Management bodies of a limited liability company

A General Meeting

Consists of the partners of the LLC, each of which has rights to participate and votes proportionally to its interest in the company subscribed capital. The decisions made by general meeting within its scope of authority shall be binding for the partners and bodies of the company.

A Management Body

Responsible for managing the day-to-day activities of the limited liability company and representing the latter against third persons.

Supervisory Board (if establishment of the latter is provided for by law or the statute)

In order to exercise control over the activities of the management body/managers, a company may have a supervisory board in the cases determined by law or the statute. The supervisory board shall control the activities of the management body/managers, and the functions of the management body may not be delegated to it, except for the cases provided for by law.

Joint stock companies

Joint Stock Companies (JSC) are typically enterprises with large capital. In Georgia, some types of enterprises, such as banks and insurance companies, are legally obligated to hold this legal form. Authorized capital of a JSC is divided into shares. A shareholder shall not be liable for the obligations of a joint-stock company. A share is a registered intangible security that determines the participation of a person in the capital of a joint-stock company. The minimum amount of the subscribed capital of a joint-stock company at the moment of registration shall be GEL 100 000.

Under the Law “On Entrepreneurs” stocks may be:

Ordinary – One ordinary share ensures one vote at the general meeting of shareholders. Holders of ordinary shares have the right to receive dividends or funds distributed upon company liquidation only after the same right is fulfilled for holders of preferred shares;

Preferred – A preferred share shall provide its holder with a preference under the statute with regard to the rate of a dividend and order of receiving dividends. The same preference shall apply to the distribution of assets of a wound up company among its shareholders, unless otherwise provided for by the statute. A preferred share does not grant any vote at the general meeting, except for the cases provided for by law or the statute. A joint-stock company may issue classes of shares other than those determined by Law on Entrepreneurs.

A joint-stock company with more than 50 shareholders shall keep the shareholders’ register through an independent registrar. A joint-stock company with less than 50 shareholders may keep the shareholders’ register by itself or through an independent registrar.

Management bodies of a joint stock company

A joint-stock company may have either a one-tier or a two-tier management system. In a two-tier management system, in addition to the general meeting and the management body, a joint-stock company also has a supervisory board. In a one-tier management system, a joint-stock company does not have a supervisory board. A decision on selecting the management system shall be made at the moment of the incorporation of a joint-stock company and shall be included in its statute.

The bodies of a joint-stock company are: the general meeting and the management body (in the case of a one-tier management system), or the general meeting, the supervisory board and the management body (in the case of a two-tier management system).

Registration

Under the Georgian Law “On Entrepreneurs”, registration of a legal entity is performed by the National Agency of Public Registry (NAPR), including both state registration and registration as a taxpayer. Registration of legal entities is simplified, and the principle of “one window” is established. There is no minimum requirement for founding (subscribed) capital, except for joint stock company registration. There is also no requirement to have company seal; nevertheless, many enterprises choose to obtain seals.

To register a business entity, the person(s) present of their identification documents, application, the instrument of incorporation of the company in duly authorized form and signed by all partners or their authorized representatives and pay registration fee. Registration application includes:

- a) the instrument of incorporation of the company:
 - the brand name of a company;
 - the legal address of a company;
 - the identification data of each partner/founder;
 - the identification data and term of office, if determined, of a person with management and representative powers, and if there is a supervisory board, of a member of the supervisory board;
 - the identification or registration data, as well as the term of office of a general commercial representative, if any;
 - the identification or registration data of a manager of a partner’s shares, if any;
 - the procedure for the appointment and dismissal of a person with management and representative powers, and of the members of the supervisory board, if any, and the number of such members, if those issues are regulated in a different way than provided for by this Law, as well as the powers of such members.

