

# GUIDELINES ON HOW TO ORGANIZE WORK IN GEORGIA FOR FOREIGN NATIONALS

**Civil Society Institute (CSI)**

**The International Center for Not-for-Profit Law (ICNL)**

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The Guidelines have been prepared for educational purposes for foreign nationals (with special reference to Belarusian activists, human rights defenders, and CSO representatives), to advise them on issues relating to visa status, labor, corporate, tax, civil law matters and other issues related to organizing their work when they relocate to Georgia. The Guidelines aim to help individuals comply with Georgian legal requirements by providing an overview of the Georgian legislative framework and practice and of international law relating to the bilateral treaties between Georgia and Belarus, as of September 2022. Please note that Georgian legislation and practice are continually changing. Therefore, it is advised to verify the information provided in the Guidelines and to consult with the relevant Georgian agencies and professionals about individual cases.

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## 1 INDIVIDUALS

### 1.1 WHAT ARE THE LEGALIZATION RULES FOR FOREIGN NATIONALS IN GEORGIA?

**Visa-Free Entry** - Citizens of 95 countries, including Belarus, can enter and remain in Georgia visa-free for up to one full year. This one-year period can be renewed upon each entry into Georgia.<sup>1</sup> Citizens of Belarus are not required to obtain a residence permit in order to reside and work in Georgia lawfully.

If, however, they wish to obtain a residence permit to formalize their stay in Georgia, the legislation establishes several forms of residence permit for foreign nationals. This list is not exhaustive and only provides an overview of the key forms of residency in Georgia for foreign nationals and stateless persons, including individuals who are human rights defenders and activists<sup>2</sup>.

**Work Residence Permit** – Issued to a foreign national to carry out business or employment activity in Georgia, if the individual submits a certificate evidencing his/her labor activity carried out in Georgia. This certificate must confirm that the monthly income/remuneration from the business or labor activity in Georgia is not less than the five times the amount of the average consumer's subsistence minimum, as calculated each month by the National Statistics Office of Georgia. For example, based on the May 2022 subsistence minimum standards, a foreign national holding a work residence permit must be paid at least 1225.5 GEL per month<sup>3</sup>, or approximately 408 USD at the rate of exchange at the time of these Guidelines. The annual gross income of the foreign national's employing entity or the entity the foreign national has founded must not be less than GEL 50,000, except for educational or medical institutions). To acquire a work residence permit from an educational or medical institution, the annual income from those institutions must be at least GEL 35,000.<sup>4</sup> A work residence permit is initially issued for a term of six months to one year.<sup>5</sup>

**Educational Residence Permit** - Issued by an authorized Georgian educational institution.<sup>6</sup> An educational residence permit is initially issued for a term of six months to one year.<sup>7</sup>

**Family Reunification Residence Permit** - Issued to family members including a spouse, child, and parent of a foreign national who holds any type of residence permit, to persons under the guardianship or custody

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<sup>1</sup> On Approval of the List of Countries Whose Citizens May Enter Georgia without a Visa, <https://matsne.gov.ge/en/document/view/2867361?publication=1>.

<sup>2</sup> Information about all available forms of residence permits in Georgia is stipulated by Art. 15 of the Law of Georgia on the Legal Status of Aliens and Stateless Persons <https://matsne.gov.ge/ka/document/view/2278806?publication=13>.

<sup>3</sup> Information about the subsistence minimum rate is available on the web page of the National Statistics Office of Georgia, <https://www.geostat.ge/en/modules/categories/49/subsistence-minimum>.

<sup>4</sup> Law of Georgia on the Legal Status of Aliens and Stateless Persons, Art. 15 (A), <https://matsne.gov.ge/ka/document/view/2278806?publication=13>.

<sup>5</sup> Id. art. 16 (1 a).

<sup>6</sup> Id. art. 15 (B).

<sup>7</sup> Id. art. 16 (1 a).

of a foreign national, to fully dependent minors, and to a family member who is a person with a disability (PWD) and is supported by the foreign national. Family reunification residence permits are initially issued for a term of six months to one year.<sup>8</sup>

**Special Residence Permit** – Issued to a foreign national who is reasonably assumed to be a victim of or affected by human trafficking, or to a foreign national for whom a member of the Government of Georgia files a written application for a temporary residence permit (not defined in Georgian law); or to a foreign national who cannot be deported from Georgia because he/she is a person in one of the following categories: persecuted for a political belief or an action that is not a crime under Georgian law; persecuted for protecting peace and human rights or engaging in progressive social, political, scientific, and creative activities; under threat for his/her life or health; without identity documents or if no state agrees to accept the foreign national subject to deportation; and to a foreign national with ties to Georgia.<sup>9</sup> The special residence permit is initially issued for a term of six months to one year, unless issued on the initiative of a member of the Government of Georgia, in which case the permit is initially issued for a term of up to five years.<sup>10</sup>

**Permanent Residence Permit** - Issued to the spouse, a minor child of a citizen of Georgia, or a parent of a minor citizen of Georgia. A permanent residence permit may also be issued to a foreign national who has resided in Georgia for the past ten years under a temporary residence permit. Residence in Georgia for study or medical treatment and employment at diplomatic and equivalent representative offices in Georgia is not included in this period.<sup>11</sup>

**Investment Purpose Residence Permit** – Issued to foreign nationals and their family members (spouse, minor child, parent), to a fully dependent beneficiary of support; a PWD, to and a fully dependent person recognized as legally incompetent under the legislation of his/her country of origin) who, pursuant to the Law of Georgia On Promotion and Guarantees of Investment Activities, made an investment in Georgia of the GEL equivalent of at least USD 300,000, or who holds a title to real property in Georgia (except for agricultural land) with a market value exceeding the GEL equivalent of USD 300,000. A certified appraiser accredited by the Unified National Body of Accreditation – Accreditation Centre shall determine the market value of real property for issuance of an investment residence permit,<sup>12</sup> which may be issued to a foreign national for a term of five years.

**Short-Term Residence Permit** - Issued to a foreign national and his/her spouse or children who own real estate in Georgia, the market price of which exceeds the GEL equivalent of USD 100,000 (excluding agricultural land). The market value of the real estate must be estimated by a certified appraiser, accredited by an entity established pursuant to the Public Law on the Unified National Body of Accreditation – Accreditation Center. A short-term residence permit is issued for one year and can be extended annually each year during which the foreign national or family continue to own real estate. This permit will be revoked if the foreign national or family ceases to own the real estate.<sup>13</sup>

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<sup>8</sup> Ibid.

<sup>9</sup> Law of Georgia on the Legal Status of Aliens and Stateless Persons, Art. 15 (F), <https://matsne.gov.ge/ka/document/view/2278806?publication=13>

<sup>10</sup> Id. art. 16.

<sup>11</sup> Id. art. 15 (G).

<sup>12</sup> Id. art. 15 (H).

<sup>13</sup> Id. art. 16.

In actual practice, even when a foreign national meets one of the criterion for a residency permit described above, government officials may decline to issue it.

After an applicant is notified that a residency permit will be issued, in order to receive the residency card, the applicant must provide to the issuing body evidence that he or she is residing in Georgia. This may be a lease agreement, or the apartment owner's written consent that the applicant occupy the apartment. In practice, the government does not verify proof of residence.

#### 1.1.1 WHICH DOCUMENTS ARE REQUIRED TO ALLOW AN EXTENDED STAY IN GEORGIA, INCLUDING TEMPORARY AND PERMANENT RESIDENCY AND THE PROCEDURE FOR OBTAINING SUCH DOCUMENTS?

To obtain or extend the term of a residence permit in Georgia, a foreign national resident in Georgia must apply to one of the regional offices of the Public Service Hall or to the Public Service Development Agency in Tbilisi.<sup>14</sup> A legally competent foreign national who is 18 years of age or older resident in Georgia may also apply online through the Public Service Hall web page.<sup>15</sup> An foreign national resident outside Georgia must apply online to obtain or extend a residence permit. To do so, the foreign national must have a webcam equipped with sound (i.e., earphones and a microphone).

The chart below sets forth the time required to process the various types of permits and the fees. Expedited service is available at a higher cost as shown.

Residence Permit Type	Required Documents	Timeframe & Fees
<b>Work Residence Permit</b>	<ul style="list-style-type: none"> <li>• Application in the required form</li> <li>• Copy of the foreign national's travel document (a passport or other travel document serving as a passport substitute, or an ID recognized by the legislation or international treaties of Georgia as valid for travel)</li> <li>• Copy of a document evidencing lawful stay in Georgia. If necessary, for non-visa-free countries, a visa, or a copy of the passport showing the date of entry into Georgia for visa-free countries</li> <li>• Copy of a document evidencing employment (labor contract or other document); or business activity (for example, an extract from the public registry evidencing the status as an individual entrepreneur or founder of a business entity). If the foreign national's income is not confirmed with these documents, a</li> </ul>	<p><b>30 calendar days, 300 GEL</b></p> <p><b>20 calendar days, 450 GEL</b></p> <p><b>10 calendar days, 600 GEL</b></p>

<sup>14</sup> Addresses of territorial offices of Public Service Halls are available here: <https://psh.gov.ge/main/page/7/406>.

<sup>15</sup> <https://psh.gov.ge/main/page/6/507>.



	<p>certificate issued by a bank confirming the amount of funds in the foreign national's personal bank account may be used to establish income. These documents must confirm that the foreign national's monthly income/remuneration received from business or labor activities in Georgia is not less than five times the amount of the minimum subsistence level for average consumers in Georgia, (calculated monthly by the National Statistics Office of Georgia)<sup>16</sup></p> <ul style="list-style-type: none"> <li>• Document issued by the entity established under the Law on the Revenue Service that confirms that the annual income of the employing entity or founding enterprise (except for educational or medical institutions) is not less than GEL 50,000 for the foreign national, and in the case of educational or medical institutions, that the foreign national's annual income is not less than GEL 35,000.</li> <li>• 3x4 cm photo</li> <li>• Receipt evidencing payment of the service fee</li> </ul>	
<b>Educational Residence Permit</b>	<ul style="list-style-type: none"> <li>• Application in the required form</li> <li>• Copy of the travel document (a passport or other travel document serving as a passport substitute, or an ID recognized by the legislation or international treaties of Georgia that is valid for travel)</li> <li>• Copy of the document evidencing the foreign national's lawful stay in Georgia</li> <li>• Certificate issued by an authorized Georgian educational institution confirming that the foreign national is studying at that institution and indicating the anticipated duration of study</li> <li>• Document evidencing the legal income earned in Georgia by the foreign national or earned by a relative of the applicant, who has residence permit in Georgia or, who is a Georgian citizen, and a document evidencing their relationship (for example, a labor or service agreement, revenue from rent etc.) and a document confirming the family relationship with such relative. Funds in the foreign national's personal bank account that may be considered as income. The monthly amount based on duration of the residence permit, must be at least double the amount of the minimum subsistence level for average consumers in Georgia</li> </ul>	<p><b>30 calendar days, 300 GEL</b></p> <p><b>20 calendar days, 50 GEL</b></p> <p><b>10 calendar days, 600 GEL</b></p>

<sup>16</sup> Information about the subsistence minimum rate is available on the web page of the National Statistics Office of Georgia, <https://www.geostat.ge/en/modules/categories/49/subsistence-minimum>.

	<ul style="list-style-type: none"> <li>• 3x4cm photo</li> <li>• Receipt evidencing payment of the service fee</li> </ul>	
<b>Family Reunification Residence Permit</b>	<ul style="list-style-type: none"> <li>• Application in the required form</li> <li>• Copy of the travel document (a passport or other travel document serving as a passport substitute, or an ID recognized by the legislation or international agreements of Georgia that is valid for travelling)</li> <li>• Copy of the document evidencing the foreign national's lawful stay in Georgia</li> <li>• Document evidencing kinship</li> <li>• Document evidencing legal income earned in Georgia by the foreign national or earned by a relative of the applicant, who has a residence permit in Georgia or, who is a Georgian citizen, and a document evidencing their relationship. The money in the foreign national's personal bank account may also be considered as income. The monthly amount of the money, considering the duration of the residence permit, shall not be less than double the amount of the minimum subsistence level for average consumers in Georgia</li> <li>• 3x4cm photo</li> <li>• Receipt evidencing payment of the service fee</li> </ul>	<p><b>30 calendar days, 300 GEL</b></p> <p><b>20 calendar days, 450 GEL</b></p> <p><b>10 calendar days, 600 GEL</b></p>
<b>Special Residence Permit</b>	<p><b>When a residence permit is issued to the foreign national on the initiative of a member of the Government of Georgia:</b></p> <ul style="list-style-type: none"> <li>• Application in the required form</li> <li>• Copy of the foreign national's travel document (a passport or other travel document serving as a passport substitute, or an ID recognized by the legislation or international agreements of Georgia that is valid for travelling)</li> <li>• Written application of the member of the Government of Georgia</li> <li>• a copy of the document evidencing the foreign national's lawful stay in Georgia (Georgian visa if from a non-visa-free country)</li> <li>• 3x4cm photo</li> </ul> <p><b>For a foreign national who did not apply for a residence permit, but who cannot be deported from Georgia for one of in the following reasons: persecuted for political belief or an action that is not considered to be a crime in accordance with the legislation of</b></p>	<p><b>10 calendar days, no charge</b></p>

	<p><b>Georgia; persecuted for protecting peace and human rights, for engaging in progressive social, political, scientific, and creative activities; life or health is under threat or has no identify documents or no state agrees to accept the foreign national:</b></p> <ul style="list-style-type: none"> <li>• an application in the required form</li> <li>• a copy of the travel document (if any)</li> <li>• 3x4cm photo</li> </ul>	
<b>Permanent Residence Permit</b>	<p><b>For granting a permanent residence permit to a spouse, an underage child of a citizen of Georgia or a parent of an underage citizen of Georgia:</b></p> <ul style="list-style-type: none"> <li>• Application in the required form</li> <li>• Copy of travel document (a passport or other travel document serving as a passport substitute, or an ID recognized by the legislation or international agreements of Georgia that is valid for travelling)</li> <li>• Copy of a document evidencing the foreign national's lawful stay in Georgia</li> <li>• Document evidencing family relationship with a citizen of Georgia</li> <li>• Document evidencing legal income earned in Georgia by a foreign national or earned by a relative of the applicant, who has residence permit in Georgia or, who is a Georgian citizen, and a document evidencing their relationship. If the citizen of Georgia is of retirement age or receives social security benefits – a document evidencing the receipt of state pension or social security benefits. The money in the foreign national's personal bank account may also be considered income</li> <li>• 3x4 cm photo</li> <li>• Receipt evidencing payment of the service fee</li> </ul> <p><b>For granting permanent permission to stay to an foreign national with a temporary Georgian residence permit who has lived in Georgia for the last 10 years:</b></p> <ul style="list-style-type: none"> <li>• Copy of travel document. (a passport or other travel document serving as a passport substitute, or an ID recognized by the legislation or international agreements of Georgia that is valid for travelling)</li> <li>• Document evidencing residence in Georgia for the last 10 years based on a temporary Georgian residence permit (a copy of a temporary Georgian residence card/permit)</li> </ul>	<p><b>30 calendar days, 350 GEL</b></p> <p><b>20 calendar Days, 500 GEL</b></p>

	<ul style="list-style-type: none"> <li>• Document evidencing legal income earned in Georgia by a foreign national and/or earned by a relative of the applicant, who has residence permit in Georgia or, who is a Georgian citizen, and document evidencing their relationship. If the citizen of Georgia is of retirement age or receives social security benefits – a document evidencing the receipt of state pension or social security benefits. Funds in a foreign national's personal bank account may also be considered income</li> <li>• A 3x4 cm photo</li> <li>• Receipt evidencing payment of the service fee</li> </ul>	
<b>Residence Permit for Investment Purposes</b>	<p><b>For a foreign national wishing to obtain a residence permit for investment purposes:</b></p> <ul style="list-style-type: none"> <li>• Application in the required form</li> <li>• Copy of travel document (a passport or other travel document serving as a passport substitute, or an ID recognized by the legislation or international agreements of Georgia that is valid for travelling)</li> <li>• Copy of a document evidencing the foreign national's lawful stay in Georgia</li> <li>• Document proving that investment of the least USD 300 000 was made in Georgia (an audit report issued by a certified auditor) or a document proving title to real property (except agricultural land) in Georgia, the market value of which the GEL equivalent exceeds USD 300,000</li> <li>• Document proving the market value of real estate (report of a certified appraiser accredited by Legal Entity of Public Law – Unified National Body of Accreditation – Accreditation Center)</li> <li>• Written recommendation issued by a member of the Government of Georgia or by three citizens of Georgia having the authority to represent a Georgia-based business entity</li> <li>• 3x4 cm photo</li> <li>• Receipt evidencing payment of the service fee</li> </ul> <p><b>For a family member of a foreign national having a residence permit for investment purposes:</b></p> <ul style="list-style-type: none"> <li>• Application in the required form</li> <li>• Copy of a foreign national travel document (a passport or other travel document serving as a passport substitute, or an ID</li> </ul>	<p><b>30 calendar days, 300 GEL</b></p> <p><b>20 calendar days, 450 GEL</b></p> <p><b>10 calendar days, 600 GEL</b></p>

	<p>recognized by the legislation or international agreements of Georgia that is valid for travelling)</p> <ul style="list-style-type: none"> <li>• Copy of a document evidencing foreign national's lawful stay in Georgia</li> <li>• Copy of the residence permit of a foreign national having a residence permit for investment purposes</li> <li>• Document evidencing family relationship with a foreign national having a residence permit for investment purposes</li> <li>• 3x4 cm photo</li> <li>• Receipt evidencing payment of the service fee</li> </ul>	
<b>Short-Term Residence Permit</b>	<p><b>For a foreign national wishing to obtain short-term residence-permit:</b></p> <ul style="list-style-type: none"> <li>• Application in the required form</li> <li>• Copy of travel document (a passport or other travel document serving as a passport substitute, or an ID recognized by the legislation or international agreements of Georgia that is valid for travelling)</li> <li>• Copy of a document evidencing a foreign national's lawful stay in Georgia</li> <li>• Document evidencing a foreign national's ownership of real property within the territory of Georgia (other than agricultural land) with its market value exceeding the GEL equivalent of USD 100,000</li> <li>• Document evidencing market value of the real property (the market value must be established by a certified assessor of a body accredited by the Legal Entity under Public Law Unified National Accreditation Body - Accreditation Centre)</li> <li>• 3x4 cm photo</li> </ul> <p>Receipt evidencing payment of the service fee.</p> <p><b>For a short-term residence permit filed by a spouse and children of a foreign national who has already been granted a short-term residence permit:</b></p> <ul style="list-style-type: none"> <li>• Application in the required form</li> <li>• Copy of a foreign national's travel document (a passport or other travel document serving as a passport substitute, or an ID recognized by the legislation or international agreements of Georgia that is valid for travelling)</li> <li>• Copy of a document evidencing a foreign national's a lawful stay in Georgia</li> </ul>	<p><b>30 calendar days, 300 GEL</b></p> <p><b>20 calendar days, 450 GEL</b></p> <p><b>10 calendar days,-600 GEL</b></p>

	<ul style="list-style-type: none"> <li>• Copy of a residence permit of a foreign national's who has been granted a short-term residence permit</li> <li>• Document evidencing a family relationship with a foreign national who has been granted a short-term residence permit</li> <li>• 3x4 cm photo</li> <li>• Receipt evidencing payment of the service fee</li> </ul>	
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### 1.1.2 TERMS OF RESIDING IN GEORGIA UNDER RESIDENCE PERMITS

#### **Rights of Residence Permit Holders**

Foreign nationals in Georgia enjoy equality of treatment with citizens of Georgia with respect to their rights, freedoms and obligations, unless otherwise provided for by the legislation of Georgia. They may not establish, become members of or participate in the activities of political associations. However, foreign nationals have the same right to establish public associations, become members of trade unions, scientific, cultural, sports associations, and other public organizations as citizens of Georgia, unless this contradicts the bylaws of such organizations or is prohibited under the law of Georgia.<sup>17</sup> Foreign nationals permanently residing in Georgia enjoy the same rights to a pension, and other forms of social security benefits as citizens of Georgia.<sup>18</sup> Social security benefits of foreign nationals temporarily staying in Georgia are determined based on the provisions of the applicable social benefit program.

