



Smart decisions. Lasting value.

# Business in Georgia

Crowe GE



# Brief description of the business forms

# Business forms

---



**Joint Stock Company (JSC)**



**Limited Liability Company (LLC)**



**General Partnership (GP)**



**Limited Partnership (LP)**



**Cooperative (CO)**





**Branch Office (BO)**



**Individual Entrepreneur(IE)**

Majority of the companies in Georgia are established as LLCs

# Business forms

	Limited Liability Company	Branch office
Purpose	Any business purpose allowed by law. Usually used by small and medium size business.	Conducting business activity only within the scope of activity of the foreign entrepreneur. Usually used by foreign companies who do not wish to establish their corporate presence in Georgia.
Legal personality		

# Business forms

	Limited Liability Company	Branch office
Founders	One or more individuals or legal persons or organisational unit without legal personality which was granted a legal capacity on the basis of a specified act (for example partnerships).	Foreign entrepreneur.
Minimal capital	N/A	N/A

# Business forms

## Limited Liability Company

## Branch office

### Governing bodies of company

- The company's governing bodies are determined by Charter of the company
- the company must indicate the managing person / persons

- Representation by representative of the branch Management board of the foreign entrepreneur.
- the company must indicate the managing person / persons

### Accountancy

- IFRS/IFRS for SMEs
- Provisions on accountancy tax ledgers required by domestic tax law.
- Financial statements in Georgian

- IFRS/IFRS for SMEs
- Provisions on accountancy tax ledgers required by domestic tax law.
- Financial statements in Georgian

# Liability

## Limited Liability Company

- Company is liable for its debts and obligations with its whole property without any limitations.
- The shareholders are not liable for the company's obligations, they bear a risk up to the value of shares taken up.
- Directors bear personal liability for the company debts and obligations if they do not comply with their legal obligations.

## Branch office

- Full liability of a foreign entrepreneur.
- A person representing a foreign entrepreneur in the branch office is not responsible for the liabilities of that branch or the foreign entrepreneur himself.
- The branch representative does not bear liability for tax liabilities of the branch or the foreign entrepreneur himself.

# The registration of all types of companies - fees

The LEPL National Agency of Public Registry (Registry) effects the registration of all types of companies. There is no restriction for the foreigners to establish a legal entity in Georgia.

**GEL 200** - The registration can be complete on the day that the required documentation

**GEL 100** - The terms for registration is 1 business day



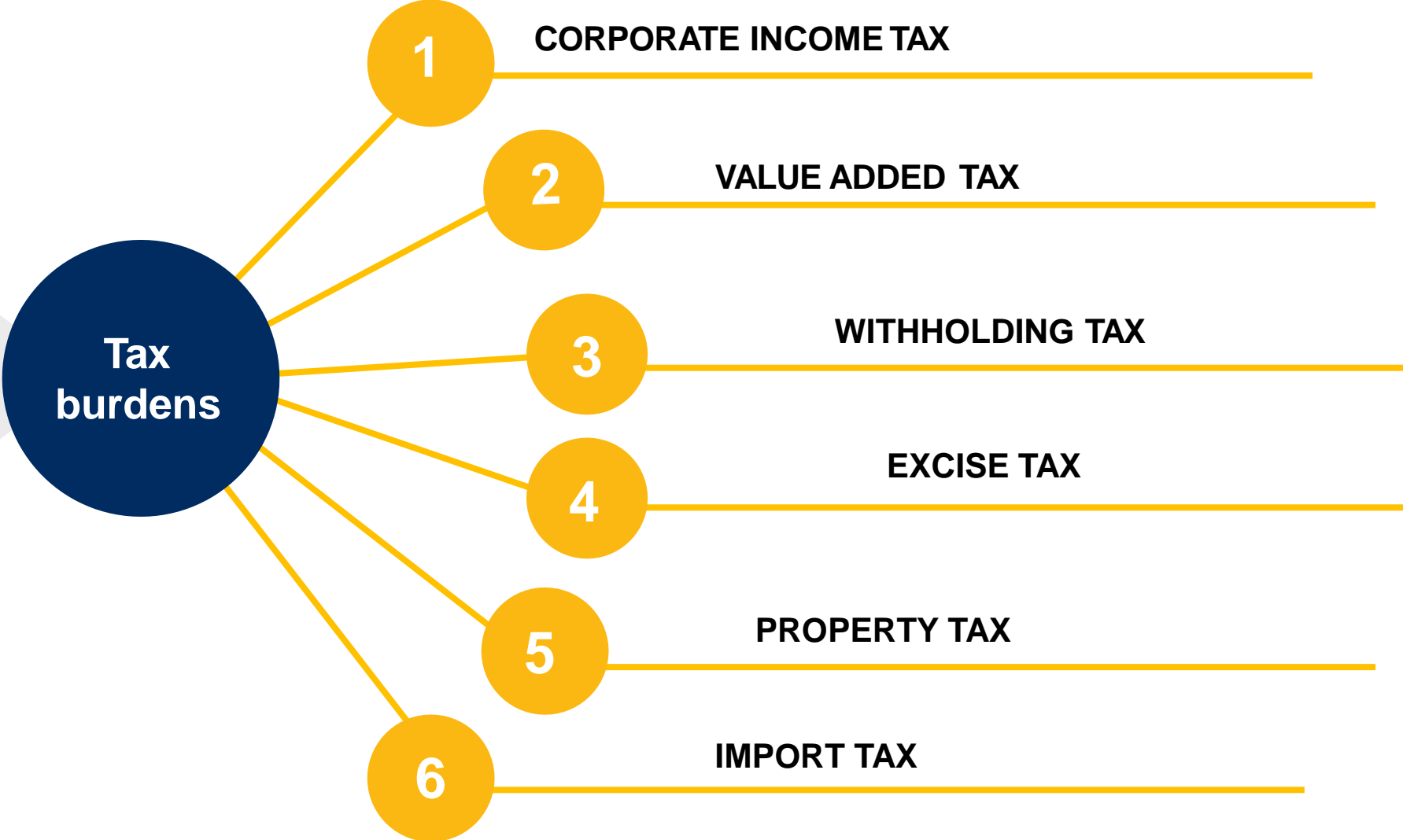
# The following documents have to be submitted to the Registry