The instrument of incorporation of a joint-stock company shall additionally contain the following information:

- the amount of subscribed capital at the time the joint-stock company is registered;

- the maximum amount of capital with which the joint-stock company may decide to subscribe shares in future (authorized capital), as well as the nominal value of the shares (if any);
- the nominal value (if any) and the number of shares, or where there is no nominal value, the number of shares subscribed at the time the joint-stock company is incorporated;
- special conditions, if any, limiting the alienation of shares;
- the paid-up portion of the subscribed capital at the time the joint-stock company is incorporated (paid-up capital);
- the nominal value of shares issued for contributions in kind, or where there is no nominal value, the number of issued shares, the nature of the contribution, and the name of the person making that contribution;
- the amount of existing or estimated costs of incorporating the joint-stock company and obtaining a licence/authorization, which shall be borne by the joint-stock company;
- the economic benefits received or to be received from the joint-stock company by the persons involved in the performance of the actions related to the incorporation and the obtaining of a licence/authorization.

In the absence of a statute drawn up by the founders, a standard statute shall be considered as part of the instrument of incorporation of a company. Standard statutes according to the legal forms of a company are approved by the Minister of Justice of Georgia.

- b) the consent of each person with management and representative powers of the company to perform their stated functions, unless their consent is expressed in the instrument of incorporation of the company;
- c) The legislation of Georgia may establish other preconditions for the registration of a company as well.

To register a branch of foreign entrepreneurial and non-entrepreneurial (non-commercial) legal entity, directly interested person (a person authorized to manage/represent a foreign enterprise or non-entrepreneurial entity; a person authorized to manage/represent a branch to be registered) or legal representative of interested person shall refer to any territorial office of National Agency of Public Registry and submit the following documentation:

- a) An application for the registration of a branch of an entrepreneur registered abroad, which shall contain the following data:
 - the brand name of the entrepreneur;
 - the legal address of the entrepreneur;

- the principal place of business of the entrepreneur;
 - the legal form of the entrepreneur and the country whose legislation applies to the registration of the entrepreneur;
 - the body of a foreign country which has registered the entrepreneur, and the registration number;
 - the brand name of the branch;
 - the legal address of the branch;
 - the identification data of the manager of the branch and the scope of his/her representative powers;
 - the subject of the activities of both the entrepreneur and the branch;
 - the amount of the subscribed capital of a company, if any, at the moment of the registration of the branch.
- b) a document of registration of the entrepreneur certified in accordance with the legislation of Georgia;
 - c) the articles of association and the statute of a company certified in accordance with the legislation of Georgia;
 - d) a document determining the identity and identification data of a person with management and representative powers of a company, as well as information on the appointment and termination of office of such person;
 - e) the decision of the entrepreneur (an appropriate person/body with management powers) on the establishment of the branch certified in accordance with the legislation of Georgia;
 - f) the consent of a person to be appointed as a manager/representative of the branch.

Registration fees are as follows:

- in one working day – GEL 200 (approx. USD 70);
- same day – GEL 400 (approx. USD 135).

Registration of an enterprise may be rejected if:

- registration documents do not fully satisfy legal requirements;
- false, unidentified or incomplete information is presented;
- registration fee is not paid.

If registration is rejected for failing to meet legal requirements, the applicant may eliminate deficiencies within 30 calendar days.

Labor

Labor relationships are mainly regulated by the Georgian Labor Code. Significant amendments were introduced to the Labor Code in 2020, allowing for more regulated relations between employers and employees.

Labor force

Qualifications

One of Georgia's main assets is its young and qualified population (54% of population ranges from age 15 to 64). Secondary education is mandatory in Georgia and is a 12-year program. Higher education is voluntary and consists of three levels: 1. bachelor's degree (240 credits), 2. master's degree (120 credits), 3. Doctorate degree (180 credits).

Full legal labour capacity starts at the age of 16. Employment of a person under 16 years of age requires consent from parent, authorized representative or guardian – provided employment is consistent with interests of the underage person, does not impair his/her moral, physical and mental development or impede the right and ability to receive education. A person younger than 14 years can be a party of employment contract only in sports, arts and culture, or as a performer in advertisements. Retirement age is 60 for women and 65 for men.