A holder of a residence permit has the following advantages not available to foreign nationals with a visa or to those with visa-free entry status, including Belarusians:

- there is no obligation to leave Georgia in order to restart the 365 day period during which they are legally permitted to remain in Georgia, while visa holders must leave and reenter after 365 days;
- a temporary residence permit, if held for ten years, makes the holder eligible for a permanent residence permit;
- a residence permit holder may apply for a Schengen visa while in Georgia without returning to his/ her country of citizenship;
- a residence permit holder has the right to invite relatives to Georgia and apply for their residency permits.

#### **Reporting Obligations for Residence Permit Holders and the Other Parties Involved and Penalties for Non-Compliance**

**Work Residence Permit** – If the employment of a foreign national holding a work residence permit is terminated, the employer is obligated to inform the Public Service Development Agency of the termination

<sup>17</sup> Law of Georgia on the Legal Status of Aliens and Stateless Persons, Article 35, <https://matsne.gov.ge/en/document/view/2278806?publication=12>.

<sup>18</sup> Id. article 31.

not later than five days after the termination. An employer who fails to provide such notice timely shall be liable for the penalties provided for by Georgian law.<sup>19</sup>

**Investment Residence Permit-** A foreign national holding an investment residence permit must submit an annual report to the State Service Development Agency before the end of each year during the term of the investment residence permit. This report must include the amount of the foreign national's annual income earned or received from the business activities he/she has carried out in Georgia as provided to the Revenue Service. The investment residence permit shall be terminated if a foreign national does not provide proof of annual income of the GEL equivalent of at least USD 50,000 during the first year of the business activities that he/she carries out in Georgia; USD 100,000 during the second year; and USD 120,000 during each of the third, fourth and fifth years.

A person holding an investment residence permit issued on the basis of owning real property with a market value in GEL equivalent of USD 300,000 is required to maintain the ownership of this real property (or a replacement property of equal value) if this was the basis on which the investment residence permit was issued.<sup>20</sup>

### **Grounds for Termination of a Residence Permit<sup>21</sup>:**

The Residence Permit may be terminated if the foreign national does any of the following:

- a) submitted forged or invalid documents to obtain a Georgian residence permit;
- b) performs an activity that poses a threat to the state security of Georgia;
- c) terminates or completes studies at an authorized educational institution in Georgia before the expiration of his/her stay in Georgia if he/she obtained the Georgian residence permit on that basis;
- d) terminates the activity or relations based on which he/she obtained a residency permit in Georgia;
- e) ceases to be a custodian or guardian of a citizen of Georgia or is no longer under the custody or guardianship of a citizen of Georgia, if he/she obtained the Georgian residency permit on that basis;
- f) enters into a fraudulent marriage in order to obtain a residence permit;
- g) has been deported from Georgia;
- h) provides incorrect data in the application or concealed significant information about circumstances that are material to granting a Georgian residence permit;
- i) changes his/her citizenship, if he/she obtained a permanent residence certificate in Georgia without obtaining a residence permit;
- j) fails to apply to the State Service Development Agency for a residence card within six months after obtaining a Georgian residence permit;

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<sup>19</sup> Law of Georgia on the Legal Status of Aliens and Stateless Persons, Article 20 (5), <https://matsne.gov.ge/en/document/view/2278806?publication=12>.

<sup>20</sup> Id. article 16 (2<sup>1</sup>).

<sup>21</sup> Law of Georgia on the Legal Status of Aliens and Stateless Persons, Article 21, <https://matsne.gov.ge/en/document/view/2278806?publication=12>.

k) commits a crime;<sup>22</sup> and

l) fails to report sufficient income, or ceases to own property with the required market value if that the foreign national held an investment residence permit.

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### 1.1.3 WHAT ARE THE BENEFITS OF PERMANENT RESIDENCY STATUS?

The main benefit of permanent residency status is that it establishes a permanent right to reside in Georgia, while most temporary residence permits are issued for only for a term of six months to one-year.. Another benefit of holding a permanent residence permit compared to temporary residence status is that foreign nationals permanently residing in Georgia are entitled to the same rights to assistance, pension, and other forms of social security as citizens of Georgia. The social rights and benefits of temporary residence permit holders are much more limited.

## 1.2 WHAT TYPES OF INTERNATIONAL PROTECTION STATUS ARE AVAILABLE IN GEORGIA?

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### 1.2.1 WHO IS ELIGIBLE FOR SUCH STATUS:

Georgia offers the following types of international protections:

**Refugee Status** - Refugee status is granted to foreign national or a stateless person, who is outside his/her country of origin, and has a well-grounded fear of persecution due to race, religion, nationality, affiliation with a certain social group or political views, and who does not wish to, or cannot, return to his/her country of origin.<sup>23</sup>

**Humanitarian Status** - Humanitarian status is granted to a foreign national or a stateless person who will face a serious threat of a death sentence, torture, degrading or inhumane treatment or punishment in returning to the country of origin. This status is granted if the person faces a serious individual threat due to indiscriminate violence, international or domestic armed conflict or mass violation of human rights.<sup>24</sup>

**Temporary Protection Status** - The status of a person under temporary protection can be granted to foreign nationals entering en masse, who require international protection and cannot return to their country of origin due to violence, aggression, international or domestic armed conflict, or large scale violation of human rights.<sup>25</sup>

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### 1.2.2 PROCEDURES FOR OBTAINING SUCH STATUS

#### **Procedures for applying for the status of an asylum seeker**

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<sup>22</sup> This does not include administrative offenses prescribed by the Code of Administrative Offenses and only covers criminal offences.

<sup>23</sup> Law of Georgia on International Protection, art. 15(1)  
<https://matsne.gov.ge/en/document/view/3452780?publication=4>.

<sup>24</sup> Id. art. 19 (1).

<sup>25</sup> Id. art. 21(1).



Foreign nationals or stateless persons have the right to request international protection at the border upon of their entry to Georgia and during their residence in Georgia.

An oral or written request for international protection should be made to one of the relevant Georgian state agencies (including the departments of the Ministry of Internal Affairs, the border or patrol police, the Migration Department, the prosecutor's office, administration of the penitentiary establishments of the Ministry of Justice or the Temporary Accommodation Centre of the Migration Department). In the case of an illegal entry into or stay in Georgia, a foreign national or stateless person must immediately apply to the state agency to request international protection. In such case, he/she will not face criminal liability.<sup>26</sup>

An asylum seeker must submit all information (including information on the country of origin) and proof in support of his/her application for international protection and cooperate with the competent official. The asylum seeker is required to credibly explain the reason for any lack of supporting information or proof.

After submitting a request for the international protection and if a final decision has not yet been made yet, a person can be registered as an asylum seeker. A person registered as an asylum-seeker in Georgia is issued a temporary identification card for a one year period.

### **Timelines for asylum procedures**

An authorized official will conduct an interview within four months after the registration of an application for international protection. Under regular procedures, an international protection application is considered within six months after its registration. This term can be extended for up to nine months.

### **Interview**

The purpose of the interview is to establish the essential circumstances to meet the requirements of international protection. These include information on the grounds for leaving and not returning to the country of origin, and other information that establishes the need for international protection. An asylum seeker should be informed about the interview three working days in advance, in writing, at the address specified in his/her case file.

### **Decision**

At the end of the asylum procedure, an asylum seeker may be granted refugee status or humanitarian status or his/her asylum application may be rejected.

### **Appeal**

If a person receives a negative decision from the Ministry of Internal Affairs, he/she has the right to appeal it to the court within one month after receiving the decision. The case will be considered by the Tbilisi City Court (first instance) and by the Tbilisi Court of Appeals (second instance). A person who is refused

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<sup>26</sup> Law of Georgia On International Protection, art. 23(2).  
<https://matsne.gov.ge/en/document/view/3452780?publication=4>.

international protection is entitled to free legal aid by the Legal Aid Service of Georgia.<sup>27</sup> The United Nations High Commissioner for Refugees office in Tbilisi also offers free legal assistance.<sup>28</sup>

### **Receiving identity and travel documents**

Upon obtaining the status of asylum seeker, a foreign national is issued a temporary residence card. A person with refugee status will be issued a travel document, while a person with humanitarian status will be issued a travel passport. In order to obtain a temporary residence card or a travel document/passport, a person under international protection must apply to a regional office of the Public Service Development Agency, a branch of a Public Service Hall or a community center.

A temporary residence card is issued free of charge. For a person with refugee status, it will be valid for three years. For a person with humanitarian status, it will be valid while that status continues.

The travel document or passport of a person with refugee or humanitarian status is issued free of charge within ten working days. It is valid for two years for a refugee status holder and for one year for a humanitarian status holder.

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### **1.2.3 OBLIGATIONS AND RIGHTS OF PERSONS RESIDENT IN GEORGIA WITH REFUGEE, HUMANITARIAN OR TEMPORARY PROTECTED STATUS**

#### **Obligations of a person with refugee or humanitarian status:**

- comply with the Constitution and the other laws of Georgia, and to respect local culture, traditions and customs;
- notify the Ministry of Internal Affairs of any changes in residential address and contact information; and
- contact an authorized official 30 calendar days prior to the expiration of the term of the residence card and immediately in case of loss of or damage to the card.

#### **Rights of a person with refugee or humanitarian status:**

- choose a place of residence and move freely within Georgia;
- receive a monthly allowance as determined by Georgian legislation;
- travel to other countries except the country of origin and countries where family members are not deemed to be safe;
- receive the same pre-school and general education as Georgian citizens, benefit from state healthcare and social programs (except for exceptional cases), and have access to vocational and higher education according to the procedures established by Georgian legislation;
- apply to the authorized agency for Georgian citizenship;
- carry out labor activity on an equal basis with Georgian citizens; namely, be self-employed or hired by an employer; and
- stay in a reception center for one month after being granted refugee or humanitarian status, and in special cases, in other temporary places of accommodation provided by the Ministry of Internal Affairs.

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<sup>27</sup> <http://www.legalaid.ge/en>.

<sup>28</sup> <https://www.unhcr.org/georgia.html>.

### **Rights of a person under temporary protection:**

- receive a certificate confirming his/her status as a person under temporary protection and a temporary residence card with the period of validity granted to persons holding such status;
- receive medical assistance in accordance with the legislation of Georgia;
- obtain pre-school and general education and documents certifying education and qualifications received in another country in accordance with the legislation of Georgia; and
- be provided with food and shelter or appropriate monetary assistance in accordance with the procedures established by an the Minister of Internal Affairs.

### **Obligations of a person under temporary protection:**

- comply with the Constitution and the other laws of Georgia, and respect local culture, traditions and customs;
- notify the Ministry of Internal Affairs of any change of address and contact information;
- have their photograph and fingerprints taken and undergo a relevant medical examination if so requested by an authorized official; and
- contact an authorized official 30 calendar days prior to the expiration of the term of the residence card, and immediately upon loss or damage of the card.

#### **1.2.3.1 WHAT ARE BENEFITS AND LIMITATIONS OF DIFFERENT TYPES OF INTERNATIONAL PROTECTION STATUS?**

Persons with refugee or humanitarian status enjoy the same rights and obligations. The key difference is the term of issuing the status and travel documents. A temporary residence card is issued free of charge to a person with humanitarian status and is valid for the duration of the humanitarian status,<sup>29</sup> and to a person with refugee status for three years. Travel documents and passports are issued for two years for those with refugee and for one year for those with humanitarian status.

A person with temporary protection has more limited rights than those with refugee or humanitarian status. For example, a person with temporary protection status is not entitled to fully benefit from state healthcare and social programs.

### **1.3 UNDER WHICH TERMS MAY A FOREIGN NATIONAL WORK IN GEORGIA?**

#### **1.3.1 WHAT ARE THE REQUIREMENTS AND PROCEDURES TO OBTAIN A WORK PERMIT, WORK VISA, RESIDENT CARD, ETC.?**

Georgian legislation does not require foreign nationals who enter and reside in Georgia under a visa free regime to acquire a work permit in order to work legally. However, if they wish to cement their stay in Georgia without depending on the visa-free regime or at the request of their employer, they may apply for a work residence permit.

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<sup>29</sup> Law of Georgia on International Protection: Humanitarian status is granted to an alien or a stateless person for the term of a year. The term may be extended by the same period, and it may be extended more than once if the circumstances on the basis of which the person was granted the status continue to exist.  
<https://migration.commission.ge/files/ltolvilebi.pdf>.

For more information regarding the procedures for applying for work residence permit please refer to the response provided in the Section [1.1.1](#) of these Guidelines.

According to Georgian legislation, all foreign nationals, regardless of their residence or visa status<sup>30</sup> are considered labor immigrants. This means that their employer is required to notify the State Employment Support Agency about the employment of a foreign national (labor immigrant) within 30 calendar days after the entry into force of a labor contract.<sup>31</sup> An employer must complete and submit a special form providing information about itself and the employed foreign national.<sup>32</sup> The notification must be submitted in hard copy to the State Employment Support Agency<sup>33</sup>, and electronically to the official e-mail address of the Ministry of Labor - [info@moh.gov.ge](mailto:info@moh.gov.ge).

### 1.3.2 WHAT ARE THE REQUIREMENTS FOR FOREIGN NATIONALS CARRYING OUT CERTAIN TYPES OF WORK?

Georgian law requires certifications or licenses to perform certain work based on the scope of the activities to be conducted. These requirements apply to foreign nationals.

**Legal consultations** - Georgian legislation does not require a license to conduct legal consultations and/or representation on non-Georgian legislation, including Belarusian law. Legal consultations and/or representation on Georgian legislation require that the lawyer be admitted as a member of the Georgian Bar Association to represent the interests of clients in courts of all levels, and for criminal cases, before investigative authorities. Georgian citizenship is required for admission to the Georgian Bar Association. Georgian legislation does not require a license for other type of legal consultations or representation.

**Accounting** - According to Georgian legislation, an accountant is any individual who directly performs accounting services and/or prepares financial statements. The legislation does not establish qualification standards for an accountant. Georgian law does not require licensing of or authorizations for a person performing accounting and financial reporting.

**Auditors** - Georgian legislation requires that audit services be provided only by individual auditors or audit firms qualified as certified accountant(s) and registered in a special state register in Georgia. The state register of auditors / audit firms is maintained by a state sub-agency - the Accounting, Reporting and Audit

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<sup>30</sup> Law of Georgia on International Protection: except for persons holding: a) residence permit of a stateless person, if this permit is issued with the right to permanent residence; b) permanent residence permit; c) investment residence permit; d) termless residence permit b) Temporary identification card, as well as persons using international protection i.e. persons with refugee status, humanitarian status, the status of a person under temporary protection. <https://migration.commission.ge/files/ltolvilebi.pdf>.

<sup>31</sup> Government of Georgia, Resolution No. 417, August 7, 2015, On the approval of the labor arrangement of a labor immigrant (a foreigner without a permanent residence permit in Georgia) with a local employer and the procedure for performing paid labor activities, art. 2(3), <https://matsne.gov.ge/ka/document/view/2941958?publication=4>.

<sup>32</sup> The form is established by the Minister of Labor, Health and Social Protection of Internally Displaced Persons (IDPs) from the Occupied Territories of Georgia Order No. 01-122/N, November 29, 2019, About the procedure for notification by the local employer regarding the employment of an immigrant legally staying in Georgia to the state agency for the promotion of employment under the state control of the Ministry of Labor, Health and Social Protection of IDPs from the occupied territories of Georgia <https://matsne.gov.ge/ka/document/view/4712720?publication=0>.