1. Application for registration.
2. Partner Resolution on incorporation of the company/branch, including appointing the director of the company/branch.
3. Charter of the company.
4. If the founder is a foreign entity –a document confirming founder’s registration in a foreign country and the authority of its representative individuals.
5. Passport copies of the company’s director(s) and the founder(s) founder is an individual);
6. Document confirming the consent of the owner on using its property as the company’s legal address.
7. Director’s consent to be appointed as the director of the company.
8. Receipt confirming payment of registration fees.



# Taxation in Georgia

# Main tax burdens for business entities in Georgia are:



# Corporate Income Tax in Georgia

Corporate Income Tax rate.

15%

From 1 January 2017 a new model of Corporate Income Tax (CIT) was enacted in Georgia, This model means, that the retained profit will no longer be taxable until they are distributed. New model is mostly designated to defer the taxation moment.

Georgian entities and foreign entities doing business in Georgia through a permanent establishment will no longer need to determine taxable gross income and allowable deductions in order to arrive at the taxable profits. They rather should apply a standard CIT rate of 15% on grossed up profits once they are distributed or deemed distributed to shareholders being a non-resident or an individual.

Distributable profits should be determined as per financial accounting of the company.

Since January 1 2019, non-profit organisations conducting economic activities are taxed under CIT on the taxable transactions of the new regime (except for profit distribution) in case such transactions are related to their economic activities and/or the purposes of the organisation.

Commercial banks, credit unions, insurance companies, microfinance companies and loan issuer entities are remaining under the old CIT regime (Gross income - Deductibility of expenses = Taxable Profit, The reporting year for companies follows the calendar year) till 1 January 2023.