Labor agreements/contracts

Parties to Labor agreement (employment contract) can only be employer (or employers association) and employee (or employees association). Collective labour agreements are used for multiple parties of the same nature (excluding multiple employees). Labor agreement may be concluded in writing or verbally for a fixed or indefinite term or for a period of fulfilment of works.

Employer is authorized to request and check any information from a job applicant deemed necessary to make a decision. Job applicant is required to inform an employer of any circumstances that may prevent him/her from performing the work, or may endanger interests of the employer or a third party.

Disputes arising of labour relations shall be settled between parties or in court in accordance with legislation.

With the exception of employment contracts for a term of one or more years, fixed-term contract is only to be concluded in the following cases:

- a specific volume of work is to be performed;
- seasonal work is to be performed;
- volume of work has temporarily increased;

- employee replacing person temporarily absent from work or due to suspended Labor relations;
- other objective circumstances justifying conclusion of a fixed-term contract.

Labor remuneration

The form, amount and schedule of labour compensation is determined by the employment agreement. For 2022, the average nominal salary was USD 589. However, there are significant variances between average wages in public and private sectors, as well as across industries. Salaries may be denominated in any currency but are payable within Georgia only in national currency. Legislation does not establish minimum wages.

Georgia has a leading position in fiscal freedom, due to low taxes. Salary income tax rate is set at 20% of gross salary. Tax withholding is done by the employer, who acts as tax agent of employees.

According to the Georgian law on Funded Pensions during the payment of salaries, an employer shall make a pension contribution to an individual retirement account of the employed participant, in the amount of 2 % of taxable salary to be paid to the employee; and on behalf of the an employed participant, an employer shall make a pension contribution, to an individual retirement account of the employee, in the amount of 2 % of taxable salary to be paid to the employee; Therefore, the net salary of the employee shall be calculated like this: Gross salary – 2% (pension contribution) – 20% (income tax) = net salary.

Working time

Regular working time shall not exceed 40 hours per week. For enterprises with specific operating conditions (determined by the Georgian government) the limit is 48 hours per week. However, there are certain restrictions: employing minors, pregnant women, women having recently given birth, or nursing mothers for night shifts (from 22:00 to 6:00), as well as employing a person taking care of child under age of 3 or having limited capabilities without his/her consent.

Leave

Employee is entitled for paid annual leave of at least 24 workings days, and unpaid leave of at least 15 calendar days. Per employee's request annual leave may be provided in parts. Annual leave for each working year is to be granted in the same working year, unless granting a leave during a particular business year may adversely affect normal course of employer's operations. In this case,

with the consent of employee, the leave days may be carried forward to next year. Leave pay is determined based on average remuneration for last three months preceding the leave.

Employee is entitled to pregnancy, maternity and child care leave of 730 calendar days, of which 183 calendar days are paid. In case of complications during birth, or giving birth to two or more infants, 200 calendar days are paid. Parent taking care of child under age of 5 may seek additional unpaid leave of 12 weeks.

Termination of Employment Agreement

Grounds for termination of employment relations include (but are not limited to):

- gross violation of obligations by employee;
- expiration of employment agreement;
- completion of work covered in employment agreement;
- voluntary resignation of employee;
- written agreement between parties;
- entry into force of a court judgement or decision that makes performance of work impossible;
- death of an employing natural person or an employee;
- initiation of liquidation proceedings of the employer;
- other objective circumstances justifying the termination of an employment agreement.

If termination is initiated by the employer, the employee is entitled to receive at least a 30-day advance notice and severance pay for at least one month following termination, while in case of at least 3-day advance notice at least two month severance pay shall be granted.

Tax system



Tax system

Summary

Economic development is a key priority for Georgia. An important part of economic reforms and overall economic policy are fiscal reforms. Main goals of fiscal policy are:

- improvement of business environment;
- attraction of foreign investments;
- consolidation of fiscal discipline.