<sup>33</sup> <https://www.facebook.com/worknet.gov.ge>.

Supervision Service.<sup>34</sup> The rules for recognizing an individual as a certified accountant and the issues of registration in the State Register of Audits/Audit Firms are established by the legislation of Georgia.

**Psychological Services** - Georgian legislation does not classify psychology as a medical profession, and there are no special requirements for this activity. However, if the service includes psychotherapy, psychiatry or neurology, it is subject to professional certification as medical professions and medical activities.<sup>35</sup>

**Consultancy services**- Proposal writing, analytical work and research does not require licensing or authorization. Accordingly, an individual is free to provide such consulting services without formalities.

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### 1.3.3 IS IT NECESSARY TO REGISTER AS INDIVIDUAL ENTREPRENEUR OR TAKE OTHER STEPS IN ORDER TO WORK INDIVIDUALLY?

The necessity to register as an individual entrepreneur in order to work as an individual must be determined based on the scope of work and whether it is ongoing. An individual can work individually without registering as an entrepreneur, as long as the activities carried out in such work do not constitute business activities. A business activity is a legitimate, repeated, independent, and organized activity carried out for the purpose of earning profit.<sup>36</sup>

Importantly, according to Georgian legislation, artistic, scientific, medical, architectural, legal, arbitration, mediation, notary, audit or consulting (including tax consulting) activities of natural persons are not deemed to be business activities. Therefore, persons undertaking any of these activities are not required to register a business entity or as an individual entrepreneur to carry out those activities.<sup>37</sup> They are free to do so if they wish.

There is no difference between a foreign national working under contract with foreign organizations or individuals non-resident in Georgia, and working under contract with local organizations and individuals. For the peculiarities of taxation of foreigners carrying out work under contracts with non-residents/international organizations and with local organizations and individuals please refer to [Section 1.4.1](#) of these Guidelines.

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### 1.3.4 WHAT IS THE PROCEDURE FOR OBTAINING INDIVIDUAL ENTREPRENEUR STATUS FOR A FOREIGN NATIONAL?

#### **Registration:**

To obtain individual entrepreneur status, a natural person must register as an individual entrepreneur in the Register of Entrepreneurs and Non-Entrepreneurial (Non-commercial) Legal Entities. An individual entrepreneur is deemed established from the moment of inclusion in this Register. This status is verified by an extract from the Register. The decision on registration of an individual entrepreneur is made by the Legal Entity under Public Law (LEPL) - National Agency of Public Registry and enters into force upon its

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<sup>34</sup> <https://www.saras.gov.ge/en/Home/>.

<sup>35</sup> Law of Georgia on Medical Practice, <https://matsne.gov.ge/en/document/view/15334?publication=17>.

<sup>36</sup> Law of Georgia on Entrepreneurs 2(2), <https://matsne.gov.ge/en/document/view/5230186?publication=0>.

<sup>37</sup> Law of Georgia on Entrepreneurs 3(1), <https://matsne.gov.ge/en/document/view/5230186?publication=0>.

publication on the central platform of the registration authority. Registration of an entrepreneur includes both state registration and tax registration. Consequently, an individual entrepreneur no longer needs a separate tax registration. Information and forms related to the registration of an individual entrepreneur are posted on the unified electronic portal of the LEPL - National Agency of Public Registry<sup>38</sup> and are available to any person free of charge.

### **Registration authority:**

An application for the registration of an individual entrepreneur and registration documents may be submitted to:

- Any regional office of the LEPL-National Agency of Public Registry;<sup>39</sup>
- LEPL - House of Justice;<sup>40</sup> and
- Other authorized person - for example, community centers,<sup>41</sup> which are a common public space where the applicant can use certain public and private services. Community centers are located in various cities and towns in Georgia. Registration procedures can also be performed by authorized notaries.<sup>42</sup>

### **Documents to be submitted for registration:**

The application for registration must be signed by the applicant in the presence of the representative of the LEPL National Agency of Public Registry, the LEPL House of Justice, or a proxy of an authorized person. The language of administrative proceedings in Georgia is Georgian, therefore the registration application and documents must be submitted in Georgian, apart from exceptional cases (for example, an identity document). Documents and information to be submitted for registration and registration procedures are prescribed by law.<sup>43</sup> A natural person who wishes to register as an individual entrepreneur must submit the following documents to the registration body:

#### **1) Application for registration as an individual entrepreneur:**

The application is completed at the registration body and must include the following:

- ***Name of the applicant*** - name and surname of the natural person applying for registration as an individual entrepreneur;
- ***Personal number of the applicant*** - the identification data of the applicant's identity document submitted during registration is indicated here (for example, passport number of a citizen of

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<sup>38</sup> <https://www.my.gov.ge/en-us/services/10/service/179>.

<sup>39</sup> See the list: <https://napr.gov.ge/required-info>.

<sup>40</sup> See the list: <https://psh.gov.ge/main/page/7/406>.

<sup>41</sup> See the list: <http://www.centri.gov.ge/en/contact>.

<sup>42</sup> See the list: <https://napr.gov.ge/required-info>.

<sup>43</sup> 1) Law of Georgia on Entrepreneurs, Art. 2, 8, 11, 13, 14, 16, 18. <https://matsne.gov.ge/en/document/view/5230186?publication=0> 2) Instruction on Registration of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities (Order of the Minister of Justice of Georgia, 31/12/2021, N797).

the Republic of Belarus, identification number of the person);

- ***The name of an entrepreneur*** is the name that is registered as such with the Registry and under which the entrepreneur operates. The name and/or surname of an individual entrepreneur may be used. A name may be selected according to the subject of the activities of a company, or other themes it wishes to evoke. Accordingly, the name may differ from the name of the applicant. In the extract from the register, in addition to the name, the name, surname, and identification number of the individual entrepreneur shall also be indicated). The name of the entrepreneur must be in Georgian. During registration the name may also be indicated in English. The name of the entrepreneur should not contain graphic symbols that do not have a recognized phonetic or verbal equivalent established by linguistic norms. The name of the individual entrepreneur must meet the additional requirements set by law. [Please refer to the additional information provided in Section 2.3.6 and Business Entity Section 3.2.7.](#)
- ***Information on the legal address of the individual entrepreneur*** - the individual entrepreneur is registered at the address he/she provides. The legal address is the physical address of the entrepreneur in Georgia. As the legal address, the subject must indicate the physical address where the documents of the entrepreneur are available for review and where notices may be given. Sending written notice (correspondence) to the registered address is considered as an officially sent written message (correspondence);
- ***The E-mail address and telephone number for the purpose of creating an e-portal / e-address*** - during the initial registration of the subject in the register on the unified e-portal<sup>44</sup> LEPL - National Agency of Public Registry creates the page of the authorized user - electronic address, which is valid until the termination.  
An electronic address is an electronic platform for an entrepreneur used for communication (for example, to deliver notifications) between the entity and the National Agency for Public Registry and for providing electronic services to the entity. Accordingly, in order to create an electronic address, an individual entrepreneur must indicate in the registration application the mobile phone number and e-mail address, which are used in the process of electronic verification and activation.
- ***Date of application*** - the date of submission of the registration application.
- ***Applicant's signature*** - The registration application is signed by the applicant individual entrepreneur, or, if submitted through a representative, the registration application is signed by the authorized person.

## **2. Proof of payment of the service fee:**

Proof of payment of the service fee shall be submitted to the registration authority. The service fee depends on the registration timeframe - registration in a standard or expedited timeframe. The standard timeframe for registration of an individual entrepreneur is 1 working day. The registration of an individual entrepreneur can also be done in an expedited manner, on the day of submitting the application. When registering an individual entrepreneur, an extract from the register of entrepreneurs and non-entrepreneurial (non-commercial) legal entities is prepared in Georgian with

<sup>44</sup> <https://www.my.gov.ge/en-us/services/10> ; <https://www.my.gov.ge/en-us/services/10/service/179>

no additional fees. However, if an individual entrepreneur wishes to prepare an additional extract from the register in English, a service fee shall be paid separately.

### **3) Identity document of the interested person:**

The applicant or his / her representative) must submit an identity document to register as an individual entrepreneur. For foreign nationals (including citizens of the Republic of Belarus), this can be a passport issued by the applicable country, the residence permit of a foreign national residing in Georgia, a temporary identification card, or a temporary return certificate.

If registration as an individual entrepreneur is done by a representative, documents proving the identity of the representative must also be submitted. If the representative is a citizen of Georgia, the main identity documents include a Georgian passport, an identity card, or a temporary certificate of return to the homeland. The identity document submitted during the registration of an individual entrepreneur do not require Georgian translation.

### **4) Information/document defining the legal address of an individual entrepreneur:**

The registration of an individual entrepreneur will reflect the address in Georgia provided by the applicant. If the applicant is owner of the property, no other document is required. If the interested person has a registration address in Georgia, which is reflected in the database of the LEPL - State Services Development Agency, it is not mandatory to submit a document certifying the owner's consent or the document certifying the use for the registration. If the legal address of the individual entrepreneur is the address owned or used by the interested person in Georgia, one of the following documents must be submitted to the registration authority:

- Consent of the owner of the real estate in the required form. Such consent may be obtained by the responsible official at the registration authority by confirming the owner's signature on the consent, or the owner's consent may be notarized;
- Properly documented right to use real estate - Real estate can be used on the basis of various agreements (for example, a real estate lease agreement), and a properly formulated real estate use agreement must be submitted.

### **Service fees and Timeframes:**

Terms and fees for registration services are determined by normative acts of the Government of Georgia.<sup>45</sup> Expedited services are available for higher fee.

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<sup>45</sup> Service fee rates, fee payment rules, and service timeframes provided by the National Agency of Public Registry, a legal entity of public law operating in the field of governance of the Ministry of Justice of Georgia (Resolution of the Government of Georgia, 29/12/2011, N509). Remuneration for the performance of notarial acts and the amount of the fees set for the Notary Chamber of Georgia, the procedure for their payment and timeframe (Resolution of the Government of Georgia, 29/12/2011, N507).



Type of service	Service Timeframe	Service Fee
Registration of an individual entrepreneur by the LEPL National Agency of Public Registry	Within one working day	26 GEL
	Same day	75 GEL
Preparation of an English-language extract from the Register of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Entities by the LEPL National Agency of Public Registry	At the request of the applicant, an additional English language extract can be prepared for an additional 26 GEL	
Confirmation of the consent of a real estate owner by the employee of the LEPL - National Agency of Public Registry (confirmation of the person's signature on the document)	Immediately	7 GEL per page
Notarization of the power of attorney/proxy of a natural person ( <i>Value added tax (VAT) is added to the indicated fee</i> )	Immediately	18 GEL
Notarization of the authenticity of the signature on the consent of a real estate owner (VAT is added to the indicated fee)	Immediately	<ul style="list-style-type: none"> <li>• One-page document, 6 GEL for each signature;</li> <li>• Two to ten page documents, 4 GEL for each signature;</li> <li>• 11-50-page documents – 3 GEL for each signature;</li> <li>• 51 and more-page documents – 2 GEL for each signature</li> </ul>
Notarization of the signature of the certified translator on the translation of the document (VAT is added to the indicated fee)	Immediately	
Registration of notarial acts in the electronic notary register ( <i>VAT is added to the indicated fee</i> )	Immediately	5 GEL

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### 1.3.5 REQUIREMENTS FOR LOCAL ORGANIZATIONS AND INDIVIDUALS TO HIRE FOREIGN NATIONALS UNDER LABOR CONTRACTS OR AS CONSULTANTS AND REQUIREMENTS FOR FOREIGN NATIONALS TO HIRE GEORGIAN AND FOREIGN NATIONALS

Georgian legislation does not restrict employment of or contracting with foreign nationals, nor does it restrict limit foreigners from hiring other persons (local and foreign). There are only additional reporting obligations for employing a foreign national. For more information regarding the specific regulations related to employment relationship with foreign nationals please refer to [Section 1.3.1](#).

There are no legislative limitations on concluding service contracts with foreign nationals, nor on foreign nationals or business entities contracting with Georgian nationals.

## 1.4 WHAT ARE THE PECULIARITIES OF TAXATION FOR FOREIGN NATIONALS EARNING INCOME IN GEORGIA?

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### 1.4.1 TAXATION OF FOREIGN NATIONALS

#### **Determining the Tax Residency of Individuals in Georgia**

For taxation purposes, when an individual spends 183 days physically present in Georgia in any 12 month period, such individual is treated as a tax resident of Georgia for the entire year. No formal registration or filing is required. The calculation of the physical presence happens automatically, based on the dates of crossing the Georgian border. This rule applies to all persons within the borders of Georgia and includes foreign nationals as well as Georgian citizens.<sup>46</sup> “Tax residency” is determined separately from the resident status discussed in Sections 1.1 and 1.2 of these Guidelines.

Any time spent within Georgia in a day, even if brief (e.g., one hour) means that day counts towards the 183 days. Even if an individual spends time outside of Georgia for part of the year (any 12 month period), if the total number of days physically present in Georgia during that 12 month period (for example, May 2021 to May 2022) is 183 days or more, that individual is a Georgian tax resident in 2022.

The 12-month period need not match the tax year, which is the same as the calendar year, January 1 through December 31. Pursuant to the Georgian Tax Code: “A Georgian resident for the entire current tax year shall be a natural person who was actually present in the territory of Georgia for 183 or more days in any continuous 12-calendar-month period ending in that tax year.” (Art 34.2)<sup>47</sup> Note that “continuous”

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<sup>46</sup> Foreign nationals (not Georgian citizens) benefit from an exception to what is deemed to be “actually present” in Georgia. Georgian citizens are considered “actually present” in Georgia during time when they are outside of Georgia specifically for the purpose of medical treatment, vacation, business trips or education. This does not apply to foreign nationals.

<sup>47</sup> Georgian Tax Code, (art. 34. 2).

does not mean uninterrupted by any days of absence. It means 12 consecutive months, during which 183 days of actual presence are accumulated.

This continuous 12-calendar-month period is counted backward from the date when a taxable activity occurred and ends in that tax year. **For example:**

A Belarus national was paid to provide translation services in July 2022. This is a taxable activity. To determine if this person is considered a tax resident of Georgia for the 2022 tax year, it is necessary to count whether he/she actually spent 183 or more days (including partial days) in Georgia from July 2022, counting backward 12 months to July 2021. If the answer is yes, then that person is considered a tax resident of Georgia for 2022.

For each tax year, the 183-day period is calculated until the end of that tax year. For example, if the 183-day period ends on December 31, 2021, an individual is a tax resident of Georgia for 2021. If the 183-day period ends on January 1, 2022, an individual is a tax resident of Georgia for 2022.

### **Tax Registration Obligations**

An individual has a tax registration obligation only if that person conducts economic activity, i.e., is paid for work or earns income from business activity.

- If a Georgian tax resident provides a service to a Georgian entity or to an individual entrepreneur, the tax resident is not required to register for tax purposes. Taxes on behalf of the tax resident are withheld by the entity or individual entrepreneur that received the service.
- If a Georgian tax resident conducts economic activity, such as sales of good and services to other persons, this person is required to register with the Georgia Revenue Service. ([See section 3.5.2 of these Guidelines](#))

### **Taxation Rules for Tax Residents and Non-tax-Residents in Georgia**

For non-tax resident natural persons operating in Georgia on the basis of an employment or service contract, for taxation purposes it is important to determine which is the arrangement that generates income for them:

**A) Employment Contracts:** Income received as salary by a non-tax resident hired under an employment contract in Georgia is taxed at a standard rate of income tax (20%). This is the same as the tax regime imposed on Georgian citizens. Georgia does not have a progressive taxation system, therefore all income of natural persons, including wages, is taxed at the personal income tax rate of 20%, regardless of the amount.

**B) Service Contracts:** When working on the basis of a service contract, the issue of tax residence of individuals must be clarified in accordance with Article 34 of the Tax Code. That article provides that a Georgian tax resident is a natural person who has actually stayed in Georgia for 183 or more days in any consecutive 12-calendar-month period ending in that tax year, or a natural person who was in a foreign country in the public service of Georgia during that tax year. Such a natural person will be taxed under the tax regime imposed on the citizens of Georgia (standard (20%) income tax rate). As mentioned earlier, the provision on “actual presence” regarding the stay abroad (The time he/she spent outside Georgia specifically for treatment, leisure, or education is applicable only to Georgia citizens), does not apply to foreign nationals. A tax year is the same as a calendar year, the period from 1 January through 31

December of any year. If the person is a non-tax resident the income under a service contract will be taxed at 10% instead of at the 20% rate applicable for employment contracts.

**Example 1.** A Belarusian natural person was actually present in Georgia for **at least 183 days** between May 2021 and May 2022 and is therefore considered a tax resident of Georgia. The person carried out an economic activity (translation services) and is registered with the Revenue Service of Georgia as an individual entrepreneur. Assume for the example that such person generated an income of 5,000 GEL in 2022. The expenses related to that economic activity (such as utilities, stationery, office rent, etc.) was 2,000 GEL for the same year, such that the net income was 3,000 GEL. This means that the natural person must pay 600 GEL ( $5,000 - 2,000 = 3,000$ , multiplied by 20%), in income tax for the 2022 tax year. This amount must be paid by March 31, 2023.

**Example 2.** A Belarusian natural person actually stayed in the territory of Georgia for less than **182 days** between May 2021 and May 2022, so the person is a non-tax resident of Georgia. The natural person provided translation services under a service agreement to a legal entity in Georgia and was paid the amount of 1000 GEL in May 2022. The Georgian legal entity is the service recipient, and is required to withhold at the source of payment 10% of the income tax. This is 1,000 GEL multiplied by 10%, which equals 100 GEL. The Georgian legal entity must transfer the amount as deducted, 900 GEL (1000 GEL - 100 GEL) to the Belarusian natural person (service provider). Additionally, the Georgian legal entity also has an obligation to independently pay Reverse Charge VAT in the amount of 180 GEL (1,000 multiplied by 18%). Reverse Charge VAT is explained below.

