



## The amendment to the Law

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### Taxation of foreign citizens participating in games through a system based and electronic form

On 11 July 2024, Law of Georgia №4197-XIVms-Xmp on amendments to the Tax Code of Georgia was published. The mentioned amendments affected the objects and tax rates of income/profit taxation, which derives from the changes made in the Law of Georgia "On Organization of Lotteries, Games of chance and other Prize Games".

According to the amendment, new parts 7<sup>1</sup> and 9<sup>3</sup> were added to the Articles 80 and 97 of the Tax Code, respectively, according to which new objects of income/profit taxation were determined for the person organizing the games of chance in system based and electronic form. In particular, the income received by the organizer, which is related to the participation of citizens of foreign countries in system based and electronic games is subject to taxation by income/profit tax on the difference between the bets received from players with foreign citizenship and the profit paid to these players.

The amendment also affected Articles 81 and 98 determining the Income and Profit Tax Rates. The income/profit received by the organizer of games in system based and electronic form from bets placed by foreign nationals will be taxed at a rate of 5% instead of 15%.

In the above-mentioned cases, the reporting period for the taxable person is a calendar month.

According to the amendment, it was also determined that the profits received by the citizens of foreign countries as a result of participation in games of chance organized in a system-electronic form and the amount withdrawn from the system-electronic gaming account will not be taxed by income tax.

The amendment came into force from 1 December 2024.

## Amendment to the Order

### Writing off tax debt

On 1 July 2024, the Order №14753 of the Head of the Revenue Service was published, which amended the Order №13446 of the Head of the Revenue Service of 18 May 2016, regarding the approval of the methodical reference "On the procedure for the production of personal accounting cards of taxpayers".

As a result of the amendment, a new article 9<sup>1</sup> was added to the methodical instructions approved by Order №13446, which corresponds to the GTC, article 309 (tax debt write-off). We would like to remind you that in accordance with the changes implemented in Article 309 (Transitional Provisions) of GTC from 5 June 2024, the recognized tax debt (tax amount and fine) and accrued penalty interest of a natural person, arising before 1 January 2021 and existing at the time of write-off, is subject to write-off in accordance with the procedure established by the Minister of Finance of Georgia. It was in accordance with this record that the debt write-off rule was developed.

The new article of the order defined in detail the rules and conditions according to which the tax debt incurred before 1 January 2021 will be written off. For example, the new article 9<sup>1</sup> of the mentioned order defined the following:

- According to Article 309, Section 37, sub-Clause "d", all natural persons (including entrepreneurial natural persons) who have a recognized tax debt with accrued penalty interest, arising before 1 January 2021 and existing at the time of writing off, will be subject to the study of the issue of debt write-off
- Transactions reflected on the taxpayer's personal registration card after 1 January 2021, except for transactions of transferring tax debt arising before 1 January 2021 from the temporary card to the main card, will not be subject to write-off
- In the event that the amounts charged to the personal account card based on the tax claim(s) issued before 1 January 2021 were adjusted after 1 January 2021, the tax debt determined as a result of the corrected tax claim(s) will still be considered as the debt incurred before 1 January 2021
- The tax debt of an individual can be written off in the following cases:
  - ▶ Based on the taxpayer's application
  - ▶ Based on the decision of the dispute
  - ▶ Without the application of taxpayer through programmatic and/or individual study
  - ▶ Etc.

**The amendment came into force from 25 January 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 taxation of foreign citizens participating in games through a system based and electronic form, as well as writing off tax debts.

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

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