Legislation regulating taxation and fiscal system are continually clarified and harmonized with EU legislation and provisions. In many cases the fiscal system is coined from legislation of European countries, envisioned to facilitate further development of a market economy. Georgian tax legislation undergoes frequent changes, and all modifications are made publicly available through official publications.

Major changes are effective from 2017 - introducing a new model of taxation for corporate income (profit), which is now linked to timing of profit distribution (payment of dividends).

Tax Code envisions six types of taxes within the realm of two groups, as follows:

- **State Taxes** are mandatory on the entire territory of Georgia. These include Personal Income Tax (PIT), Corporate Income/Profit Tax (CIT), Value-Added Tax (VAT), Excise Tax and Import Tax
- **Local Taxes** are established under normative acts of local self-governance bodies (municipalities). This includes Property Tax.

Personal income tax (PIT)

Payers of income tax are resident and non-resident natural persons. An individual who stays in Georgia for over 183 days in any continuous 12-calendar-month period is considered to be a resident, excluding diplomats, employees of international organizations, persons serving state institutions of foreign countries and their family members.

Gross income received by individuals in the form of salary or other benefits from Georgian sources is taxed at the rate of 20%.

Gross income from rental of real estate for residential purposes is taxed at the rate of 5%.

An individual entrepreneur may obtain the status of Micro Business, if its annual income does not exceed GEL 30,000 or Small Business if its annual income does not exceed GEL 500,000 and they are running only the type of activities that are permitted in accordance with the order of the Minister of Finance.

A person holding the status of a micro business shall not pay income tax.

Income of a Small Business is taxed at the rate of 1%.

Dividends paid by a resident enterprise to a natural person, a non-entrepreneurial (non-commercial) legal entity or a non-resident enterprise shall be taxed at source at the rate of 5% of the amount payable.

Interest paid to a non-resident by a non-resident permanent establishment or a resident or on behalf of a natural person, organization or permanent establishment in Georgia shall be taxed at the rate of 5%.

Income earned by a non-resident from a Georgian-based source that is not attributed to the non-resident's permanent establishment registered for tax purposes in Georgia, shall be taxed at the source without deductions at the following rates:

- dividend, interest, royalty - 5%

Income earned by non-resident subcontractors in conducting oil and gas operations provided for by the Law of Georgia "On Oil and Gas" shall be taxed at the rate of 4%.

Other income earned by non-resident which is regarded as Georgian source income under the Tax Code shall be taxed at the rate of 10%.

Income, which is considered as Georgian source income under the tax code of Georgia, earned by a person registered in a country with a preferential tax treatment, must be taxed at source without deductions, at 15%.

Georgia has signed Double Taxation Treaty Agreements with 57 countries. Consequently, the source of taxation for non-resident persons depends on the terms and conditions of the Agreement.

The following are major types of individual income that are tax exempt:

- employment income of a non-resident employee of diplomatic or equivalent organization located on Georgian territory;
- value of the property received from a natural person in a form of gift or inheritance;
- surplus received by a natural person from sale of fixed assets, with the exception of surplus received from sale of assets used for entrepreneurial activity;
- monetary and other types of rewards, received by athletes, their trainers for being prize winners at Olympic games, world and European championships;
- alimony;
- property received by a natural person as a result of divorce;
- 1st and 2nd level legatee's property received gratuitously or by inheritance in the course of a year;
- 3rd and 4th level legatee's property up to GEL 150,000 received gratuitously or by inheritance in the course of a year;
- amount paid to a natural person (donor) for food in compensation for his/her blood;
- income of natural persons - entrepreneurs, who do not use hired labor and independently carry out activities in accordance with NACE – Classifier of Economic Activities in the European Union;
- lottery wins below GEL 1,000.