**Example 3.** A Belarusian natural person actually stayed in Georgia for **at least 183 days** between May 2021 and May 2022, and is therefore a tax resident of Georgia. Such person was employed by a Georgian legal entity under a labor contract and earned 1000 GEL. The employer, the Georgian legal entity, is required to withhold at the source of payment the 20% income tax. This is 200 GEL, calculated by multiplying 1000 GEL by 20% and to pay the remaining 800 GEL to the Belarusian national employee. This is calculated by deducting 200 GEL from 1000 GEL.

**Example 4.** A Belarusian natural person actually stayed in Georgia for less than **182 days** between May 2021 and May 2022 and is therefore a non-tax resident of Georgia. Such person was employed by a Georgian legal entity person under a labor contract. The Georgian legal entity is required to withhold at the source of payment 20% of income tax - 200 GEL (1000 GEL multiplied by 20%) and to pay the remaining 800 GEL (1000 GEL minus 200 GEL) to the employee (Belarusian national).

In case of payments under service agreements, if the natural person is a non-tax resident of Georgia, the income received during his/her activity without tax status on the territory of Georgia is taxed at the source of payment at the rate of 10% of income tax and the rate of VAT Reverse charged is 18%. Withholding taxes is the responsibility of the legal entity or individual entrepreneur who is the service recipient. They are required to calculate, deduct and pay taxes on behalf of non-tax resident natural persons who are the service providers.

Table 1:

Tax Rates Applied to Various Types of Income Received by Georgian Tax Residents		
Tax Residents of Georgia		
Type of Income	<u>Tax/Pension Contribution</u>	<u>Rate</u>
Employment	Income tax	20%
	employee and employer pension* contributions	2%+2%
Service contract	Income tax	20%
	employee and employer pension* contributions	2%+2%
Rent	Income tax	20%
Dividends from Georgian source	Profit tax	5%
Interest from Georgian source	Income tax	5%
Taxable income of an individual entrepreneur	Income tax	20% /1% /3%
*The employer pension contribution is paid by the employer from its own funds, without any deduction from the employee's income		

Table 2:

Tax Rates Applied for Various Types of Income Received by Georgian Non-Tax Residents		
Type of Income	<u>Tax/Pension Contribution</u>	<u>Rate</u>
Employment	Income tax	20%
Service contract	Income tax	10%
	VAT Reverse charge	18%
Rent	Income tax	20%
	VAT Reverse charge	18%

<b>Dividends</b>	Profit tax	5%
<b>Interest</b>	Income tax	5%
<b>Taxable income of individuals through their permanent establishment</b>	Income tax	20%

### **Determining the Source of Income for the Purpose of Taxation in Georgia**

According to Georgian tax law, deducting taxes on payments to non-tax residents is required only if the income paid is categorized as being received from a Georgian source. Natural persons are exempted from personal income tax on foreign (non-Georgian) source income in Georgia.

Article #104 of the Georgian Tax Code is dedicated to determining the source of income for individuals for the purposes of taxation in Georgia.

For ease of reference, the complete text of Article # 104 of the Georgian Tax Code is provided below and the lettering used in the Tax Code is retained:

“Article 104 – Georgian source income

1. For the purposes of this Section, Georgian source income shall be:

- a) income earned from employment in Georgia;
- b) income or benefit earned from the supply of goods in the territory of Georgia;
- c) income earned from the delivery of services in Georgia.

For this purpose, unless otherwise provided by this article, services shall be deemed to be delivered in Georgia if:

- c.a) services are actually rendered in Georgia;
- c.b) services are related directly to the immovable property located in Georgia;
- c.c) services are related directly to the movable property located in Georgia;
- c.d) services are related to the securities issued by a Georgian resident;
- c.e) the place of actual delivery of services is Georgia and services are delivered in the sphere of culture, art, education, tourism, recreation, physical culture and sports;
- c.f) the delivery of services is related to transportation of cargo or passengers, and the place of commencement and ending of transportation is Georgia;
- c.g) a service provider and a service recipient are in different states and the service provider is a Georgian resident, except where the service provider delivers services through its permanent establishment in another country that confirms the fact that the service provider has delivered services in another country (other than in Georgia).
- c.h) a service provider and a service recipient are in different states and the service provider delivers services in Georgia through its permanent establishment to an employee or otherwise (at the same time, the expenses related to the delivery of services by the service provider are incurred in Georgia irrespective of the place of actual payment of such expenses) that confirms the fact that the service provider has delivered services in Georgia,
- d) income earned from economic activity conducted in Georgia by a non-resident's permanent establishment, including income earned by a non-resident from the sale of identical (similar) goods in Georgia; as well as income from the services delivered in Georgia, which are identical or similar to

- the services delivered by a permanent establishment;
- e) income from the cancellation of obligations as a result of writing off bad debts related to economic activity conducted in Georgia and income from the sale of fixed assets under Article 111(7) of this Code or income received as a result of compensation under Article 146 of this Code;
  - f) dividends received from a resident legal person, or income earned from the sale of shares of a resident legal person and/or a partner's share in a legal person;
  - g) interest, provided the interest payer is a Georgian resident. At the same time, irrespective of whether the interest payer is a Georgian resident:
    - g.a) interest shall be deemed as a Georgian source income if a non-resident person has a permanent establishment in Georgia to which the nonresident's debt obligation is related and the interest expenses related to such debt obligation is attributed to the expenses of the permanent establishment, irrespective of whether such expenses have been incurred by the permanent establishment or not;
    - g.b) interest shall not be deemed as a Georgian source income if a resident person confirms that it has a permanent establishment in a foreign country to which the resident's debt obligation is related and the interest expenses related to such debt obligation is attributed to the expenses of the permanent establishment, irrespective of whether such expense has been incurred by the permanent establishment or not;
  - h) pension or scholarship paid by a resident;
  - i) royalty, if the payer of such royalty is a Georgia resident. At the same time, irrespective of whether the payer of the royalty is a Georgia resident or not:
    - i.a) a royalty shall be deemed as Georgian source income if a non-resident person has a permanent establishment in Georgia with respect to which the obligation to pay royalty arose, irrespective of whether such expense has been incurred by the permanent establishment or not;
    - i.b) a royalty shall not be deemed as a Georgian source income if a resident confirms that it has a permanent establishment in a foreign country with respect to which the obligation to pay royalty arose, irrespective of whether such expense has been incurred by the permanent establishment or not;
  - j) income earned from the sale or assignment of rights existing or exercised in Georgia provided in Article 8(21) of this Code; <http://www.matsne.gov.ge> 20000000005001016012
  - k) income earned from leasing movable property used in Georgia and/or from transferring any other contractual right of use;
  - l) income earned from immovable property located in Georgia and used for economic activity, including income from the sale of a partner's interest in such property;
  - m) income earned from the supply of shares of or partner's interest in an enterprise, more than 50% of the value of which assets is directly or indirectly created from the value of the immovable property located in Georgia;
  - n) income received from a resident enterprise or a non-resident's permanent establishment in Georgia for management, as well as financial and/or insurance services (including reinsurance services);
  - o) income earned in the form of insurance premiums under risk insurance or reinsurance contracts made in Georgia;
  - p) income earned from the provision of transport services in international carriage between Georgia and foreign countries or from the provision of telecommunication services in international communication;
  - q) other income earned from carrying on activities in Georgia.

2. In determining the source of income specified in the first paragraph of this article, the place of receipt of the amount of income shall not be taken into account.

### 3. (Deleted – 28.6.2019, No 4906)”<sup>48</sup>

The application of Article 104 to individual circumstances is subject to interpretation and requires analysis by a person with specialized knowledge and a full understanding of the facts. Several general principles follow:

- Payment received under a service contract by a resident of Georgia that originated from a source located outside Georgia while the recipient is living and working in Georgia is a Georgian source. It is subject to personal income tax in Georgia.
- By contrast, in many cases, passive income (e.g., dividend, interest, capital gains) that originated from a source located outside Georgia is considered a foreign source, not a Georgian source (for example, interest received on investment account, located in a country outside of Georgia). However, this rule is not always applicable and requires individual analysis.

A Georgian tax resident has the obligation to pay taxes only on income generated from Georgian sources of income. All natural persons located in Georgia are exempted from personal income tax on income generated from a “foreign source”. For example, if a Georgia tax resident<sup>49</sup> who is a foreign national natural person located in Georgia provides translation services to a Belarusian company, and the company pays for this service by transferring funds to Georgia, this income is considered to have a Georgian source even though the income originated outside Georgia. This is because the Georgia tax resident provided the service while he/she was located in Georgia, and, therefore, the income received is not considered as income generated from a “foreign source”, but from a “Georgian source”. As a result, that income is taxable at the 10% income tax rate in Georgia. Please note that different tax rates might apply depending on specific cases and whether the individual tax resident is registered as an individual entrepreneur.

Another example is when a foreign national who is a Georgian tax resident does not have to pay income tax, because the income would be considered generated from a “foreign source”, including when such person (a Belarusian national who is a Georgian tax resident) travels to another country and provides service from that country. In such case, even if the Belarusian receives payment in his/her bank account in Georgia, it will be considered to originate from a “foreign source” and will not be subject to income tax in Georgia.

### **Value Added Tax (VAT) - Reverse Charge**

Some services are not subject to income tax and may instead be taxable by the VAT Reverse Charge. This issue often causes uncertainty in applying the tax legislation, and complicates tax administration in Georgia. Because of the complexity of the system, it is important to obtain individual advice. The short overview below is provided to alert the users of these Guidelines to the issue so that they may seek individualized advice.

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<sup>48</sup> <https://matsne.gov.ge/en/document/view/1043717?publication=175>

<sup>49</sup> The residency mentioned in this section of the guideline (chapter regarding the taxation) only refers to tax residency and does not have any other meanings.



If any natural person or business entity generates more than 100,000 GEL of gross income (also referred to a “turnover”) from economic activities subject to VAT in any 12 month period, the person is required to register for VAT.

The reverse-charged VAT is the amount of VAT that the person or business entity has paid on a service purchased in Georgia instead of from abroad. Every Georgian-registered business entity pays Reverse Charge VAT if it has expenses from abroad, whether VAT-registered or not. The reason behind this policy is to create equal competitive conditions for both residents and non-resident persons of Georgia.

**Table 3:**

Applying Reverse Charge VAT in Georgia						
Description			Recipient of the Service			
			A	B	C	D
			Georgian individual or legal entity	Foreign national individual or legal entity	Georgian non-entrepreneurial individual	Foreign national non-entrepreneurial individual
Service Provider	A	Georgian individual or legal entity		Place of service provision is not Georgia. The service will not be subject to Reverse Charge VAT		Place of service provision is Georgia. The service will be subject to Reverse Charge VAT at 18%
	B	Foreign individual or legal entity person	Place of service provision is Georgia. The service will be subject to Reverse Charge VAT at 18%		Place of service provision is not Georgia and the service will not be subject to Reverse Charge VAT	

	C	Non-entrepreneurial individual of a Georgia tax resident (A person who lives in Georgia more than 183 total days in any 12 months period, or who has a permanent establishment in Georgia that participates in providing this service)		Place of service provision is not in Georgia and the service will not be subject to Reverse-Charge VAT		Place of service provision is not in Georgia and the service will not be subject to Reverse-Charge VAT
	D	Non-entrepreneurial individual of foreign country (A person who does not normally live in Georgia more than 183 total days in any 12 months period, or who has no fixed establishment in Georgia which participates in providing this service)	Place of service provision is in Georgia and the service will be subject to Reverse Charge VAT at 18%		Place of service provision is not in Georgia and the service will not be subject to Reverse Charge VAT	

\*Please note that VAT Reverse Charge taxation includes many exceptions from the above-mentioned principles. For or more detailed information, please refer to article 161 of the Tax Code of Georgia and obtain specialized assistance.

#### 1.4.2 WHEN MUST A FOREIGN NATIONAL REGISTER WITH THE GEORGIAN TAX AUTHORITIES?

##### **Permanent Establishment in Georgia**

When foreign nationals and foreign entities carry out economic activities at the locations listed below, this constitutes permanent establishment under Georgian law and requires registration as a taxpayer at the Revenue Service. These include:

1) a permanent base where a non-resident natural person carries on economic activity (including that person's home); and

2) the place of management, branch, representative office, department, bureau, office, agency (or sub-unit or other place of business), workshop, mine or quarry or any other place of extraction of natural resources of a foreign entity.

The permanent establishment of a foreign entity or a non-resident natural person in Georgia excludes the purposes listed below. These do not require foreign legal entities and foreign national natural persons to register as taxpayers:

1) storing or displaying goods that belong to a foreign entity or non-resident natural person or storing them before processing by another person;

2) purchasing goods or gathering information for a foreign enterprise or non-resident natural person;

3) preparing for or conducting insubstantial activities in the interests of the foreign entity or non-resident natural person; and

4) preparing or signing agreements for extending loans, supplying goods or providing technical services on behalf of a foreign entity or non-resident natural person.

Additionally, the mere transfer of property by a foreign enterprise or non-resident natural person in Georgia by lease, usufruct, rent, letting and/or any other similar form does not constitute a permanent establishment, except where a person systematically performs, in person, through a representative or hired personnel, service and supervision of the activities of the property recipient.

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#### 1.4.3 WHAT ARE THE TAXATION RATES AND REPORTING REQUIREMENTS FOR AN INDIVIDUAL ENTREPRENEUR?

The taxable income of an individual entrepreneur is subject to a 20% rate. Taxable income is defined as the difference between the total income received and the deductions provided for by the Tax Code of Georgia during the tax year. Accordingly, the expenses of an individual entrepreneur are deducted from the income and the remaining profit is taxed at 20%. An individual entrepreneur must submit an income tax return to the tax authority by April 1 of the year following the reporting year and pay the tax by that date.

Georgian legislation establishes a preferential small business regime for individual entrepreneurs, as referenced in the discussion of preferential regimes for individuals. (For more information, please refer to section [3.5.2 of these Guidelines](#).)

Individual entrepreneurs' taxable real property (except for land), is taxed at a rate of 1% property tax, if the gross income they received from all sources during the previous year exceeds 40,000 GEL.

#### 1.5 WHAT ARE THE REQUIREMENTS FOR A FOREIGN NATIONAL TO OPEN A BANK ACCOUNT IN GEORGIA?

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##### 1.5.1 PROCEDURES FOR INDIVIDUALS TO OPEN BANK ACCOUNTS

#### **Applications Process and Outcomes**

The steps to open a bank account vary depending on the bank, the applicant's status<sup>50</sup> and the purpose of the account.<sup>51</sup> To open a personal bank account, individuals should visit the branch of the bank selected, submit an application (the bank will provide the forms)<sup>52</sup> and provide proof of identity, typically a passport. Banks will require information about the applicant's residency permit and home address.<sup>53</sup> Individual entrepreneurs who wish to open an account for business transactions may be required to bring an excerpt from the register proving their status.<sup>54</sup> In addition to these general requirements, commercial banks have broad authority to request other documents and information from an applicant for verification purposes.<sup>55</sup> Requirements can vary across banks and are mostly evaluated on a case-by-case basis.

In practice, foreign nationals are frequently asked to provide documents establishing their assets, specify the approximate amount and frequency of transactions to be performed in the account and comply with anti-money laundering (AML) and countering terrorist financing (CTF) laws.<sup>56</sup> Compliance may include requiring the applicant to provide contracts to document the source of income or copies of foreign bank statements as required by banks. The most important requirement stipulated by the AML is the obligation of banks to verify whether the applicant's place of registration and place of residence is in a high-risk jurisdiction.<sup>57</sup> Applicants may be asked to disclose if they are politically active persons.<sup>58</sup> The bank's regulatory committee will assess the money laundering and terrorist financing risks presented and makes a final decision on applications, taking into account the nature and volume of the banking activities that applicants plan to conduct.

As indicated, account opening processes vary among banks and change should be expected. The Bank of Georgia, for example, requires individuals from Belarus to submit an E-application in advance on its website [IE.bog.ge](https://ie.bog.ge). The submission currently costs 50 GEL (about 16.5 USD). The authorized department of the bank examines the submission and checks the background of the individual. According to the bank's officials, this may take up to five working days. This is an illustrative estimate. Individuals who wish to bank at Liberty Bank are required to pay a background check charge, which is 25 GEL (about 8.3 USD). This approach may be used by any financial institution at any stage. It is therefore advisable to verify the terms of each financial institution prior to submitting an application, especially because the fee paid for the background check is non-refundable if the bank refuses to open an account.

The timeframes for decision-making are not uniform and Georgia's Law on Commercial Banks permits banks to refuse account applications without providing justification, making it difficult to challenge the decision.<sup>59</sup> Based on observations of recent practice, financial institutions frequently refuse to open a bank account for Belarusian individuals or entities. The complexities related to the war in Ukraine and

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<sup>50</sup>Whether the applicant is a natural person or a person registered as an individual entrepreneur.

<sup>51</sup>Whether the purpose is for personal use or business transactions.

<sup>52</sup>While creating a personal account, the applicant affirms that the account is not intended for entrepreneurial activities and accepts full responsibility for any violations of this provision.

<sup>53</sup> Law of Georgia on Commercial Bank Activities, Art. 21<sup>1</sup>(2) <https://matsne.gov.ge/en/document/view/32962?publication=37> [consolidated version is available only in Georgian].

<sup>54</sup>If the excerpt comes from a foreign registry, including Belarusian, it should also be translated and notarized by the notary residing in Georgia.

<sup>55</sup>Law of Georgia on Commercial Bank Activities, Art. 21<sup>1</sup>(3).

