



## Public Decision

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### VAT taxation of the exchange (barter) operation at the time of supply of the immovable property

On 10 June 2024, the Public Decision N195 of the Minister of Finance of Georgia was published regarding the VAT taxation of the exchange (barter) operation when the supply of immovable property was carried out.

The public decision clarifies the issue of VAT taxation of the exchange (barter) operation, when the immovable property is supplied within the framework of this transaction. According to the said public decision:

- A transaction in which compensation for goods/services is partially carried out non-monetary (goods/services) and/or monetary constitutes a barter operation
- For the purpose of VAT, the value of the object of barter (goods/services) is determined by the parties in monetary form
- In the case of supply of an immovable object within the framework of an exchange (barter) operation, the amount taxable with VAT for each party of the operation is determined by the market price of the receivable goods/services, without VAT
- The person participating in the barter operation calculates VAT on the basis of the VAT invoice, taking into account the limitations provided by the tax legislation of Georgia
- For barter transactions concluded after 1 January 2024, if compensation (in monetary or non-monetary form) is received in full or in part before the supply of goods/services, the obligation to pay VAT corresponding to the compensation (both monetary and non-monetary) arises in the reporting period of compensation
- In case of barter transactions concluded before 1 January 2024, VAT taxation of the relevant operation is carried out at the moment of supply of goods/services. In addition, in the case of only partial monetary reimbursement prior to the supply of goods/services within the barter operation, the obligation to pay VAT corresponding to the reimbursed amount arises in the reporting period of reimbursement.

The public decision came into force from 11 June 2024.

## Amendment to the Order

### Reporting rules for multinational enterprises group

On 6 June 2024, the order of the Minister of Finance of Georgia N188 on the approval of the "Reporting Rules for Multinational Enterprises Group" was published. The said rule came into force on the basis of Article 70<sup>1</sup> of the Tax Code of Georgia, which determines the reporting of multinational enterprise groups, and according to the 4th part of this article, the determination of the reporting rule was assigned to the Minister of Finance of Georgia.

The mentioned order defines the conditions associated with the obligation to submit the report of a multinational enterprises group to the tax authority, as well as the rules for preparing the statements of a multinational enterprises group, the conditions of the obligation to notify the tax authority about the status, time of declaration, as well as the volume of use and the scope of privacy of such a report for the tax authorities of Georgia.

**The Order came into force from 1 January 2025.**

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## Gaming Business Permits and Fees

Order N198 of the Minister of Finance of Georgia was published on 11 June 2024, which amended Order N996 of the Minister of Finance of Georgia dated 31 December 2010 "On Tax Administration".

As a result of the amendment, the procedures for issuing permits and gaming business fee payment tokens, the forms of the permit certificate, and also the issues related to the transfer of the permit during the reorganization of the permit holder were defined.

It was determined that permits for organizing casino games in system-electronic form, organization of slot machine games in system-electronic form, organization of betting games in system-electronic form and supply of gambling and/or games of chance will be issued by the Revenue Service. It was also determined that permits for organizing casino games in a system-electronic form, organizing slot machine games in a system-electronic form, and organizing betting games in a system-electronic form will be issued only in electronic form.

**The amendments came into force from 12 June 2024.**

Also, in the current period within the framework of the same legislative change, on 14 June 2024, Resolution N193 of the Government of Georgia was published, which amended Resolution N96 of 30 March 2010 of the Government of Georgia "On approval of fees and rates for the provision of services by a legal entity under public law - Revenue Service".

As a result of the change, the service fees for the organization of casino games in system-electronic form, the organization of slot machines in system-electronic form, the organization of betting games in system-electronic form and the provision of gambling and/or other games of chance were determined.

The service fees and rates approved by the resolution are effective from 15 June 2024 and apply to relationships originating from 1 June 2024.

## Tax obligations of a person in the process of dissolution

Order N217 of the Minister of Finance of Georgia was published on 27 June 2024, which amended Order N996 of the Minister of Finance of Georgia dated 31 December 2010 "On Tax Administration". As a result of the amendment, new article 7<sup>2</sup> has been added to the mentioned order defining the tax obligations of the person in the process of dissolution.

A person in the process of dissolution (dissolved society defined in accordance with the Law of Georgia "On Entrepreneurs") is obliged to carry out:

- Submitting the tax declaration/calculation to the tax authority
- Deregistration of cash register(s)

- Closing the balance of document(s) equal to the check
- Closing the last bank/payment account in the financial institution(s)
- Closing the balance of material VAT invoices (including special VAT invoices)
- Supply/closing balance of immovable and movable property in his/her possession, including goods and material valuables
- Other obligations determined by the order of the head of the revenue service.

**The amendment came into force from 28 June 2024.**

## Government Resolution

### The rule of writing off unpaid fees, fines and penalty interests charged/imposed for the use of fresh groundwater for the purpose of bottling

On 17 June 2024, the Resolution of the Government of Georgia N194 was published on the approval of the procedure for writing off unpaid fees, fines and penalty interests imposed for underground fresh water bottling, which was approved on the basis of Article 309, Part 145 of the Tax Code of Georgia.

As you know, according to part 144, Article 309 of the Transitional Provisions of the Tax Code, the tax authority is entitled to write off the unpaid fee and related unpaid fines and penalty interest envisaged for the use of fresh groundwater for bottling purposes in accordance with the Article 5 of the Law of Georgia "On Fees for the Use of Natural Resources" paid by a person who, by 1 December 2023 had not used the appropriate license (with or without a duly approved exploitation plan), in particular, had not bottled fresh groundwater. This section applies to a person if one of the following conditions is met:

- As of 1 December 2023, the relevant person no longer holds the license issued for bottling fresh groundwater
- Before 1 April 2024, the relevant person will apply to the body that issues license of bottling fresh groundwater, to cancel this license, and from 1 December 2023 to 1 April 2024, it will not use the said license, in particular, will not bottle fresh groundwater.

The resolution determined what documentation a person should submit to the tax authority in order to confirm the existence of the above-mentioned conditions are met.

**The resolution came into force from 18 June 2024.**

## AUTHOR'S COLUMN

This publication covers important new tax changes that business should take into consideration for their daily operations and governance.

This issue provides information on Public Decision, Amendment to the Order and Government Resolution on VAT imposition, reporting rules for multinational enterprises and write-off rules for unpaid fees respectively

Please contact BDO to discuss these matters in the context of your particular circumstances.

**MARIAM KHUSKIVADZE**  
MKhuskivadze@bdo.ge

**MIKHEIL ENUKIDZE**  
MEnukidze@bdo.ge

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