Corporate income (profit) tax (CIT)

Georgian tax resident enterprises are required to pay tax on profits. Foreign enterprises are subject to this tax only if their income is sourced from Georgia (trading income, capital gains, income from financial activities, dividend income, gratuitously received goods and services, and other items of income). Both foreign and domestic companies carrying out business activities in Georgia assume the same tax obligations.

The object of taxation of a resident enterprise or non-resident's permanent establishment is:

- distributed profit;
- expenses incurred or other payments not related to economic activities;
- free delivery of goods and services and/or transfer of funds;
- representation expenses in excess of the established threshold.

For financial institutions profit is defined as the difference between gross taxable income, net of deductible expenses.

The following activities are deemed as profit distribution:

- distribution of dividends;
- transactions between related parties at terms deviating from market prices;
- controlled operations at terms deviating from market prices;
- granting of a loan to a natural person or a non-resident person;
- advance payments to a person registered in a country with a preferential tax treatment.

The following types of incomes are generally CIT exempt:

- income of non-profit organizations, excluding income from economic activity;
- grants, membership fees and donations received by organizations;
- profit from works performed or services rendered by navigation enterprises (ship owners), established by non-residents of Georgia, not carrying out any entrepreneurial activity on the territory of Georgia and sailing under the Georgian flag;
- income from generation and realization of alternative energy sources (solar, wind, etc.) assimilation equipment and energy-saving facilities;
- income from sale of crosses, candles, icons, books, and calendars by the Patriarchy of Georgia, used exclusively for religious purposes.

Starting 2017, timing of CIT payment is linked to profit distribution (payment of dividends); transactions that are treated as indirect distribution of profits (benefits, gifts, payments not related to business activity).

(Effective 17.65%. i.e. for tax purposes issued dividend should be grossed up by dividing into 0.85 and 15% shall be calculated from gross amount)

From 2024, the new CIT model will be applicable to insurance companies.

For 2023 year insurance companies object of CIT is the difference between the gross income earned during a calendar year and the sums of deductions under the Georgian Tax Code.

The CIT rate is 15%.

Financial service industry- banking institutions, credit unions, microfinance organizations or loan providers remain on the old model and the object of CIT is the difference between the gross income earned during a calendar year and the sums of deductions under the Georgian Tax Code. The rate of CIT is 20%.

Value-added tax

The value-added tax (VAT) is an indirect tax on a portion of value added in the process of production and circulation of goods, works and services on the territory of Georgia, and of a portion of value of all taxable goods imported into the territory of Georgia.

VAT is payable at each stage of production and sale of goods and delivery of services by a person carrying out economic activity in any continuous period of 12 calendar months and exceeding the threshold of taxable transactions of GEL 100,000; a person who produces excisable goods in Georgia; a person importing excisable goods into Georgia is required to apply to tax authorities to obtain registration as VAT payer. Taxpayers not meeting these conditions may still choose to voluntarily register as VAT payer.

VAT rate is 18% of taxable turnover or taxable import. Export of goods from Georgia is taxed at a zero rate.

If the service is performed by a non-resident person (natural person or company) on the territory of Georgia, the resident company is obliged to tax the non-resident persons' service by reverse VAT.

VAT taxpayers are permitted to credit VAT paid to suppliers (input VAT) on their business purchases against VAT charged to customers on sales (output VAT), and pay the difference to the state budget.

The following is a general list of supplies of goods, performance of works and rendering of services, as well as types of imports, which are VAT exempt:

- rendering of financial services;
- disposal of state property under privatization procedures;
- import and supply of certain kinds of medicine;
- supply and/or import of diabetic foodstuffs, baby food and infant hygiene products;
- goods intended for official use by foreign diplomatic and equivalent representative offices, and for personal use by diplomatic, administrative, and technical personnel of these representative offices (including family members living with them);



- transit, re-import, or temporary entry of goods into the customs territory of Georgia;
- import of goods intended for re-export;
- import of equipment, transportation facilities, spare parts and materials intended for providing oil and gas operations (transactions) covered by the Law “On Oil and Gas”;
- domestically-produced primary agricultural products.