<sup>56</sup>Law of Georgia on Commercial Bank Activities, Art. 21<sup>1</sup>(1,2).

<sup>57</sup>For the purposes of this Law, a "high-risk" jurisdiction is a country or territory that have significant deficiencies in their systems of preventing money laundering or the terrorism financing. On the recommendation of the Service, the National Bank of Georgia approves and updates the list of high-risk jurisdictions as necessary.

<sup>58</sup>For the purposes of this Law, a politically active person is a natural person performing important public or political functions and does not include low and medium rank officials.

<sup>59</sup>Law of Georgia on Commercial Bank Activities, Art. 21<sup>1</sup>(4,5).

international sanctions have increased the likelihood that Belarusians may be treated as coming from a high-risk jurisdiction, subjecting them to stricter background check procedures.

### **Communications with Banks**

Financial institutions may be less effective in communicating detailed information about the services they offer by phone or email. Therefore, applicants are advised to visit the branch in person and describe in detail the plans for the account to the bank staff. Most banks do not permit opening of accounts from outside Georgia. If an individual is unable to visit the branch, he/she should provide a notarized power of attorney (POA) to a trusted person authorizing that person to act on behalf of the individual. It is advisable to consult with bank representatives, a notary or experienced legal counsel to ensure that the POA form and content is specifically suitable for banking services and will be accepted by the bank

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#### **1.5.2 ANTI MONEY LAUNDERING AND COUNTERING TERRORISM FINANCING RULES FOR FOREIGN NATIONALS**

Georgia's Law on Facilitating the Prevention of Money Laundering and the Financing of Terrorism<sup>60</sup> establishes the rules related to anti-money laundering (AML) and countering terrorism financing (CTF). For the purposes of the law, banks are required to follow the preventative mechanisms stipulated in the law and are granted broad decision-making authority over the development and implementation of AML- and CTF-related internal policies. Banks must evaluate the risks of money laundering and the terrorism financing at account application and thereafter at suitable intervals. The risk assessment results determine whether restrictions are imposed upon the account holder.

Banks are required to implement the preventive measures outlined in Article 10 of the Law with respect to the following events:

- 1) establishing a business relationship;
- 2) when a single transaction or related transactions exceed(s) 15,000 GEL (approximately 5,000 USD), or the equivalent in foreign currency;
- 3) when a one-time transfer of or related transfers exceed(s) 3,000 GEL (approximately 1,000 USD), or the equivalent in foreign currency; and
- 4) when the total value of funds in a transaction or related transactions exceeds 5,000 GEL (approximately 1,667 USD), or the equivalent in foreign currency.

Account holders should recognize that banks are authorized to examine their activities and their location and jurisdictions, products, services, and how they are provided, their commercial or professional activity, the origin of their property and funds, and other risk factors. Bank must also ensure that the account holder's identification data and other information are kept current and account holders must be prepared to provide any clarifying information.

Banks have broad discretion to monitor the account holders' accounts in compliance with the rules set forth in Georgia's Law on Facilitation of Prevention of Illicit Income.<sup>61</sup> For example, the placement of funds in

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<sup>60</sup><https://matsne.gov.ge/ka/document/view/4690334?publication=3> [consolidated version is available only in Georgian], Former version (from the year of 2019) is available in English: <https://matsne.gov.ge/en/document/view/4690334?publication=0>.

<sup>61</sup>The law on Facilitation of Prevention of Illicit Income, <https://matsne.gov.ge/en/document/view/12580?publication=31> [consolidated version is available only in Georgian.]

cash form into a bank account by a natural person or non-entrepreneurial entity and its transfer falls under the scope of monitoring (except for transferring money to the State Budget and between its own accounts within Georgia).<sup>62</sup> Since the bank has exclusive discretion to monitor the process and evaluate whether transactions appear to fall into the risk category, its approach towards Belarusians may change depending on the political environment and the extent of international sanctions imposed on Belarus and Russia.

Banks are prohibited from establishing or continuing a business relationship, and entering into or completing a transaction, if they are unable to implement the preventive measures prescribed by law. This means that if banks are dissatisfied with the information provided and are unable to assess the degree of risk associated with a transaction, they will refuse to provide the service and may even consider whether there are grounds to report the case to the authorities. It is illegal to establish or maintain a business relationship, or to enter into or complete a single transaction, if there is a reasonable doubt whether the account holder or another person participating in a transaction is a person who is:

- on the list of sanctioned persons (Sanctions List);
- acting on behalf of or on the instructions of a person on the Sanctions List; or
- directly or indirectly owned or controlled by a person on the Sanctions List.

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### 1.5.3 ACCOUNT FEATURES AND BANKING SERVICES

Most banks (including the Bank of Georgia, Basis Bank, Credo Bank, Liberty Bank and TBC Bank) provide a universal bank account linked to a client's debit card that allows the client to make and receive payments in GEL, EUR, and USD, both online and offline (a so-called “three in one”). If a person transfers funds into his/her own account in USD or EUR, the funds will remain in that currency until the owner converts them. Some banks’ ATMs, including those at Bank of Georgia and TBC Bank allow customers to withdraw money in both USD and GEL. All bank accounts in Georgia use the worldwide IBAN format, making it easy to transfer funds into the account without requiring the use of SWIFT/BIC numbers. However, it is illegal to accept or pay for purchases, services or labor in any currency other than GEL. As a result, the bank might refuse payment for a service in foreign currency.

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### 1.5.4 ACCOUNT INACTIVITY FEES

Banks generally do not require a minimum deposit to open an account, nor do they require the account to remain active with ongoing transactions. As a result, there are no consequences for inactivity. Although the fees for operating a bank account are very low<sup>63</sup> account holders may elect to pay a slightly higher fee to obtain fraud protection insurance.<sup>64</sup> If there is insufficient money in the account to satisfy the monthly charges, the bank may cancel the account without prior warning to the account holder.

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<sup>62</sup> The law on Facilitation of Prevention of Illicit Income, 5(2)(g).

<sup>63</sup> Typically, a small amount of GEL per month—the exact amount is determined by the bank and the level of service offered by the account.

<sup>64</sup> The cost will depend on the specific terms of coverage.

## 1.6 CAN A FOREIGN NATIONAL RECEIVE A TAX EXEMPT GRANT OR DONATION FROM A FOREIGN OR A LOCAL ENTITY?

As a general rule, only a natural person who is a citizen of Georgia can receive a grant in Georgia. A natural person who is a foreign national, including a citizen of the Republic of Belarus, cannot receive a grant in Georgia, except in the special circumstances (grant competitions), described below.

### **Gratuitous Transfers**

Georgian legislation provides for different types of gratuitous transfers (gifts, donations) of property and funds to individuals, which differ in terms of their purpose, donor and recipient entities, and tax treatment. Under Georgian law, property and funds may be transferred to a natural person free of charge, as a gift that may or may not serve a common beneficial purpose. An individual may be gifted any property and funds permitted by law (e.g., money, real estate, securities, or the right to claim those) and for any purpose. In addition, a donor may request that the resources gifted be used to support specific charitable goals or other actions that benefit the community.<sup>65</sup>

### **Regulation of Grants in Georgia**

A grant is a type of gift for a specific purpose, which is regulated by the Law of Georgia on Grants. The law directly defines who can be the grantor and the recipient of grants in Georgia. According to the legislation of Georgia, a grant is a targeted fund provided by the grantor (donor) to the grantee, free of charge, in cash or in-kind, to be used for specific humanitarian, educational, scientific research, health, cultural, sports, ecological, agricultural and social development projects, and for the implementation of programs of state or public importance. Accordingly, a grant is awarded for a specific purpose and to implement specific projects/activities. Unlike other types of gifts, a written contract must be drawn up when a grant is awarded, which must include the purpose of the grant provided, the amount, the specific direction of the funds, their terms of use, and the basic requirements set by the grantor (donor).<sup>66</sup>

### **Who Can Receive Grants**

As a general rule, only a natural person who is a citizen of Georgia can receive a grant in Georgia. Accordingly, a natural person who is not a citizen of Georgia and is a citizen of a foreign country, including a citizen of the Republic of Belarus, cannot be a recipient of a grant in Georgia, regardless of the source of the grant (government, non-government, international or local). However, certain exceptions allow a foreign citizen, including a citizen of the Republic of Belarus, to receive a grant in Georgia, as part of grant competitions announced by a legal entity, for example the Shota Rustaveli Georgian National Science Foundation. Typically, this foundation provides grant funding for scientific research, teaching-research, and similar projects.<sup>67</sup>

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<sup>65</sup> Civil Code of Georgia, Art. 524-530. not consolidated version in English - <https://matsne.gov.ge/en/document/view/31702?publication=115>.

<sup>66</sup> Law of Georgia on Grants,, Art. 2, 5. Only available in Georgian - <https://matsne.gov.ge/ka/document/view/31510?publication=30>.

<sup>67</sup> Law of Georgia on Grants, Art. 2, 4. Only available in Georgian - <https://matsne.gov.ge/ka/document/view/31510?publication=30>.



## **Taxation of Grants**

Recognition of funds transferred to individuals (in cash and in-kind) as grants is important for tax purposes, because a grant is subject to a different taxation regime in accordance with Georgian law. A grant received by a natural person is exempt from income tax and the natural person does not pay income tax on the grant received. However, if the transfer of property to a natural person is not recognized as a grant, it will be treated as income of the natural person that will be subject to income tax.<sup>68</sup> Because of the limited circumstances in which a non-Georgian citizen is permitted to receive a grant, this tax treatment will have limited applicability,

## **Donations/Gifts**

According to the legislation of Georgia, any natural person regardless of his/her citizenship, may receive gifts or donations. A foreign citizen, including a citizen of the Republic of Belarus, may be gifted any property and funds permitted by law in Georgia (money, real estate, securities or the right to claim those). Anyone may make a gift.

## **Taxation of Donations/Gifts**

While only Georgian citizens may receive grants, any natural person, including foreigners may receive donations and gifts. They will be treated as the income of a natural person and are subject to income tax as provided by the Tax Code, subject to any applicable exceptions in the Tax Code. A natural person who is tax resident of Georgia or a non-resident natural person will be required to pay income tax in Georgia if he/she receives income from a source in Georgia. Accordingly, if a foreign national, including a citizen of the Republic of Belarus, is considered a tax resident of Georgia for tax purposes, he/she will pay income tax on property and funds received as a gift if he/she received this property from a source in Georgia, unless there are general grounds for exemption from income tax. A non-resident natural person of Georgia (including a citizen of the Republic of Belarus) will be required to pay income tax on property received as a gift if he/she received the property and funds as a gift from a source in Georgia. There are some exceptions to these rules, for example, the value of property of up to GEL 1,000 received as a gift by a natural person during a tax year shall be exempt from income tax (except for the value of property received as a gift by an employee from the employer).

The registration of a grant or donation is linked to tax reporting. A grant received by a natural person (Georgian) is exempt from income tax. However, if a natural person tax-resident in Georgia receives property (funds) as a gift, and the giftor does not withhold income tax on the value of the gift, the recipient of the gift must be required to file for tax registration no later than April 1 of the following year and to pay income tax. A non-resident natural person must do the same if his/her income from a source in Georgia and is not taxed at the source of payment.<sup>69</sup>

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<sup>68</sup> Tax Code of Georgia , Art. 82. not consolidated version in English - <https://matsne.gov.ge/en/document/view/1043717?publication=175>.

<sup>69</sup> Tax Code of Georgia , Art. 34, 62, 79, 80, 82, 104, 134, 153,154. not consolidated version in English - <https://matsne.gov.ge/en/document/view/1043717?publication=175>.



## 1.7 WHAT ARE THE RELEVANT BILATERAL TREATIES BETWEEN BELARUS AND GEORGIA?

### 1.7.1 WHAT BILATERAL TREATIES ALLOW THE EXTRADITION OF A FOREIGN NATIONAL FROM GEORGIA TO BELARUS, OR REQUIRE THE PROVISION OF SENSITIVE INFORMATION ABOUT A FOREIGN NATIONAL?

Georgia has several treaties with Belarus that regulate key issues pertaining to cooperation on fighting crime, readmission of citizens, exchanging and gathering intelligence, etc.

#### **Extradition and legal assistance in criminal cases**

Both Georgia and Belarus are signatory parties to the Convention on Legal Assistance and Legal Relations in Civil, Family and Criminal Matters<sup>70</sup> (the so-called Minsk Convention). The convention commits both countries to extradite persons within their territories for criminal liability or for the execution of a judgment.<sup>71</sup> However, Georgia will not proceed with an extradition request from Belarus if:

- the crime for which the extradition is requested is punishable by death under the legislation of Belarus;
- the crime for which extradition is requested is considered to be a political or related crime in Georgia;
- a Belarusian court issued a default judgement against an individual who was not properly informed of the court hearing or the person accused of the crime was not provided with minimum defense rights;
- the person subject to extradition has been granted asylum in Georgia or has international protection status in Georgia, except where extradition is requested to a safe third state;
- there is a reasonable belief that a person's extradition is requested for the purpose of prosecuting or punishing him/her because of race, nationality, ethnic origin, religion or political opinions or other similar reasons;
- there is a reasonable belief that the person will be subjected to torture, or cruel, inhuman or degrading treatment or to punishment involving any of these; and
- other circumstances prescribed by Georgian legislation.<sup>72</sup>

#### **Cooperation in the fight against crime and exchanging intelligence**

The Bilateral Treaty on Cooperation between the State Security Service of Georgia and the State Security Committee of the Republic of Belarus<sup>73</sup> came into force in 2021.

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<sup>70</sup> The Convention on Legal Assistance and Legal Relations in Civil, Family and Criminal Matters, <https://matsne.gov.ge/ka/document/view/5017658?publication=0>.

<sup>71</sup> Id. art. 56 (1).

<sup>72</sup> Law of Georgia on International Cooperation in Criminal Matters, art. 29, <https://matsne.gov.ge/en/document/view/112594?publication=4>.

<sup>73</sup> Bilateral Treaty on Cooperation between the State Security Service of Georgia and the State Security Committee of the Republic of Belarus, date of adoption 25/08/2016.

It commits Georgian and Belarusian authorities to regularly exchange information (including personal data) related to state security issues and to provide operational, technical and other assistance in the fight against various crimes.<sup>74</sup>

The Agreement between the Government of Georgia and the Government of the Republic of Belarus on Cooperation in the Field of Fighting Crime<sup>75</sup> envisions cooperation between the states during planning and implementation of coordinated operative-investigative and preventive measures; identification of organized criminal groups and individuals engaged in criminal activities; exchange of operative-investigative, criminological and other information of common interest.<sup>76</sup> This treaty also commits Georgian authorities to take all necessary measures to identify, apprehend, arrest, detain or provide information about persons in Georgian wanted by the Belarusian authorities. The competent authorities must also cooperate in the search for weapons, objects, documents and valuables obtained in committing a crime that may be relevant to the criminal case, and in freezing assets.<sup>77</sup> The Agreement between Georgia and the Republic of Belarus on the Exchange and Mutual Protection of Confidential Information allows the exchange of confidential and classified information.<sup>78</sup>

However, Georgian authorities can refuse to cooperate on certain issues if the request from Belarus could infringe on human rights and legitimate interests, endanger the sovereignty, security and national interests of Georgia, and if the request contradicts Georgian legislation or its international obligations.<sup>79</sup>

### **Return and readmission**

The Readmission Agreement between the Government of Georgia and the Government of the Republic of Belarus<sup>80</sup> commits the Belarusian authorities, upon a request from Georgia, to receive in Belarus Belarusian

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<https://matsne.gov.ge/ka/document/view/5245639?publication=0>.

<sup>74</sup> These include A) crimes against the constitutional order, sovereignty and territorial integrity of State Parties; B) transnational organized crime and international crime threatening the state security of the parties; C) terrorism and all its manifestations, as well as the financing of terrorism; D) cyberterrorism; E) crimes related to the illicit trafficking in weapons, ammunition, explosives, chemical, biological, radioactive and nuclear materials and other dangerous substances; F) manufacture, purchase or sale of weapons of mass destruction; G) crimes implicating state secrets, including disclosure of classified information; H) crimes related to corruption; (I) other offenses, including transnational and international offenses, which fall within the competence of the parties under the Domestic Law of State Parties. Id. article 2(2).

<sup>75</sup> Agreement between the Government of Georgia and the Government of the Republic of Belarus on Cooperation in the Field of Fighting Crime, <https://matsne.gov.ge/ka/document/view/3209833?publication=0>.

<sup>76</sup> Id. art. 3(1).

<sup>77</sup> Id. art. 4.

<sup>78</sup> The Agreement between Georgia and the Republic of Belarus on the Exchange and Mutual Protection of Confidential Information, <https://matsne.gov.ge/ka/document/view/4307742?publication=0>.

<sup>79</sup> Bilateral Treaty on Cooperation between the State Security Service of Georgia and the State Security Committee of the Republic of Belarus. art. 5(6); the Agreement between the Government of Georgia and the Government of the Republic of Belarus on Cooperation in the Field of Fighting Crime Art.12.

<sup>80</sup> Readmission Agreement between the Government of Georgia and the Government of the Republic of Belarus, <https://matsne.gov.ge/ka/document/view/3318049?publication=0>.

nationals or former Belarusian nationals who have lost their citizenship but have not acquired the nationality of another state, and who have entered or are resident in Georgia in violation of Georgian legislation regulating the entry, exit or stay of foreign nationals and stateless persons in Georgia.<sup>81</sup>

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### 1.7.2 WHAT ARE THE RULES UNDER TREATIES TO AVOID DOUBLE TAXATION AFFECTING FOREIGN NATIONALS?

