



Amendment to the law

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Determining a preferential excise duty rate for the classic vehicles under commodity position 8703

On 23 May 2023, Georgian law was published that made an amendment into the Tax Code of Georgia (hereinafter "GTC"). According to the amendment, a new term appeared in the GTC - classic vehicle, that in turn was defined as a result of the amendment into the Law of Georgia "On Motor Transport". Accordingly, a classic vehicle is a mechanical motor vehicle that meets the requirements established by the relevant subordinate normative act of the Government of Georgia and the age of which exceeds 40 years. The Government of Georgia should ensure to issue the subordinate normative act corresponding to this law by 1 July 2023.



On the other hand, the amendment affected the articles 185 and 188 of GTC, those that determine the amount and rate of excise duty, import of excise goods and export of excise goods. According to the Article 185, the excise duty for a motor car is calculated by its age and engine volume, and a classic vehicle is also defined as an exception together with sports cars. According to the amendment of the Article 188 of GTC a preferential excise duty rate of -1.0 GEL per 1 cm³ of engine volume was determined for the classic vehicles under commodity position 8703 of the National Commodity Nomenclature of Foreign Economic Activity.

The amendment came into force from 1 July 2023.



Establishment of tax privileges for matches and related to the final stage events of the 2023 UEFA Under-21 European Championship

On 29 May 2023, Georgian law was published that made an amendment into the Tax Code of Georgia (Hereinafter "GTC").

From 21 June to 8 July 2023, Georgia will host the final tournament of the UEFA (Union of European Football Associations) Under-21 European Championship. In order to create tax grace period for the mentioned championship, changes were made in the Article 309 (transitional provisions) of GTC. Namely, new parts 135-140 were added to the article, stipulating the following types of tax privileges extended to the matches of the final stage of the championship and the related events:

- The income received by UEFA and the Georgian Football Federation (Hereinafter "GFF") will be exempt from Corporate Income Tax
- Supply/provision of goods/services by UEFA and GFF will be VAT exempt with the right of deduction
- Importing goods by UEFA and GFF will be exempt from import duty
- UEFA and GFF will be exempt from property tax on property used in Georgia
- The income of the designated person received within the framework of the matches of the final stage of the above-mentioned championship and the related events will be exempt from Personal/Corporate income taxes. On the other hand, designated person is defined as any non-resident person designated by UEFA or GFF, including members and staff of the national football team of a foreign country (for example, players, coaches, etc.), as well as an employee of UEFA or GFF
- UEFA and GFF do not have the obligation to be a withholding agent under the Article 154 of GTC within the framework of the matches of the final stages of the above-mentioned championship and the related events (for example, in exchange for services, in the part of remuneration of salary and other amounts). In addition, within the framework of the mentioned event, the provision of services to UEFA and the Georgian Football Federation would not be subject of VAT reverse charge
- The organizing and holding of the matches of the final stage of the above-mentioned championship will not constitute a permanent establishment in Georgia
- On the one hand, supply/provision of goods/services by a person for UEFA, GFF and/or a designated person, those are directly or indirectly related to the matches of the final stage of the championship and the related events, will be VAT exempt with the right of deduction and also, the sale (supply) of the tickets of attending the matches of the final stage of the championship and the related events.

The amendment came into force from 30 May 2023.

Amendment to the order

The rule for issuing a timber waybill

On 30 May 2023 the order №181 of Minister of Finance of Georgia was published that made the amendment to the order №996 “About Administration of Taxes” issued on 31 December 2010 by the Minister of Finance of Georgia.

As you are aware, the timber accounting project is under implementation at the Revenue Service, within the framework of which an electronic module for accounting of timber movement and balances has been developed, that provides for the production of an electronic journal of timber accounting, as well as the subscription of a special form and commodity notification about initial balances, which will be the basis for the subscription of the timber waybill. Within the framework of the above, an amendment was made to the order №996.

In particular, the amendment was made in the Article 252 of the order, that defines the rule for issuing the timber waybill. The new sub-paragraph "e" was added to the 5th part of the mentioned article, according to which, the obligation to write-off a timber waybill does not apply to the transportation and/or delivery of the once already used (second-hand) product of primary timber processing.

Also, an important change was also made in the Article 112 of the transitional provisions of the mentioned order, to which the new sub-paragraph 64 has been added. According to the new sub-paragraph, the taxpayer is obliged to submit information on the balance of timber in his/her ownership as of 15 June 2023 to the tax authority no later than 15 July 2023.

The amendment came into force from 15 June 2023.

Mandatory marking of non-excisable goods

On 31 May 2023 the order №183 of Minister of Finance of Georgia was published that made the amendment to the order №996 “About Administration of Taxes” issued on 31 December 2010 by the Minister of Finance of Georgia.

The amendment affected the Article 78¹ of the mentioned order, that determines the mandatory marking of non-excisable goods. Before the amendment, the mentioned article provided determination of the category of non-alcoholic beverages subject to mandatory marking in material and immaterial form by an individual administrative act of the Minister of Finance of Georgia. In particular, the rule is written in the order №256 of Minister of Finance of Georgia, issued on August 10, 2015, and after the amendment, Article 78¹ of the Order №996 clarified which types of non-excisable beverages will be subject to mandatory marking, and at the same time, the approach was also changed.

Produced/imported waters (including mineral and fresh waters) and beverages (non-alcoholic beverages) bottled in containers of any volume under headings 2201 and 2202 of the “National Commodity Nomenclature of Foreign Economic Activities” will be subject to mandatory marking. Prior to the amendment, mandatory marking under the ancillary order applied to the same category of beverage with the exception that it had to be bottled in containers of 20 liters or less.

At the same time, an exception was defined for imported non-alcoholic beverages up to 4 liters, those are not subject to mandatory marking even as a result of the amendment. Non-alcoholic beverages bottled in reusable stationary containers fixed to the vehicle will be also exempt from the marking obligation.

According to the amendment, the effect of the above-mentioned sub-paragraph does not apply to the non-alcoholic beverages, the retail sale of which to the final consumer is carried out immediately after the completion of the production process of the beverages, without packaging (on tap beverages). Also, it was determined that returned goods, that are subject to mandatory marking in accordance with the Customs Code of Georgia, are not subject to mandatory marking.

The amendment made to Article 112 of the transitional provisions of the same order determines that mandatory marking does not apply to the non-alcoholic beverages bottled in containers with a volume of more than 20 liters and produced/imported until 1 July 2023, based on the fact that until 1 July 2023, the order 256 is in force, according to which, as we mentioned, beverages bottled in containers of 20 liters and less are subject to mandatory marking.

The amendment came into force from 1 July 2023.

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 Tax Code of Georgia.

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

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