Starting 2017, the timing of VAT taxable transaction is linked to advance payments. Timing of VAT taxable transaction is the date of delivery of goods and services (accrual basis) and date of advance payment for goods and services (cash basis).

Excise tax

Excise is an indirect tax levied on certain goods such as alcohol (except wine), tobacco, oil products, means of transport, the moment of delivering international call termination services in a mobile or fixed network in Georgia. The tax is paid at the time of delivering excisable goods together with their price. The object of excise taxation is production or import of excisable goods.

Excise tax may be fixed or may be determined as a percentage. Excise tax rate is different for every product (spirits, oil, tobacco, etc.). Mandatory affixing of excise stamps is required for imported and locally produced alcoholic beverages and tobacco products. The following products are exempt from excise tax:

- alcoholic beverages produced for personal consumption and used by natural persons;
- transit and temporary import of excisable goods into the customs territory of Georgia;
- re-export of excisable goods;
- import and/or supply of oil products necessary to carry out oil and gas transactions specified by the Law “On Oil and Gas”.

The full list of excise tax rates on each product is provided in the Tax Code.

Import tax

Import tax rates are 0%, 5% or 12% depending on the category of the product being imported.

Exemptions from import tax include (but are not limited to):

- import of goods to provide humanitarian aid or relief to victims of natural disasters;
- import of equipment, transport vehicles, spare parts and materials used for oil and gas operations;
- import of infant foods or diabetic foods.

The following documentation is required for clearance of goods at border crossing point:

- transportation document;
- purchase agreement document;
- appropriate license/permit/certificate, if applicable.

Property tax

Payers of property tax include natural persons, Georgian enterprises, their branches and structural divisions, foreign enterprises implementing their economic activity through entities established in Georgia with taxable objects under their ownership, as well as organizations, the property of which or parts thereof are used for economic activity.

For natural persons, object of taxation is any immovable property (buildings and structures or parts thereof) located in urban areas as well as immovable property (buildings and structures or parts thereof) located in non-urban area used for economic activity, excluding land.

For enterprises, object of taxation is property, plant and equipment (fixed assets), uninstalled equipment, investment property, incomplete capital investments and intangible assets that are recorded on the balance sheet, as well as any property accounted for on the balance sheet of an organization which is utilized for economic activity. For enterprises, the property tax rate is 1% of annual average net book value.

For natural persons, rate on taxable objects varies according to revenues received by taxpayer family during a calendar year and is defined as follows:

- for families with revenues not exceeding GEL 100,000 - rate should be no less than 0.05% and no more than 0.2% of the property market value;
- for families with revenues of GEL 100,000 and more – rate should be no less than 0.8% and no more than 1% of property market value.

Property tax is also levied on vehicles owned by natural persons with annual family income over GEL 40,000.

The following are general exemptions from taxation of property:

- immovable property, if the revenue earned during the calendar year by the owner's family does not exceed GEL 40,000;
- property used for environmental protection and fire protection, excluding land;
- property needed for oil and gas activities according to the Law "On Oil and Gas";
- land areas of organizations for preservation of native and historical monuments occupied by structures recognized as monuments of history, culture and architecture by the state, unless they are used for entrepreneurial activity other than sale of entrance tickets;
- land plots used for carrying out oil and gas operations determined by the Law "On Oil and Gas" (if not used for other purposes);
- state-owned and unused pastures and haymaking meadows, and lands, reserve lands or lands designated for re-cultivation;
- plots of land used for airports, airfields, helicopter fields, air navigation security zones as well as for underground communications and plots allotted for future development of ports if they are not used for economic activity;
- physical or legal persons who have received agricultural lands for re-cultivation purposes for the first five years following its allocation;
- hunting farms.

Pension savings

The parliament of Georgia approved a law on pension savings, which determines the compulsory and voluntary participation in the pension scheme and accumulates the pension scheme.