The Agreement Between the Government of Georgia and the Government of the Republic of Belarus on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital, regulates double taxation issues between Georgia and Belarus.<sup>82</sup>

#### **Avoiding double taxation on income from employment and remunerating directors**

The salary, remuneration or any other similar income paid by a resident of Georgia is taxable only in Georgia if the employment did not occur in Belarus.<sup>83</sup> Belarus can tax income received in Georgia in the following cases:

- a) an individual is remunerated in Georgia for a period or periods not exceeding 183 days in any 12-month period beginning or ending in a tax year;
- b) the remuneration is paid by or on behalf of an employer, who is not a resident of Georgia; and
- c) the payer is not an employer's permanent establishment which is located in another state.<sup>84</sup>

Honoraria for directors and similar remuneration received by a resident of a Belarus as a member of the board of directors of an entity located in Georgia may be taxed in Georgia.<sup>85</sup>

#### **Avoiding double taxation of students and interns**

Remuneration received by a student or intern who was or had been a resident of Belarus before his/her arrival in Georgia and who is living in Georgia for the sole purpose of obtaining an education or training, would not be taxed in Georgia if the source of funding is located outside Georgia and the income is intended only to fund the cost of living, education or training.<sup>86</sup>

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<sup>81</sup> Readmission Agreement between the Government of Georgia and the Government of the Republic of Belarus, art. 2(1). <https://matsne.gov.ge/ka/document/view/3318049?publication=0>.

<sup>82</sup> Agreement between the Government of Georgia and the Government of the Republic of Belarus on the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital <https://matsne.gov.ge/ka/document/view/3089360?publication=0>.

<sup>83</sup> Id. art. 14 (1).

<sup>84</sup> Ibid.

<sup>85</sup> Agreement between the Government of Georgia and the Government of the Republic of Belarus on the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital, art.15 <https://matsne.gov.ge/ka/document/view/3089360?publication=0>.

<sup>86</sup> Agreement between the Government of Georgia and the Government of the Republic of Belarus on the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital, art.19 <https://matsne.gov.ge/ka/document/view/3089360?publication=0>

## 2 NGOS

### 2.1 LEGAL ORGANIZATIONAL FORM OF NGOS

According to the Civil Code of Georgia, the only organizational and legal entity form in which NGOs can register and operate in Georgia is as a Non-Commercial Non-Entrepreneurial) Legal Entity (NNLE). NNLEs can be of different types, such as associations and foundation, depending on whether they have members (associations) or not.

### 2.2 CHARITABLE STATUS, ASSOCIATED BENEFITS, PROCEDURES, RELATED REQUIREMENTS AND OBLIGATIONS

#### 2.2.1 CHARITABLE STATUS AND THE PROCEDURES TO RECEIVE AND REVOKE IT

The Georgian legal system recognizes the status as a charitable organization, which an NGO can obtain as stipulated in the Tax Code of Georgia.<sup>87</sup> Registration of an NGO as a legal entity (NNLE) and obtaining charitable status are two separate procedures. An NNLE may obtain charitable status if it is created to carry out charitable activities<sup>88</sup> and is registered as required. The NNLE<sup>89</sup> must have at least one year of experience carrying out its charitable activities and fulfill all the other legal requirements. The status as a charitable organization is granted and revoked by the Head of the Revenue Service in consultation with the Minister of Finance of Georgia, upon a recommendation by the tax authority.

The status is granted based on a written application by an NGO that provides the following information:

- a) Organization's name;
- b) Organization's legal form (this will be NNLE);
- c) Main goals;
- d) Main areas of activity in the previous year; and
- e) Address(es) where its management body and branches are located.

The following must be attached to the application to provide more detailed information:

- a) A copy of the charter of the organization;

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<sup>87</sup> Art. 32, art. 10 and art.30 <https://matsne.gov.ge/en/document/view/1043717?publication=152> [consolidated version is available only in Georgian].

<sup>88</sup> The list and description of charitable activities can be found in the Tax code of Georgia Art. 10.

<sup>89</sup> In this section, “NGO” and “NNLE” are used interchangeably.

- b) A copy of the civil and/or tax registration certificate;
- c) An activity report for the previous year, including a description of the activities, including projects conducted and services provided); and
- d) The previous year's financial documents (balance sheet and income statement), certified by an independent auditor.

An NGO's charitable status may be revoked:

- a) At the request of the organization; or
- b) By action of the Revenue Service as the authorized body.

If the status is revoked for non-compliance with the requirements of the Tax Code,<sup>90</sup> the NGO must return that part of its profits received as a result of tax privileges due to its charitable status. The tax authority will send the NGO a notice providing a one month period to comply before the tax authority submits an application to the Revenue Service to revoke the NGO's charitable status. An NGO that has had its charitable status revoked may request restoration of the status within one year after it cures the deficiency that caused the status to be revoked.

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### 2.2.2 CHARITABLE STATUS BENEFITS AND OBLIGATIONS

Tax benefits for charitable activities are intended to encourage donations to charitable organizations, but they do not provide benefits to the NGOs themselves. Business entities that support charitable organizations can deduct the amount contributed from their net income that would otherwise be distributed to the owners as dividends. The maximum amount that business entities can deduct from net income for this reason is 10% of the total net income.

The law requires that the NGO's report of its previous year's program activities and financial statements (balance sheet and income statement) be publicly published and made available for all interested persons,<sup>91</sup> although it does not specify how or where.

The status as a charitable organization primarily aids in attracting contributions from business entities supporting social objectives. However, before applying for such status, an NGO should consider the burden related to the higher transparency standards and the fact that the tax incentives do not reduce its own tax.

The Revenue Service is responsible for maintaining the Unified Register of Charitable Organizations (Charitable Organizations Register). The Charitable Organizations Register is publicly available to any interested party.<sup>92</sup>

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<sup>90</sup> Tax Code of Georgia, art. 32(11), Art.10

<sup>91</sup> Tax Code of Georgia, art. 32(10)

<sup>92</sup><https://www.rs.ge/charityorganization>

## 2.3 ESTABLISHMENT AND REGISTRATION REQUIREMENTS

### 2.3.1 REQUIREMENTS TO ESTABLISH NGOS

The general rule is that any Georgian or foreign national natural person with full legal capacity<sup>93</sup> and any local or foreign legal entity<sup>94</sup> can establish an NGO, become a member of one, or serve on its managing body. There is no required minimum number of founders, meaning that an NGO can be founded by a single individual.<sup>95</sup>

### 2.3.2 NGO TYPES

The NNLE form is the sole organizational and legal form in which Georgian NGOs may register. Unlike in other jurisdictions, there is no choice of alternative forms. Although groups in the NGO sector can function informally as unregistered unions and initiative groups without registering,<sup>96</sup> the majority of Georgian NGOs exist in the NNLE legal form and are registered by the National Agency of Public Registry of the Ministry of Justice (Public Registry).

### 2.3.3 FOUNDERS' PERSONAL DATA AND PUBLICLY AVAILABLE INFORMATION

An NGO's founding documents must provide personal data about the founders, managers and directors, including their name, surname, personal identification number, address, and typically birth date. The Public Registry does not usually require confirming identity documents (e.g., passport or ID) from anyone other than the individual who files the application.<sup>97</sup>

If an international or foreign organization wishes to register a branch (affiliated organization), the Public Registry will also require a document confirming that the founders of the parent organization were authorized to make such a decision.

Once the NGO is registered, the excerpt that will be provided by the Public Registry from time to time to confirm its status will include the name, surname, and personal identification numbers of the

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<sup>93</sup> In Georgia, full legal capacity is attained when a person reaches the age of 18.

<sup>94</sup> Legal entities that are either private or public, including government and municipal bodies.

<sup>95</sup> Some exceptions apply to membership-based organizations with specific goals. For example, at least five people are required to form a creative union, according to Georgia's Law on Creative Workers and Creative Unions, Art. 16, 17. <https://matsne.gov.ge/en/document/download/19222/6/en/pdf>.

<sup>96</sup> Unregistered unions have the legal capacity to engage in any civic relationship independently. Financial transactions and activities of such unions are also tracked by the tax authorities, according to the Georgian Tax Code. Georgia's Civil Code, Art. 39, Tax Code of Georgia, Art. 21 and 66, <https://matsne.gov.ge/en/document/view/1043717?publication=175>.

<sup>97</sup> The person applying for the registration must provide a passport or ID. The applicant is usually either the future director or an authorized representative with a POA.

organization's chairman, director and members of the body responsible for the organization's management. This information will be publicly available to all interested parties.<sup>98</sup>

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#### 2.3.4 REGISTRATION PROCEDURES AND ASSOCIATED COSTS

NGO registration is carried out in accordance with the procedures outlined in Georgia's Civil Code, the Law on Entrepreneurship<sup>99</sup>, and the Order of the Minister of Justice on Approval of the Instruction on Registration of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities.<sup>100</sup> The procedure is typically time-efficient and requires only the submission of the necessary documentation to the Public Registry. To register a NNLE, the following documents must be submitted:

1. Application for registration in the form provided by the Public Registry;
2. Applicant's identification documents. If the application is filed by a representative, a POA should be provided);
3. Founder's decision or the founding agreement to establish the NNLE, together with the charter, which is an essential part of the founding agreement (see below), and must be notarized;
4. Lease agreement or consent letter signed by the owner of the property designated as the organization's official address; and
5. Confirmation of payment of the required registration application fee.

**Content of the Founder's Decision/Founders' Agreement:** The founder's decision or founders' agreement if more than one founder (together with the charter), must contain the name of the NNLE, the goal of its activities, its legal address and the data of each founder. The person authorized to manage and represent the NNLE should be identified, his/her term of office if defined, and whether that person has the authority to act individually or if others are needed. The founder's decision/founders' agreement must describe the governing body, how members are elected or appointed and dismissed and its structure and operation.

A NNLE must have a registered telephone number and/or e-mail address, with the consent of each person designated as responsible for managing and representing the organization evidenced by their signatures. To facilitate communication between the organization and the administrative authorities, there is a digital portal at <https://www.my.gov.ge/en-us/services/10> for each registered organization. The founder's decision/founders' agreement must identify the person responsible for maintaining the information on the portal, and provide his/her identification data, email address, and consent.

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<sup>98</sup> Via the following link, it is possible to look for an extract of and further information about registered NGOs: [https://enreg.reestri.gov.ge/main.php?m=new\\_index&l=en](https://enreg.reestri.gov.ge/main.php?m=new_index&l=en).

<sup>99</sup> Law of Georgia on Entrepreneurship, <https://matsne.gov.ge/ka/document/view/28408?publication=70>. [consolidated version is available only in Georgian].

<sup>100</sup> Instruction on Registration of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities" (Order of the Minister of Justice of Georgia, 31/12/2021, N797).

**Charter:** Although the charter is part of the founder's decision/founders' agreement, these are separate documents. While the founders must include all information required by law, the charter can be used to determine additional rules established at the time of founding the organization. The charter is the fundamental governing document that provides the basis for structuring the operation of an NNLE. Each time the NNLE wishes to change its charter, the amended charter must be filed at the Registry. Therefore, it is not recommended that the charter include data that is frequently altered, such as the names of the board members or director, or the NNLE's contact information, etc.

Typically, a NNLE's charter states the organization's objectives and scope of activities; its method to admit, withdraw and dismiss members (if membership based); the procedure to establish, reorganize and liquidate its governing body and the length of the members' term. This list is not exclusive. Founders can include any topics they wish in the charter.

The applicant can complete the registration process in person by visiting the Public Service Hall.<sup>101</sup> The Public Registry regularly posts updated information about progress in the registration procedure, including whether it was completed, delayed or rejected so that the process is transparent.<sup>102</sup>

**Translation and Notary Fees:** Fees to translate the founding documents may be negotiated based on the language of the translation and whether service is expedited. Fees for notary services depend upon the type of service provided and are prescribed by the Law of Georgia on Notaries and the associated regulations.<sup>103</sup> As of June 2022, the fee for a notary to certify the founding documents to create an NNLE and the documents to reorganize, amend or the founding documents was 50 GEL (approximately 17 USD at GEL 3 to the USD). For additional information regarding notary costs, please refer to [Section 3.2.3 of these Guidelines](#).

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#### 2.3.5 REQUIREMENTS FOR NGO'S LEGAL ADDRESS

An NNLE may select any location for its address. The applicant must obtain and document the consent of the owner of the property designated as the organization's official address (or an agreement giving the applicant the right to use the property) in writing with the owner's notarized signature. If the owner accompanies the applicant to the registry, the signature can be validated by the Public Registry staff. Submission of this document is required only if the applicant (or its founder, director, etc.) does not own the real property designated as the organization's legal address.

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<sup>101</sup> The procedure is carried out according to the Instruction on Registration of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities" (Order of the Minister of Justice of Georgia, 31/12/2021, N797).

<sup>102</sup> Webpage of national agency of public registry, [https://enreg.reestri.gov.ge/main.php?m=new\\_index](https://enreg.reestri.gov.ge/main.php?m=new_index).

<sup>103</sup> Service fee rates, fee payment rules and service terms provided by the National Agency of Public Registry, a legal entity of public law operating in the field of governance of the Ministry of Justice of Georgia" (Resolution of the Government of Georgia, 29/12/2011, N509); Remuneration for the performance of notarial acts and the amount of the fee set for the Notary Chamber of Georgia, the procedure for their payment and the terms of service (Resolution of the Government of Georgia, 29/12/2011, N507).



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### 2.3.6 REQUIREMENTS FOR AN NGO'S NAME

An NNLE may select its name with reference to its activities or other themes it wishes to evoke, provided it complies with THE NAME requirements specified in Georgia's Civil Code and in the regulations established by Georgia's Law on Entrepreneurs (applicable to all legal entities). These include:

- The name on the application must be in Georgian, however, as part of registration, the name may also be indicated in English;
- Graphic symbols that do not have a recognized phonetic or verbal equivalent determined by linguistic criteria may not be utilized in the title;
- The name cannot be the same as that of a previously registered NNLE;
- The name may not include reference to an entity type other than the entity's actual type as defined by the Georgian Law on Entrepreneurs and the Georgian Organic Law on Political Associations of Citizens (e.g., a foundation may not include the word "association" in its name. The name must not include anything that might mislead the public about the organization's activities or entity type;
- It is prohibited to use words that advocate the overthrow or violent change of Georgia's constitutional order, violation of its independence or territorial integrity, or that incite national, sectarian, religious hatred social strife, war, or terrorism, or that promote violence or violation of Georgian law;
- It is prohibited to use a name that incites resentment based on race, skin color, language, sex, religion, political or other opinion, national, ethnic and social affiliation, origin, property or rank, profession, place of residence or birth, family status, sexual orientation, gender identity, health status, disability, or other grounds, or that is contrary to public order and generally accepted moral standards;
- The names of a state, legal entity, other body exercising public legal authority, or of a political union of citizens established in accordance with Georgian Law on the Autonomous Republic of Abkhazia, Autonomous Republic of Adjara, or Autonomous Republic of Adjara, except for legal entities founded by or with the cooperation of these republics;
- Using the same or similar wording to the name of another legal entity registered in Georgia without its approval is not permitted.
- It is prohibited to use the same or extremely similar formulation of a well-known person's name in Georgia without his/her authorization. It is prohibited to use a phrase or words in the name that denote the status of an official as stated in the first paragraph of Article 2 of the Georgian Law on Conflict of Interest and Corruption in a Public Institution;
- It is forbidden to use indecent or insulting words or phrases in the name;
- It is prohibited to use a natural person's name without his or her explicit permission; and
- It is not permitted to use the name of a famous natural person for at least 30 years after his/her death, unless that person's heir gives formal permission.

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### 2.3.7 REGISTRATION TIMEFRAMES

The regular timeframe to complete registration in the Georgia Register of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities is one working day, i.e., by close of business on the day following the day of submission of the application. If the following day is a holiday or weekend, registration will be completed by close of business on the next working day. The service fee of the National Agency

for Public Registry is 200 GEL. An expedited same-day registration is available upon payment of the expedited service fee of 400 GEL when submitting the application.<sup>104</sup>

Georgian law specifies under what circumstance and in what sequence the deadlines and process of registering an organization may be suspended and resumed. The registration body may suspend the registration process if:

- a) the registration application or the accompanying documents and information are not submitted in the form and manner required by Georgian law;
- b) inaccurate, unidentifiable, or incomplete data is submitted for registration;
- c) the service fee is not paid in full;
- d) the application or the identity of the individual submitting it cannot be properly verified;
- e) a legal act issued by an authorized person or body has gone into effect and calls for the suspension of the registration process;
- f) the documents submitted have been sent for to the competent law enforcement authority for review of their authenticity and legality; or
- g) other grounds applicable under Georgian legislation.<sup>105</sup>

The regular suspension timeframe for registration procedures is 30 calendar days, unless otherwise provided by law.<sup>106</sup> If, during this period, the reason for the suspension is resolved and the registration authority is so notified, it must issue a decision to restart registration proceedings.

When the registration is restarted, the computation of the registration timeframe begins anew. If no document or information certifying the end of the suspension is received within this 30 calendar day timeframe, the registration body will terminate the registration proceedings. In this case, a new registration request must be submitted to the registration body.<sup>107</sup>

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<sup>104</sup> The service fee rates, fee payment rules and service terms are established provided by the National Agency of Public Registry, a legal entity of public law operating in the field of governance of the Ministry of Justice of Georgia (Resolution of the Government of Georgia, 29/12/2011, N509).

<sup>105</sup> Instruction on Registration of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities" (Order of the Minister of Justice of Georgia, 31/12/2021, N797), Article 26; 2) Law of Georgia on the Public Registry (Parliament of Georgia, 19/12/2008), Article 21.

<sup>106</sup> 30 calendar days can be extended in some specific cases due to the complexity of a case or other legitimate reason.

<sup>107</sup> "Instruction on Registration of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities" (Order of the Minister of Justice of Georgia, 31/12/2021, N797), Article 26; 2) Law of Georgia on the Public Registry (Parliament of Georgia, 19/12/2008), Article 21.