# A new model of CIT - Taxable transaction



**Profit distribution**



**Non-business expenses**



**Free delivery of goods/services and/or transfer of funds**



**Representative cost incurred over the certain limit.**



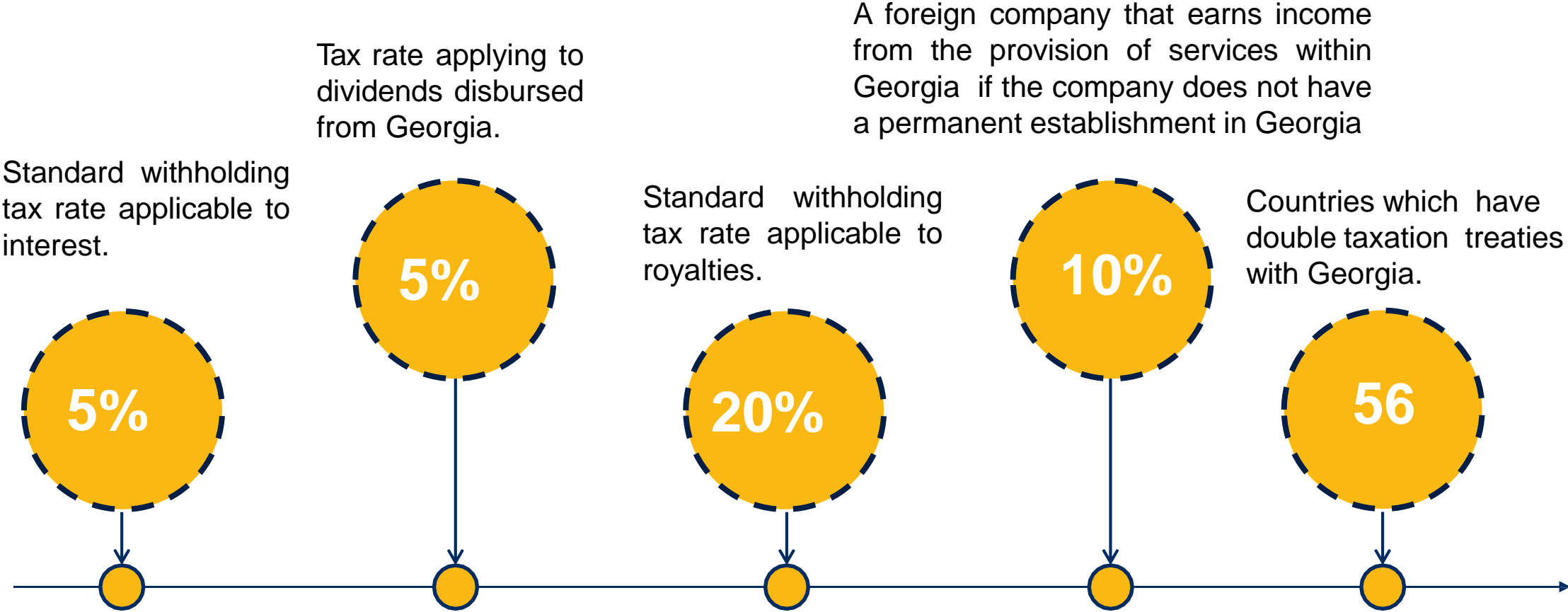
**Transfer pricing adjustment is deemed as a profit distribution and is subject to CIT.**



**The types of operations related to the entities registered in the countries with preferential tax regimes and to the taxpayers exempt from Georgian CI:**

*Purchase of debt securities issued by such entities. Payment of the contractual fines and penalties. Payment of advances (after loan repayment, CIT is refunded). Provision of the loans (after the provision of goods and services, CIT is refunded). Acquisition of debt claim toward such entities. Losses derived from transfer the right of claim to such entities. Losses derived from discharging of claims receivable from such entities. Acquisition of shares/stocks of the non-residents and companies exempt from CIT and contribution into equity of such entities (Please note that here is concerned not only persons registered in the countries with preferential tax regime, but generally all non-residents).*

# Corporate Income Tax in Georgia



# Value Added Tax in Georgia

18%

VAT rate that applies to most goods and services.

0%

Tax rate applying to

- re-export or export of goods
- carriage of goods placed under the export procedure, re-export, or transit and delivery of services directly connected to such carriage.
- bringing of tourists to tourist sites in the territory of Georgia by tour operators;



Financial and insurance services, medical services are VAT exempt

# Personal Income Tax in Georgia

20%

Business income of a sole trader or derived from a partnership

5%

Dividends, Interest and renting out the space for residential purposes

Surplus income gained from the provision of a residential apartment (house) and of the land attached to it, or from the provision of a vehicle

20%

Employment income

10%

A non-Resident individuals that earns income from the provision of services within Georgia if they does not have a permanent establishment in Georgia



# Personal Income Tax in Georgia for individuals operating as a micro or small business

0%

Registered micro businesses (annual turnover below GEL 30,000 with no employees) will be entitled to a complete tax exemption. A micro business is also not subject to any formal accounting requirements.

1%

3%

Registered small businesses will pay a 1% turnover tax, with exemption from all other taxes. The tax rate increases to 3% if gross income earned by the business exceeds GEL 500,000.