The accumulated pension scheme is launched starting January 1, 2019.

This Law applies to:

- a) Employers;
- b) Citizens of Georgia, other than non-resident individuals;
- c) Foreign citizens living in Georgia and/or stateless persons permanently living in Georgia, other than non-resident individuals;



- d) Asset management companies, specialized depositors, commercial banks, insurance companies and other persons within the scope of such activities related to accumulated pensions.

The system is working on the basis of 2%+2%+2% scheme. This means that employees shall pay 2% of their gross salaries to the pension fund, while employers and the government will add additional 2% each.

The new programme is mandatory for legally employed people under 40, meaning they will be enrolled automatically, and voluntary for people above 40 as well as for self-employed citizens.

Tax dispute resolutions

Procedures and rules for resolutions of tax dispute are established by Tax Code and Administrative Procedure Code.

Accounting, financial reporting and audit

The Law “On Accounting, Reporting and Audit” was adopted in 2016, whereas companies are divided into 4 categories as per following criterion of (1) assets, (2) revenue, and (3) number of employees, and requirements are set for each category for preparation and publishing of financial statements as well as for statutory financial audit.

The Law establishes a supervising body – Service for Accounting, Reporting and Auditing Supervision (“SARAS”), for oversight of the work performed by certified accountants and auditors. SARAS performs monitoring of quality control systems of audit companies. Based on the results of quality control reviews SARAS grants respective rights to the auditors. SARAS has completed first quality review round in December 2017 and 13 audit companies, including Grant Thornton Georgia, were awarded right to conduct audits of Public Interest Entities.

Some special tax treatments

Free industrial zone (FIZ)

To further liberalize the investment environment and attract more investments, the Law “On Free Industrial Zones” was adopted.

A free industrial zone is a territorial unit where the general entrepreneurial legislation does not apply, and the relationship between individuals and the state is regulated by legislation especially adopted for a particular zone. Tax obligations are generally minimized in these territorial units - there are no quotas, tariffs and other barriers. In a free industrial zone any produced or recycled goods fall under another country's customs regime only when they leave the territory of the free zone. In other cases, all economic wealth created in such zone is free from taxation.

Main privileges of free industrial/economic zones are:

- billing amongst companies operating in the FIZ may take place in any currency – it means that an entrepreneur is safeguarded from any currency fluctuation risk
- rules for obtaining licenses and permits are simplified
- the CIT and VAT rates for FIZ status companies within in a free industrial zone are zero.
- import of foreign goods and any operation performed inside the zone are not taxed by value added tax.

Virtual zone

A legal person that carries out business activities in IT field may apply for Virtual Zone status. The status of a Virtual Zone is a license (permit) to carry out business activities in a Virtual Zone.

Software products created by status holders are exempted from:

- a) Profit tax on product deliveries outside Georgia
- b) VAT on product deliveries outside Georgia
- c) Export tax for export leaving Georgian customs territory.

Special Trade Company

The status of a special trade company may be granted by tax authorities to an enterprise established only for the purpose of exemption from profit tax, with registration for current and future calendar years. An enterprise with the status of a special trade company shall have the right to:

- Re-export foreign goods from a customs warehouse;
- Deliver foreign goods to a customs warehouse, both for enterprises with the status of a special trade company and for the enterprises without this status;
- Purchase foreign goods from an enterprise that does not have the status of a special trade company at a minimum customs value for further re-export and / or delivery to the customs warehouse;

- In addition to the income received from the above activities, receive other income, including:
 - ✓ Income exempt from income tax under the Tax Code of Georgia;
 - ✓ Income from the supply of fixed assets used in economic activities for more than 2 years;
 - ✓ Income, except for the above-mentioned two paragraphs, from the source existing in Georgia which in accordance with the tax period (year) shall not exceed 1 million GEL and 5 percent of the customs value of foreign goods imported to Georgia by it.

