



## Amendment to the Order

### Contents

- Cancellation of VAT registration
- Accrued reverse charged VAT subject to deduction
- International controlled operations

### Cancellation of VAT registration

Order №37 of the Minister of Finance of Georgia was published on 6 February 2024, that amended the order №996 of the Minister of Finance of Georgia dated 31 December 2010 "On Tax Administration".

The change was made in the Article 47 of the mentioned order, that refers to the issue of cancellation of registration as a VAT payer.

In particular, a new paragraph 8 and the corresponding new appendix №III-03 were added to the mentioned article, according to which it was additionally determined that if during the tax audit it is revealed that in the audited period a person had both an obligation to register as a VAT payer and the right to cancel the registration as a VAT payer (at least 1 year has passed since the VAT taxpayer registration and the total amount of transactions subject to VAT during the last 12 calendar months does not exceed 100,000 GEL excluding VAT), the auditor is entitled to apply with the initiative for deregistration of a person from the VAT payer register. The tax authority is notified of the consent of the VAT payer by Annex №III-03.

In this case, the registration as a VAT payer is canceled from the moment the right to cancel registration as a VAT payer arises.

**The amendment came into force from 7 February 2024.**

### The amount of accrued Reverse charged VAT reflected in the calculation, that is subject to deduction

Order №38 of the Minister of Finance of Georgia has been published on 6 February 2024, that amended the order №996 of the Minister of Finance of Georgia dated 31 December 2010 on "Tax Administration".

The amendment affected the Article 73<sup>2</sup> of the mentioned order, that defines the individual cases of deduction of the amount of Reverse-charged VAT, when the deduction may be possible based on the different bases from those defined by the Article 176 of the Tax Code of Georgia. A new subsection "g" has been added to the mentioned article, according to which it was determined that after registration as a VAT payer the taxpayer is entitled to deduct VAT amount that was charged as reverse-charged VAT and reflected in the submitted calculation before registration as VAT payer, if the payer has the right to deduct the said amount in the prescribed manner (If it is used in VAT taxable transactions). In addition, the deduction is not allowed according to the calculation, if 3 years have passed since the end of the calendar year of implementation of the taxable transaction.

In accordance with the mentioned change, the form of the declaration and the manner of filling it were also changed.

**The amendment came into force from 7 February 2024.**

## International controlled operations

On 16 February 2024, the Order №46 of the Minister of Finance of Georgia has been published, that amended the Order №257 of the Minister of Finance of Georgia dated 29 August 2019 regarding the approval of instructions on the movement and clearance of goods in the customs territory of Georgia.

The amendment has been made in Annex 8 of the mentioned order, that is an instruction on declaring and signing goods in the customs procedure or re-export. In particular a new sub-section "c" was added to the paragraph 4 of the Article 14 of the mentioned appendix (making changes to the customs declaration after the entering of goods into the regime).

Before the change, it was generally determined that when there was a change (increase/decrease) in the value of the goods recorded in the customs declaration, the person was obliged to apply to the customs authority in order to change the customs value of the goods. However, it was not separately reviewed how the taxpayer should act on the goods purchased from a related person in the case of the same incident.

According to the amendment, when carrying out post-release control of goods, in the event of purchasing goods from a related party, if based on the rules of assessing international controlled transactions, by the parties:

- The initial value of the goods is increased, the customs value determined by the customs declaration must be corrected by making an amendment to the corresponding customs declaration. In addition, when the post-release control of the goods is carried out at the initiative of the customs authority, the responsibility envisaged by the Customs Code of Georgia will lay on the declarant. If such control is carried out based on the declarant's own written statement about making changes to the customs declaration, the declarant will not have any responsibility connected to it
- The initial value of the goods is reduced, the customs value determined by the customs declaration is not subject to adjustment and the declarant will not have responsibility under the Customs Code of Georgia.

Here we remind you that according to the Article 127 of the Tax Code of Georgia, an international controlled operation is an operation that is carried out between a Georgian enterprise and:

- Related enterprise that is not a Georgian enterprise
- A resident of a country with preferential taxation, regardless of whether they are related parties or not.

**The amendment came into force from 17 February 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 amendments to the order on "Administration of Taxes" namely on the matters of cancellation of VAT registration, accrued reverse VAT charges subject to deduction and international controlled operations.

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

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