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### 2.3.8 REJECTION OF AN NGO REGISTRATION

If a legal act of an authorized person or body enters into force that requires the registration body to refuse the registration, or if the registration request is identical to previously registered data, or there are other legal grounds for the refusal, the registration body shall refuse the registration. Registration applications may be rejected only with a reasoned conclusion that they do not conform to the registration regulations and the legislation.<sup>108</sup> The Registration Body must operate independently and impartially and has no authority to impose extra registration requirements. The Registering Body is required to publish the registration decision within one working day and communicate any deficiencies in the registration documents in a clear and timely manner to the applicant.

When registration is rejected for reasons that can be rectified by submitting missing or modified material, the Registering Body gives the applicant one month to provide such material and the process resumes. If the registration application is rejected, the Registering Body will return all documents submitted to the applicant except for the document verifying payment of the service charge and the fee.

Frequently occurring reasons that a registration application is rejected in practice include:

- (i) required documents are missing or the registration fee is not paid in full and on time;
- (ii) proposed entity name for registration is already in use by another organization;
- (iii) the charter does not include all relevant information that must be included in the extract;
- (iv) information in the founders' decision contradicts the information in the charter; and
- (v) documents delivered from a foreign country are not properly notarized and/or apostilled.

## 2.4 OPERATION OF AN NGO

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### 2.4.1 WHAT ARE THE NECESSARY STEPS AND LEGAL REQUIREMENTS TO MAKE AN NGO OPERATIONAL AFTER REGISTRATION (OPENING BANK ACCOUNT, ETC.)?

An NGO can start operations after it is registered. In order to undertake activities, it must open a bank account. (For more information regarding opening a bank account please refer to the [Section 2.5](#) of these Guidelines.)

An NGO is not legally required to take other specific steps unless an activity requires licensing according to the Law of Georgia on Licences and Permits<sup>109</sup> This would apply, for example, if the activities are related to private or community broadcasting, electricity generation or transmission, etc.,<sup>110</sup> which can only be

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<sup>108</sup>Instruction on Registration of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities" (Order of the Minister of Justice of Georgia, 31/12/2021, N797);, Articles 25, 27; 2) Law of Georgia on Public Registry (Parliament of Georgia, 19/12/2008), Articles 23, 27.

<sup>109</sup> Law of Georgia on Licences and Permits, <https://matsne.gov.ge/en/document/view/26824?publication=62>.

<sup>110</sup> Law of Georgia on Licences and Permits, Art. 6, <https://matsne.gov.ge/en/document/view/26824?publication=62>.

carried out after obtaining a license.<sup>111</sup> Most activities that need prior licensing are connected to the use of public resources and these typically fall outside of the operating scope of NGOs.

If an NGO intends to engage in specific economic activities, the rules for registering the activity in the Economic Activity Registry also apply to the NGO. For more information, please refer to [Section 3.2.5. of these Guidelines](#).

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#### 2.4.2 LIMITATIONS ON NGO ACTIVITIES

NGOs are free to engage in any activity not prohibited by law, regardless of whether such activity is provided for in its bylaws,<sup>112</sup> unless it violates applicable laws, recognized moral standards, or Georgia's constitutional and legal principles. The Organic Law of Georgia on the Suspension and Prohibition of Activities of Public Associations lists the types of activities that can be sanctioned by the relevant authorities if undertaken by a public association.

As discussed below, according to the law, NNLEs may not engage in substantially commercial activities.<sup>113</sup> In such cases, the court has the authority to suspend an NNLE for up to three months. Political activity is not a prohibited activity, however there are certain limitations. NNLEs may help political parties for the goal of institutional development, for example, by organizing or participating in educational programs, seminars, public conferences, etc., but they may not promote or support a specific political party.<sup>114</sup>

The court has the authority to prohibit organizations that seek to overthrow or forcibly change the constitutional order of Georgia, to infringe on its independence and territorial integrity, to propagandize war or violence, to incite national, ethnic, religious, or social strife, or the forming of an armed group. NNLEs will lose the right to carry out activities and will be liquidated if a judgment of conviction in a criminal trial has entered into force against it for conduct that is expressly prohibited by the Georgia's Criminal Code.<sup>115</sup>

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#### 2.4.3 ECONOMIC ACTIVITIES BY AN NGO

According to the law, a NNLE may not engage in substantially commercial activities, while incidental economic activities that serve non-commercial goals are allowed. This means that NGO can conduct any economic activity permitted by law that serves non-commercial objectives and is not used to generate profits that are distributed to the members or founders.<sup>116</sup> After electing the so-called “Estonian Model” of taxation, NGOs are eligible to conduct supplementary commercial activities and invest income in charitable

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<sup>111</sup> Georgian Civil Code Art. 25(3), <https://www.matsne.gov.ge/en/document/view/31702?publication=115>.

<sup>112</sup> Georgian Civil Code Art. 25(2), <https://www.matsne.gov.ge/en/document/view/31702?publication=115>.

<sup>113</sup> Only non-essential commercial activities that serve non-commercial goals are permitted (with no opportunity for members and founders to share profit).

<sup>114</sup> Organic Law of Georgia on Political Unions of Citizens, Art. 25, 25<sup>1</sup>(5), 26(1), <https://matsne.gov.ge/en/document/view/28324?publication=32>.

<sup>115</sup> Criminal Code of Georgia Art. 157, 186, 192(1), 195(1), 221, <https://matsne.gov.ge/en/document/view/16426?publication=235>.

<sup>116</sup> Only non-essential commercial activities that serve non-commercial goals are permitted (with no opportunity for members and founders to share profit).

purposes without being obliged to pay profit taxes.<sup>117</sup> Charitable purposes are broadly defined by Georgian law. For more information about tax-related obligations, please refer to [Section 2.6](#) of these Guidelines.

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#### 2.4.4 RULES AND PROCEDURES RELATED TO NGOS RECEIVING GRANTS

According to applicable legislation, a grant is a monetary or in-kind resource provided by a grantor (donor) to a grantee to support certain humanitarian, educational, scientific-research, health, cultural, sports, ecological, and social initiatives, and programs of state or public interest. Funds provided to support political or commercial activities cannot be classified as grants.

**A grantor (donor) may be:**

1. A international philanthropic, humanitarian or public organization (including international sports association, federations and committees), lending institution, government of a foreign country or its representative office and a foreign legal entity not engaged in business.
2. A Georgian non-commercial entity (fund, program), the main purpose of which is to accumulate property for encouraging philanthropic, social, cultural, educational, scientific-research or other activity, beneficial for society.

**A grantee (recipient) may be:**

1. A public authority (organization) authorized by the relevant governmental agency.
2. A state body of Georgia and the local self-governing body.
3. Non-commercial legal entity, resident or not resident of Georgia, its representation, branch or department.
4. Citizen of Georgia.

NNLEs can be both grantees and grantors. Accordingly, they may receive grants or contributions from another local NGO, usually through sub-granting.

A written agreement between the grantor and grantee establishes the legal basis to issue and receive a grant. The agreement must include the purpose and amount of the grant, the specific uses, its duration, and conditions established by the grantor for the grantee.

The grant must be used only for purposes stated in the agreement. Use of the grant for any other purposes is be permitted only with the prior consent of the grantor.<sup>118</sup>

There is no requirement to register grants. However, if the grant agreement provides for VAT exemption, the grantor must request that the Ministry of Finance include the project on the list of foreign projects eligible for VAT exemption. If the grant agreement allows for the return of VAT, the grantee should contact Revenue Services, present a notarized copy of the grant agreement, and request that the VAT be refunded.

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#### 2.4.5 ARE ANONYMOUS DONATIONS PERMITTED?

There are no legislative prohibitions of or limitations on anonymous donations.

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<sup>117</sup> Tax Code of Georgia a.97(2).

<sup>118</sup> Law on grants, Arts. 1 – 5.

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## 2.4.6 REPORTING REQUIREMENTS AND GOVERNMENT INSPECTIONS

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### 2.4.6.1 NGO REPORTING REQUIREMENTS

The reporting requirements are stipulated within the grant agreement and are specified according to the project's needs. In general, grantees are required to submit financial and narrative project reports only to the grantor. These are typically submitted regularly so that donor organizations can monitor the progress of activity execution, compliance of the expenses incurred with the budgets and procurement standards, etc. In most cases, the operation of the NGO will be required to be reviewed and evaluated by an independent auditor. This does not free the organization from the responsibility to monitor its own expenses.

In some cases, donor organizations require an NGO to provide copies of internal policy documents, such as charters, procurement policies, internal labor regulations. Accordingly, an NGO should be prepared to report about its internal policy regimens. If a state authority is not the grantor, the government of Georgia does not interfere in the relationship between the grantor and the grantee.

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### 2.4.6.2 REPORTING REQUIREMENTS AND DIFFERENCES IN REGULATION OF FOREIGN AND LOCAL GRANTS

The law does not distinguish between foreign and local grants per se. All the specifics related to the reporting depend on the content and terms of the grant agreement itself. Because in most cases, foreign grants and contributions are the primary sources of local grants, local grantors typically sub-grant a portion of the funds they receive. When sub-granting, local grantors develop their own conditions in response to foreign donors' expectations. As a result, the procedures for regulating foreign and domestic grants are similar.

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### 2.4.6.3 REPORTING REQUIREMENTS FOR INACTIVE NGOS

NGOs with no activity (registered, but functionally non-operational NGOs) that have no donors or fund turnover (annual gross income) have no reporting requirements. They might be required to provide an annual property tax declaration to the tax authorities if they own property).

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### 2.4.6.4 TRANSPARENCY STANDARDS

NGOs are generally not required by law to publish reports or make disclosures. Organizations may determine their desired degree of transparency regarding the publication of information based on their self-governance policies. As mentioned above, however, NGOs with charitable status are the exception. The Tax Code of Georgia requires that they report annually on the previous year's activities and financial status (balance sheet and income statement). While the law requires charitable organizations to publish these reports and make them publicly available to interested persons,<sup>119</sup> it does not specify who is responsible for publication (i.e., whether it is the charitable organization or the Revenue Service), nor the procedures to do so. In the absence of a legal specification of whether it should be proactive, available online, or delivered to stakeholders upon request, this requirement is ineffective in practice.

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<sup>119</sup>Tax code of Georgia, Art. 32(10)

#### 2.4.6.5 UNDER WHAT CIRCUMSTANCES CAN GOVERNMENT AUTHORITIES INSPECT ACTIVITIES OF AND REQUEST INFORMATION FROM NGOS AND WHAT ARE STATE INSPECTIONS LIKE IN PRACTICE?

There are a wide range of regulatory areas that are subject to supervision and inspection by various state institutions (e.g., environmental protection, food safety, veterinary medicine, fire safety, nursing activities, construction, etc.). Accordingly, there is a legal framework that regulates the basic principles and requirements related to the oversight of specific activities,<sup>120</sup> and many laws that establish standards and mechanisms to supervise implementation.

Described below are the parameters of inspection of activities by state institutions that may be applicable to NGOs

##### **Tax Supervision**

NNLE-related tax control procedures are regulated by the Tax Code of Georgia. Relevant procedural rules apply to both entrepreneurial and non-entrepreneurial entities, including NGOs. Tax supervision includes current control procedures and tax audits.<sup>121</sup>

1. **Current control procedures** include taxpayer accounting, general analytical processes, and requesting information from the taxpayer. The information obtained from the current control procedures is used to determine a taxpayer's tax liability during a tax audit. These procedures should not interfere with the activities of the NGO.

The current control procedures of an NGO's activity are performed during working hours and/or during the actual work of the NGO. The findings of the current control procedures will be reflected in a report to be signed by an authorized representative of the tax authority that is implementing the current control procedures and the taxpayer or taxpayer's representative

Current control procedures entail time, analysis, tax monitoring, oversight of purchase and compliance with the organization's internal procedures.

##### 2. **NNLE tax audit is carried out in accordance with the Tax Code rules.**

The Revenue Service conducts a tax audit to determine the correctness of the tax declared by an entrepreneurial, non-entrepreneurial, or a natural person.

A tax audit may be a correspondence audit or a field audit.

**Correspondence tax audit**<sup>122</sup> is conducted remotely. It is an approved practice that correspondence tax audit involves checking specific matters (e.g., inspecting VAT declarations), although in some cases a full audit may also occur.

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<sup>120</sup> Law of Georgia on Entrepreneurial Control (Parliament of Georgia, 08/06/2001, N921).  
<https://matsne.gov.ge/en/document/view/15364?publication=44>.

<sup>121</sup> Article 255, Paragraph 4 of the Tax Code of Georgia (17/09/2010, № 3591).

<sup>122</sup> Article 263 of the Tax Code of Georgia (17/09/2010, № 3591).

**Field tax audit**<sup>123</sup> is conducted at the taxpayer's place of business. The taxpayer is sent a written or electronic notice of a field tax audit at least 10 working days prior to the commencement of the audit. The audit shall commence no later than 30 days after serving the notice to the taxpayer. A field tax audit does not necessarily mean a full inspection but may examine only certain areas of activities.

The tax statute of limitations is three years, which means that the Revenue Service can check an NGO's declarations for the past three years. For example, if the Revenue Service sent an audit notice in June 2022, then it reserves the right to check the taxes for the years 2019, 2020, and 2021. Older data are not subject to audit (with some exceptions).

A notable exception is when the taxpayer itself adjusts the 2019 declaration. In the case of an adjustment of declarations for the latest year of the three, the statute of limitations is extended by one year, in which case the tax authority would be entitled to examine the 2019 declarations in 2023 as well.

After the tax audit, the Revenue Service may impose sanctions (including fines and penalties) on the taxpayer. As a result, an act is drawn up and provided to the taxpayer, who is able to appeal.

In addition to the tax control procedures described above, the tax authority has the right to require the taxpayer to:

- a) provide accounting documents and/or taxation-related information (including information requested by another state's authorized body based on an international agreement to which Georgia is a party);
- b) submit a list of its property.<sup>124</sup>

Based on current practice, field tax audit of non-entrepreneurial entities is less frequent than that of entrepreneurial entities.

### ***Labor Inspection***

In Georgia, labor relations and labor safety are regulated by law. The Labor Inspectorate, a legal entity under public law, facilitates the implementation of this legislation and ensures the effective use of labor norms. To this end, the Labor Inspectorate uses various mechanisms provided by law, including inspections. Inspections can be done both by requesting relevant information and by inspecting the workplace. The Labor Inspectorate may initiate an inspection on the basis of a complaint or notification from an interested person, and on its own initiative in cases provided by law.

Both natural persons and legal entities including NGOs are obliged to provide the Labor Inspection Service with documents and information necessary for the inspection as provided by law. The Labor Inspectorate is authorized to examine, inspect, collect materials and suspend work in accordance with law. The sanctions contemplated by Georgian law for violation of labor and labor safety norms include warnings, fines, and suspension of work.<sup>125</sup>

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<sup>123</sup> Article 264 of the Tax Code of Georgia (17/09/2010, № 3591).

<sup>124</sup> Article 70, paragraph 1 of the Tax Code of Georgia (17/09/2010, № 3591).

<sup>125</sup> 1) Law of Georgia on Labor Inspection (Parliament of Georgia, 29/09/2020. N7178).<https://matsne.gov.ge/en/document/view/5003057?publication=0> 2) "Labor Code of Georgia" Organic Law of Georgia (Parliament of Georgia, 17/12/2010).



Labor inspections and potential administrative liability are not related to the citizenship status of the founder or head of an entity and any employer in Georgia may be subject to inspection.

### ***Oversight of personal data processing***

Georgia has legislation and standards aimed at protecting personal data. The Personal Data Protection Service in Georgia works to ensure the implementation of this legislation and conformity with law. Within its mandate, the Service uses various mechanisms, including data processing inspections. The Service reviews complaints related to data protection, and is authorized at its own initiative or on the basis of the application of an interested person to inspect any data processor and responsible person. The Personal Data Protection Service is authorized to request documents and tax, banking, commercial information and professional secrets from any organization.<sup>126</sup>

Potential administrative liability is not tied to the citizenship status of the founder or head of an entity. Accordingly, the inspection may apply to any organization, including NGOs, operating in Georgia that processes personal data. Information about the Personal Data Protection Service, including legislation and decisions made by it, is available on the Service's website.<sup>127</sup>

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## **2.4.7 INTERNAL MANAGEMENT AND CONTRACTUAL AND LABOR RELATIONS**

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### **2.4.7.1 THE INTERNAL MANAGEMENT BODIES OF AN NGO**

Georgian legislation imposes no mandatory duties on NGOs in terms of administration and organization. NGOs are allowed to establish their own management and operational principles, as well as the structure, number and characteristics of their managing bodies, persons and members engaged in the management and representation of the organization. Most often, an NGO is managed by the board, composed of NGO members. An NGO may add an advisory board or another type of authority to its structure and distribute tasks among various governing bodies. There are no statutory prohibitions on including foreign nationals in NGO operations and management and they are authorized to be members of management bodies, directors and chairpersons.

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### **2.4.7.2 IS AN NGO REQUIRED TO HAVE MINIMUM NUMBER OF PAID STAFF?**

Georgia does not have any regulations specifying staffing levels. Accordingly, an NGO is free to retain the number of staff that meets its needs and is within its financial resources.

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### **2.4.7.3 CAN AN NGO'S DIRECTOR AND ACCOUNTANT PERFORM THEIR WORK WITHOUT REMUNERATION?**

**NGO Director:** Under Georgian law, an NGO director is not treated as an employee. The relations between an NGO and its manager are regulated by a service agreement. A service agreement must specify the

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N4113).<https://matsne.gov.ge/en/document/view/1155567?publication=21> 3) Organic Law of Georgia on Labor Safety (Parliament of Georgia, 19/02/2019, N4283).

<sup>126</sup> Law of Georgia on Personal Data Protection (Parliament of Georgia, 28/012/2011 N5669).<https://matsne.gov.ge/en/document/view/1561437?publication=9>.