An enterprise with the status of a special trade company may not:

- Import goods into Georgia, except for imports intended for fixed assets of this enterprise;
- Procure Georgian goods on the territory of Georgia for further delivery;
- Provide services to a Georgian enterprise / individual entrepreneur and / or a permanent establishment of a foreign enterprise in Georgia;
- Have a customs warehouse.

International Company

International company status may be granted to Georgian enterprise, operating in Georgia and which has at least 2 years of experience in the permitted activity to which it applies for the purpose of granting status; which is the representative of a non-resident enterprise in Georgia, if this non-resident enterprise has at least 2 years of experience in the permitted activity, which is carried out by the Georgian enterprise and to which it applies for the purpose of granting the status; the partner(s) of which with having more than 50% share independently (each partner separately) have at least 2 years of experience in the permitted activity, which is carried out by the Georgian enterprise and to which it applies for the status.

International Company has the right to carry out following activities:

- Software publishing;
- Computer games publishing;
- Other software publishing.



- Computer programming, consulting and related activities;
- Computer programming activities;
- Consulting activities in the field of computer technology;
- IT asset management activities;
- Other information technology and computer service activities.
- Production and / or delivery of digital products, including software support and delivery of updated versions;
- Website development and / or delivery;
- Web hosting, remote software and hardware support;
- Software and related updates;
- Visualization, provision of texts and information for ensuring availability of database;
- Remote system administration;
- Online delivery of allocated memory capacity;
- Access to software or download (including procurement / accounting software or antivirus software) and its updates;
- Banner ad blocking programs;
- Downloadable drivers, such as software that connects computers to peripherals (such as, i.e. printer);
- Automatic online installation of filters on websites;
- Automatic online installation of firewalls;
- Commercial and technical services by and/or for the ship-owner.

The international company's profit tax rate is 5%. Dividends issued by an international company are not taxed at the source of payment and are not included in the gross income of the person receiving the dividend. Personal Income Tax rate is 5%. VAT – 0%. An international company is exempt from property (except land) tax if this property is intended or used to carry out activities permitted by a decree of the Government of Georgia.

Labor Force



Labor Force

Average salaries by positions in Georgia

Labor force qualification:

In Georgia Students have the option to earn qualifications in Higher Education Institutions (HEIs) or Vocational Education Institutions (VETs). Georgian education system allows for the development of skills in technology field.

Mostly universities in Georgia are focusing on developing of technology field: Business and Technology University opened new high-tech laboratories in 2021. There are several laboratories including: iOS & Android Lab, Creative Lab / Design studio, AI Lab, Blockchain Lab, Renewable Energy Lab, Industry 4.0 Lab and HIGH TECH Lab.

Total workforce

1,551,600

Unemployment rate

17.3%

Unemployment rate by Urban-Rural Areas

Urban – 18.3%

Rural – 15.7%

Unemployment rate by Gender

Men – 19.3%

Women – 14.6%

Average monthly nominal earnings of employees in business sector by economic activity

Average monthly salaries across Georgia (USD), 2021	
Economic Activity	Average
Agriculture, forestry and fishing	295
Mining and quarrying	541
Manufacturing	389
Electricity, gas, steam and air conditioning supply	503
Water supply, sewerage, waste management and remediation activities	271
Construction	561
Wholesale and retail trade; repair of motor vehicles and motorcycles	356
Transportation and storage	455
Accommodation and food service activities	271
Information and communication	631
Finance	735
Real estate activities	443
Professional, scientific and technical activities	644
Administrative and support service activities	288
State governance and defense	458
Education	259
Human health and social work activities	409
Arts, entertainment and recreation	340
Other service activities	306

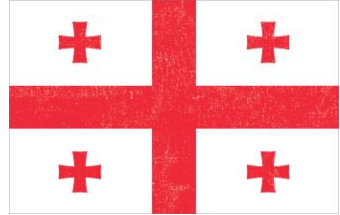
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