# Other taxes in Georgia

1%

Property tax - on the annual average residual value of fixed assets (except land) on the balance sheet of Georgian entities or foreign entities with taxable property in Georgia.

dif

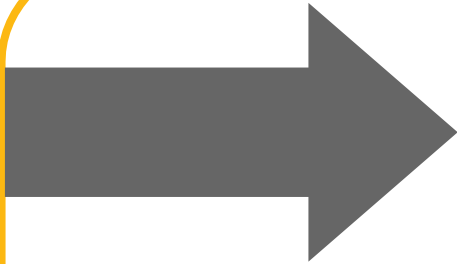
land tax - The base tax rate per 1 hectare varies from GEL 5 to GEL 100.  
The base tax rate payable on non-agricultural land that is used for economic activity (including rent) is GEL 0.24 per square metre. The tax is further adjusted by a territorial coefficient of up to 150%, depending on the location.

dif

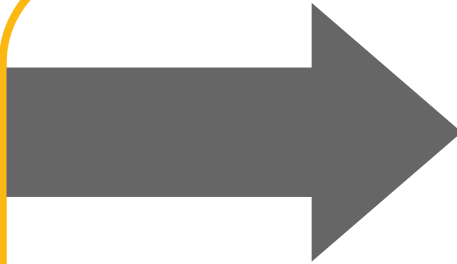
Excise tax applies to alcoholic drinks, tobacco products, raw tobacco and waste tobacco, automobiles, motorcycles, petroleum gas product and natural gas (except for pipeline), petroleum products, petroleum distillates and used oil products, biodiesel, liquid product of pyrolysis, oils and other products distilled at high temperature from coal tars, admixture, solvent, anti-detonator, lubricants, fluid for electronic cigarettes.

# Incentives

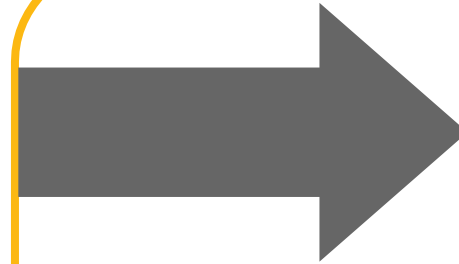
# Free industrial zone (FIZ)



A FIZ may be established on **a piece of land exceeding 10 hectares**. It may be established by the initiative of the Georgian Government or upon the request of an organiser, resident or non-resident physical or legal person for land that they own or lease.



**Transactions** in a FIZ and Payment between an industrial free zone enterprise and a regular Georgian enterprise **may be conducted in any currency**.



**Production or manufacturing of any kind of goods and services** are permitted in a FIZ, except for, nuclear, radioactive substances, arms and munitions, narcotic and psychotropic goods, and excisable goods.

# International Company, Special Trade Company and Free Industrial Zone Company

---

- **A Free Industrial Zone Company** is a registered entity located inside a FIZ that has confirmed its status with the tax authorities. Income received by a Free Industrial Zone Company from its permitted activities conducted in a Free Industrial Zone is exempt from profit tax. It should pay tax 4% on market price of the goods supplied to a person registered under the Georgian law (excluding on the supplies to other FIZ Company).
- **A Special Trading Company** is a company that has confirmed its status with the tax authorities. A Special Trading Company may sell and re-export foreign goods. A Special Trading Company is exempt from profit tax on income received from selling and re-exporting foreign goods.
- **An International Company** is a company that has confirmed its status with Georgian Government and is located outside a FIZ. Provision of services of International Company to non-residents is not subject to taxation under VAT. Distribution of dividends by International Company is not taxed as well. When paying salaries to the employees, International Company is not liable to withhold tax at the source, while its foreign employees, who are Georgian residents (and not residents of that country), are exempt from PIT. CIT rate for the International Company is 5% and is exempt from property (except from land) tax on the property that is intended or used for the execution of its activities



# Thank you!

## **Crowe GE**

Axis Business Palace, floor IV,  
2, D. Gamrekeli St.

0160 Tbilisi, Georgia

+995 32 290 45 22

[www.crowe.ge](http://www.crowe.ge)

[temuri.partskhaladze@crowe.ge](mailto:temuri.partskhaladze@crowe.ge)

[nika.ostapenko@crowe.ge](mailto:nika.ostapenko@crowe.ge)