

1. ``Distributed Corporate Income Tax``

Starting from January 1, 2017 Georgia has moved to the new corporate income tax model called ``Distributed Corporate Income Tax (tax on distributed corporate income)``. The aim of the new model is to encourage new business startup and its further development, to promote economic growth. According to the new model, objects of taxation are: distributed corporate income; expenses incurred or other payments not related to the economic activities; free of charge supply of goods or services and/or transfer of funds; representative expenses that exceed the maximum amount defined by the Tax Code of Georgia. In contrast to previous years, starting from January 2017, only income, distributed to shareholders in a monetary or non-monetary form is a taxable income.

2. ``Small Business Status``

In 2018 changes were introduced under the special tax regime. In particular, tax rate for a small business status holders was reduced from 5% to 1-3%.

1. The status of small business may be granted to an entrepreneur natural person.
2. In agreement with the Financial-Budget Committee of the Parliament of Georgia, the Government of Georgia may prohibit the conduct of a certain activity for which the status of a small business can be granted to a natural person.
3. Taxable income of a small business status holder shall be taxed at 1% unless taxpayers gross income received from the allowed economic activities exceeds GEL 500 000 for two years in a row. In this case, status holder shall be taxed at 3%.
4. Activities prohibited from granting small business status include:
 - a) activities requiring licenses;
 - b) activities requiring big investments
 - c) currency-related business activities;

d) medical, architectural, legal or attorney, audit, consulting services;

e) gambling business;

f) staffing service;

g) production of excisable products.

3. ``VAT reform``

For the purpose of approximation tax legislation with EU VAT Directive (2006/112/EC), amendments were made to tax code as well as implementing provisions of VAT were reestablished.

As a result of the reform, all the simplified procedures that previously existed regarding VAT are maintained.

Also:

- The list of services, provision of which outside Georgia will not be subject to VAT taxation, is expanding;

- List of transactions related to transportation of good and exempted from VAT with the right of deduction will be expanded and specified;
- Temporary admission of goods is no longer deemed as a taxable operation;
- Ancillary services and supply of goods directly related to medical and educational activities will be exempted from taxation;
- Medical, educational and other social activities carried out by organization to raise funds, will not be taxed;
- Transfer of sample of goods or gift of small value will not be taxed;
- Regulations related to VAT taxation of transfer of goods free of charge will be simplified;
- VAT taxpayer natural person will not be limited to use a cash method of accounting.

New reform of VAT will improve the process of tax administration. It will also establish the best EU practice supporting the cooperation between registered entrepreneurs of

Georgia and EU. Moreover, approximation of Georgian and European VAT legislation will improve investment environment, while number of disputes will reduce as a result of simplification of tax obligations.

4. ``International Company Status``

In 2020 “International Company Status” was introduced in Georgia which grants the opportunity for certain types of companies providing services to nonresidents in the IT Sector & Maritime sector, to qualify for tax breaks if they base their companies in Georgia.

Income from employment in an international company shall be taxed at 5% instead of 20%. The corporate income tax rate of an international company shall be 5% as well instead of 15%.

A person with the status of international company has the right to provide the following services:

1. software release;
2. releasing of computer games;
3. releasing of other software;
4. computer programming, consulting and related activities;
5. computer programming activities;
6. consulting activities in the field of computer technology;
7. computer management activities;
8. other activities related to information technologies and computer services;
9. production and / or delivery of digital products, including software support and delivery of updated versions of software;
10. website development and / or delivery;
11. web hosting, remote maintenance of software and hardware;
12. software and related updates;

13. provide images, texts and information to ensure access to a database;

14. remote system administration;

15. online delivery of allocated memory capacity;

16. online delivery of allocated memory capacity;

17. grant access to or download software (including purchasing / accounting software or antivirus software) and updates;

18. banner ads blocking programmes;

19. download drivers, such as software that connects computers to peripherals (such as a printer);

20. automatic online installation of filters on websites;

21. automatic online installation of firewalls;

22. commercial and maintenance services by a ship-owner and / or those related to ship ownership.

The procedure for granting and revoking the status of international company for an entity, and the types of activities

allowed for an international company is determined by the Government of Georgia.