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Parliament of Georgia adopted a new law on Changes to the Tax Code of Georgia

The Parliament of Georgia adopted the Law # on Changes to the Tax Code of Georgia #6815-RS from 14 July 2020.

Services provided by payment service providers and payment system operators further to the Law of Georgia on Payment Systems and Payment Services has been included in the list of financial services / transactions and are exempted from VAT without a right to deduct.

The new law considers definitions for VAT Chapter XXI, such as:

- a. Taxable person;
- b. Economic activity for VAT purposes;
- c. Place of establishment of a taxable person;
- d. Fixed establishment;
- e. Permanent address;
- f. Territory of Georgia;
- g. Real estate;
- h. Commissioner;
- i. Directly related goods / services;
- j. Services provided electronically;
- k. Market price;
- l. Tour operator;
- m. Tourist;
- n. Touristic goods, etc.

One-time, non-regular transactions are exempted from VAT;

Free of charge supply of goods is not subject to VAT any more, unless a VAT taxable person has credited VAT on expenses made on the goods.

Free of charge supply of services is not subject to VAT any more, unless VAT taxable person supplies them to its employees or for purposes other than of its activities.

Place of supply of B2B services is a place when a recipient of services is located, unless otherwise is provided by the Tax Code of Georgia.

Place of supply of B2C (consumer) services is a place, where a service supplier is registered. Exception from this general rule are the following services, when place of supply of services is a place where a recipient is incorporated, has a permanent place of residence:

- a. Telecommunication services;
- b. Broadcasting services;
- c. Electronically supplied services;
- d. Transfer and assignment of a copyright, a patent, a license and a trademark;
- e. Advertising services;
- f. Consulting, attorney, engineering, accounting and similar services;
- g. Banking, financial and insurance services, other than bank safe services;

- h. Supply of personnel;
- i. Renting movables, other than means of transportation.

Along with medical and educational activities, supply of relevant goods and services are exempted from VAT without right to credit.

Along with insurance and reinsurance related services supplied by brokers and insurance agents are exempted from VAT.

Above-listed and other VAT regulations approved by the new law will come in force from 1st January 2021.

Along with changes in VAT regulations, Beneficial tax regime has been introduced for investment funds established further to the recently adopted Law on Investment Funds. The change will come in force from 19th October, 2020.

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