<sup>127</sup> <https://personaldata.ge/en>.

amount, form and periodicity of the remuneration and the benefits a director will receive during the term of the service agreement, and any rights and obligations of the director that will remain in force after the termination of the agreement. If a service agreement does not reference the remuneration of a director, it will be interpreted to mean that the director is performing his/her duties without payment.<sup>128</sup> Accordingly, an NGO Director is allowed to work without remuneration.

**Accountant and other staff members:** The work of an NGO accountant and other staff members are classified as labor relations, if they are in an employment relationship and not contracted through service contract on a temporary basis. Labor relations constitute the performance of work by an employee for an employer under organized labor conditions in exchange for remuneration.<sup>129</sup> An accountant and other staff members who perform labor for an NGO cannot be considered volunteers. Georgian law prohibits using of volunteers to evade a labor relationship.<sup>130</sup> Because remuneration is an obligatory element of the labor relationship, an accountant and other staff members are required to be paid a minimum wage which is set at 20 GEL per month and is updated regularly.<sup>131</sup>

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#### 2.4.7.4 CAN AN NGO ONLY HAVE CONTRACTORS AND CONSULTANTS?

There is no regulation prohibiting an NGO from hiring only contractors and consultants. However, service agreements must not be used to avoid a labor relationship and to disguise employment. The Labor Inspection Service can use its mandate to warn or fine an employer that is illegally evading labor relationships using service contracts with consultants.

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#### 2.4.7.5 WHAT ARE LEGAL REQUIREMENTS WHEN A LABOR CONTRACT IS MANDATORY?

Under Georgia law, as stated above, labor relations are defined as the performance of work by an employee for an employer under organized labor conditions in exchange for remuneration. Georgian legislation does not clearly distinguish when a labor contract is mandatory and when a service contract can be concluded. Organizations should assess specific circumstances individually and evaluate factors such as the nature of the work, the extent to which tasks are repeated and continuing, reporting lines and rights and obligations, among others.

**Form and language of a labor contract:** Based on Georgian legislation, a labor contract may be oral only with respect to labor relations lasting less than one month and only with Georgian nationals. All other contracts of longer duration and with foreign nationals must be in writing. Contracts may be for fixed-term or open-ended,<sup>132</sup> but labor contracts with foreign nationals (labor immigrants) are required to be for a specified time. Contracts with foreign nationals must be in their native language or another language

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<sup>128</sup> Civil Code of Georgia art. 35(4) <https://matsne.gov.ge/en/document/view/31702?publication=115>; Law of Georgia on Entrepreneurs, art. 45 (3). <https://matsne.gov.ge/en/document/view/5230186?publication=0>.

<sup>129</sup> Labor Code of Georgia, art. 2(1). <https://matsne.gov.ge/en/document/view/1155567?publication=21>.

<sup>130</sup> Law of Georgia On Volunteering, art. 3 (5) <https://matsne.gov.ge/en/document/view/3132612?publication=1>.

<sup>131</sup> The decree of the President of Georgia on the Amount of the Minimum Wage, <https://matsne.gov.ge/ka/document/view/112786?publication=1>.

<sup>132</sup> Labor Code of Georgia, art. 12. (1) <https://matsne.gov.ge/en/document/view/1155567?publication=21>.

understood by the labor immigrant legally residing in Georgia. If the labor contract is not executed in the Georgian language, a notarized Georgian language translation must be attached to the contract.<sup>133</sup>

**Term of a labor contract:** The duration of a fixed-term labor contract should not be less than one year except in the following cases:

- a) a specific amount of work is to be performed;
- b) seasonal work;
- c) coverage for a temporary increase in the amount of work;
- d) coverage for an employee who is being replaced;
- e) the employment agreement provides for subsidizing wages as defined in the Law of Georgia on Facilitating Employment; or
- f) other objective circumstances justifying the conclusion of an employment agreement for a fixed term.<sup>134</sup>

If the duration of a labor contract is more than 30 months, or if labor relations have continued based on fixed-term labor contracts that have been renewed two or more consecutive times and the duration of the labor relations exceeds 30 months, an open-ended labor contract will be automatically concluded.<sup>135</sup>

**Content of a labor contract:** A written labor contract must include the following:

- a) information about the parties;
- b) start date of employment and the duration;
- c) working time and rest periods;
- d) location where the work is to be performed, including information on the different places of work of the employee if his/her regular or primary places of work are not determined;
- e) position (indicating rank, grade, or category, etc., if applicable), the type and description of work to be performed;
- f) remuneration, indicating salary and, if applicable, periodic increases, and how it will be paid;
- g) procedure for compensating overtime work;
- h) length of paid and unpaid leave and how it is granted;
- i) procedure to terminate labor relations by the employer and the employee; and

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<sup>133</sup> Government of Georgia, Resolution No. 417, August 7, 2015, On the approval of the labor arrangement of a labor immigrant (a foreigner without a permanent residence permit in Georgia) with a local employer and the procedure for performing paid labor activities, art. 3(2), <https://matsne.gov.ge/ka/document/view/2941958?publication=4>.

<sup>134</sup> Labor Code of Georgia, art. 12 (3).

<sup>135</sup> Id. art. 12 (4).

j) provisions of a collective agreement, if the employee's employment conditions are regulated differently under such agreement.<sup>136</sup>

#### 2.4.7.6 MUST AN NGO HAVE A WRITTEN AGREEMENT WITH A VOLUNTEER?

An NGO must have a written agreement with a volunteer if the volunteer relations will last more than one month.<sup>137</sup> A volunteer agreement should be concluded in a language understood by both parties. If the agreement is concluded in several languages, it must specify which version will control in case of a discrepancy in the provisions.

The agreement should identify the activities to be performed by the volunteer, the duration and place of their performance, any benefits related to the volunteer status and rights and obligations of the parties.<sup>138</sup>

#### 2.4.7.7 WHAT IS THE MINIMUM SALARY FOR EMPLOYEES REQUIRED BY LAW?

Georgia does not have an established minimum wage that is used in practice because the current minimum wage in the private sector is set at 20 GEL per month<sup>139</sup> (approximately 7 USD) and salaries in practice are much higher.<sup>140</sup>

Additionally, Georgian legislation prescribes minimum remuneration for foreigners wishing to apply for or retain a work residence permit, according to which a foreigner should be paid not less than five times the average consumer's subsistence minimum monthly defined in Georgia by the National Statistics Office of Georgia.<sup>141</sup> Based on the current subsistence minimum standards as of May 2022, a foreign national holding a work residence permit would be paid at least 1225.5 GEL per month.

### 2.5 WHAT ARE THE REQUIREMENTS FOR OPENING A BANK ACCOUNT FOR NGOS IN GEORGIA?

#### 2.5.1 WHAT DOCUMENTS ARE REQUIRED AND WHAT PROCEDURE IS USED FOR AN NGO TO OPEN A BANK ACCOUNT?

Opening a bank account for foreign organizations and for all legal entities is more complicated than for an individual. The same procedure is followed for all legal entities. An NGO seeking to open a bank account must provide the documents listed below and others may be required. The requirements are similar at most banks and financial institutions. Required are:

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<sup>136</sup> Labor Code of Georgia, art. 14 (1).

<sup>137</sup> Law of Georgia On Volunteering, art. 8 (1) <https://matsne.gov.ge/en/document/view/3132612?publication=1>.

<sup>138</sup> Id. article 8 (3).

<sup>139</sup> The decree of the President of Georgia on the Amount of the Minimum Wage, <https://matsne.gov.ge/ka/document/view/112786?publication=1>.

<sup>140</sup> For reference see the official data on average monthly salaries in Georgia, <https://www.geostat.ge/en/modules/categories/39/wages>.

<sup>141</sup> <https://www.geostat.ge/en/modules/categories/49/subsistence-minimum>.

1. Charter of the organization;
2. Certificate/excerpt from the Registry that defines the status and form of the NGO;
3. Information about the founders and directors and documentation proving their identity.
4. Signature samples of all persons authorized to represent NGO (the director/chairman) and persons authorized to manage the account (usually accountants). Signatures must be notarized or the responsible persons must be present at the bank to verify their signatures in the presence of a bank employee. Identity documents will be required for the signatories.
5. Additional documents to be signed in the bank, for example, the Know Your Customer questionnaire completed, signed and sealed by the person authorized to represent the NGO).

**Know Your Customer (KYC):** In addition to the account application, banks will require completion of a KYC questionnaire,<sup>142</sup> and an acknowledgement of the bank's Anti-Money Laundering (AML) policy (discussed in more depth below). KYC questionnaires require disclosure of information about the organization's aims, purposes, operating scope; sources of financing; fund destination locations; approximate quantity of income; anticipated transactions; and beneficial owners' personal information.

Banks may not readily distinguish between non-profit and for-profit entities during this process and often to fail to specify in advance what constitutes a beneficial owner. NGOs should expect that they will be required to reveal personal information about their founders and the individuals involved in their management. Even when a questionnaire is completed, it is not unusual for banks to request additional documents that must be translated into Georgian and notarized or legally verified.

Banks have recently added another requirement for entities connected to the Belarusian jurisdiction. An applicant must pay an additional fee for a background check. The amount can vary, but is generally around 500 GEL (approximately 166 USD, for example, at TBC Bank). This is non-refundable even when the application is rejected. It is not known how long this requirement will be in place. It is advisable to verify this before engaging with a specific bank. Even when an applicant provides all the necessary documents, banks have the discretion to decline to open an account without explanation because they have no obligation to open accounts.

Recently, banks have increased the number of rejected applications from entities connected to Belarus frequently. Some organizations have established NGOs with the cooperation of a Georgian founder and designated a Georgian director.

#### 2.5.2 RULES FOR RECEIVING FUNDS FROM FOREIGN SOURCES ACCORDING TO ANTI-MONEY LAUNDERING (AML) AND COUNTERING TERRORISM FINANCING (CTF) LEGISLATION?

Georgian legislation establishes broad guidelines for AML and CTF measures and applies the same responsibilities and prohibitions to NGOs, business entities and natural persons. Please refer to [Section 1.5.2](#), of these Guidelines for related content.

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<sup>142</sup> Sample KYC questionnaires can be found online, including at <https://www.tbcbank.ge/web/documents/10184/530389/TBC+BANK+Questionnaire+08-2021.pdf/8c77c83f-6c09-4c64-9219-6ef6e099a6ac>.

NGOs should be aware that the deposit of a grant (except for grants allocated from the State Budget or the budget of a local self-governing unit) or charitable assistance in a bank account (in cash or non-cash form) or the transfer of such an amount from the account is subject to constant bank monitoring.<sup>143</sup>

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### 2.5.3 ACCOUNT FEATURES AND TERMS RELATED TO BANKING SERVICES

Please refer to [Section 1.5.3](#) in these Guidelines.

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### 2.5.4 INACTIVE ACCOUNTS FEES

Please refer [Section 1.5.4](#), in these Guidelines.

## 2.6 TAXATION OF A NNLE

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### 2.6.1 WHAT ARE THE BASIC TAXATION RULES FOR A NNLE?

According to the Tax Code of Georgia, there are six common state and local taxes. Common state taxes include income tax, profit tax, value added tax (VAT), excise tax and import tax. Property tax is a local tax.<sup>144</sup>

As indicated above, NNLE must primarily conduct non-commercial charitable, socially beneficial and humanitarian activities and are therefore not subject to profit, VAT, excise, and property taxes when carrying out their charitable activities. They may be subject to import tax in specific cases. NNLE pay property tax on land.

For tax purposes, if a NNLE engages in economic activities, a portion of the property and activities directly attributable to its economic activities shall be deemed to be the property and activities of a business entity and, like a business entity, may be taxed with profit, VAT, excise, import and property taxes.<sup>145</sup> This is not so if the NNLE spends all the income from such activities for statutory non-profit purposes. This distinguishes them from business entities.

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### 2.6.2 WHAT ARE THE SPECIAL TAX PRIVILEGES FOR A NNLE WITH CHARITABLE STATUS?

The Tax Code provides several tax privileges for NNLEs with charitable tax status. The tax privileges provide tax incentives for business entities that provide funding to NNLEs with charitable status, and benefit natural persons who receive services such NNLEs.

1. A business entity (corporate donor) benefits from the following incentive if it supports charitable organizations: its taxable income is reduced by the amount of its donation up to 10% of the profit it realized in the previous tax year.

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<sup>143</sup> Law of Georgia on Facilitating the Prevention of Illicit Income Legalization, Art. 5(2)(j).

<sup>144</sup> Taxes in Georgia are briefly reviewed in Section 3 on Business Entities.

<sup>145</sup> Taxes in Georgia are briefly reviewed in Section 3 on Business Entities.

2. The following are not subject to income tax:

- the benefit received by a natural person from a charitable NNLE that pays the cost of that person's treatment and medical services;<sup>146</sup>
- the value of property received free of charge from a charitable NNLE by a person duly registered in the Unified Database of Socially Vulnerable Persons who receives a subsistence allowance supported by documentation, and by a person maimed in the fight for the territorial integrity of Georgia, and by a family member of a person killed in the fight for the territorial integrity of Georgia.<sup>147</sup>

As mentioned above, the beneficiary of the tax treatment listed in section 2 above is a natural person and not the charitable NNLE. The charitable organization acts as a tax agent and withholds tax in accordance with the law.

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### 2.6.3 WHAT TYPES OF INCOME ARE TAX EXEMPT?

#### **TYPES OF NNLE INCOMES AND BASIC RULES OF TAXATION**

NNLE revenue is generated through the following:

1. Membership fees;
2. Donations;
3. Grants;
4. Dividends; and
5. Income from economic activities.

Membership fees, donations, and grants received by NNLE are exempt from profit, property, excise, and VAT taxes. The only exceptions are property taxes on land and imports in specified cases.

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### 2.6.4 WHAT IS THE TAXATION FOR INCOME RECEIVED FROM ECONOMIC ACTIVITIES AND FUNDRAISING ACTIVITIES?

#### **KEY TYPES OF NNLE INCOMES AND TAX RATES**

Income from economic activity used for the charitable purposes stated in the NGO's charter is exempt from profit tax.

If an NNLE has taxable economic activity in the amount of GEL 100,000 for 12 consecutive calendar months, that NNLE must register as a VAT taxpayer and pay VAT.

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<sup>146</sup> Article 82, Paragraph 1, Part "B<sup>2</sup>" of the Tax Code of Georgia (17/09/2010, № 3591).

<sup>147</sup> Article 82, paragraph 1, part "z<sup>3</sup>" of the Tax Code of Georgia (17/09/2010, № 3591).

# **Tax rates for various types of basic incomes received by a NNLE**

NNLE			
Type of income	Tax Type	Tax Rate	Remarks
<b>I. Income from charitable, socially beneficial and humanitarian activities</b>			
<b>1.1 Membership fees</b>	No tax	--	
<b>1.2 Donations</b>	No tax	--	
<b>1.3 Grants</b>	No tax	--	
<b>II. Income from economic activities</b>	Profit tax	15%	Not due if income is spent on charitable (statutory) purposes as defined by law
	VAT	18%	VAT taxable transactions during any continuous 12 calendar months exceeds 100,000 GEL
	Excise	variable	Excise rate is differentiated according to the types of excisable goods/services.
	Import Duty	5%/12%	Depending on the type of goods
	Property tax rate	1%	Of the average annual net book value of the taxable property
	Property tax rates on non-agricultural land*	GEL 0.24 per square meter of land per year	Tax rate per year multiplied by the territorial coefficient, which is determined by the decision of the representative body of a municipality and shall not exceed 1.5
	Basic property tax rates on agricultural and forest lands*	variable	Determined by administrative-territorial units and land categories, and calculated for one hectare in GEL.
	Dividends	5%	To be paid at the source of income
<i>*Taxable also for non-economic activities, **Same as taxation of business entities in Georgia</i>			



## 2.6.5 WHICH TAXES ARE REQUIRED FOR EMPLOYEE SALARIES AND PAYMENTS TO CONSULTANTS?

- Employee pension contribution - 2% of the gross salary<sup>148</sup> if an employee has joined the pension scheme. If an employee has joined the pension scheme, the organization is also obliged to pay the employer's pension contribution in the amount of 2% of the employee's taxable salary.
- Income tax, in the amount of 20% of the remaining salary after the deduction of the employee's pension contribution.

For information regarding the applicable taxes for service contracts please refer to [Section 1.4.1](#) of these Guidelines.

## 3 BUSINESS ENTITIES

### 3.1 WHAT ARE THE MOST COMMON LEGAL FORMS OF BUSINESS ENTITIES THAT MIGHT BE OF INTEREST TO FOREIGN NATIONALS?

Georgian legislation provides for the following forms of business entity: general partnership (GP), limited partnership (LP), limited liability company (LLC), joint-stock company (JSC), and cooperative. Each form has specific requirements respecting the number of founders/partners, the scope of the founders'/partners' responsibilities, the capital requirements, and the management of the governing body. A Georgian business entity of any form may be established by a natural person who is not a citizenship of Georgia or a legal entity not registered in Georgia.<sup>149</sup> The citizenship of the founder or partner is irrelevant in a business entity.

LLCs and LPs are best suited to needs of small and medium-sized business entities and of consulting and providing expert services. These forms are flexible regarding amount and form of capital contributed to the business entity. Nonetheless, foreign nationals may establish other types of business entities if desired and needed. A description of the main features of an LLC and an LP follow.

**LLC** - The most common entity form in Georgia is the LLC. This form is most suitable for the characteristics and needs of small and medium business entities. An LLC can be established by one person. In an LLC, the capital is divided into shares, and the liability of the partners is limited. The partner is not personally liable to a creditor for the debts or obligations of the LLC (other than in exceptional cases provided by law). Similarly, the LLC is not liable for the debts or obligations of the partners. The LLC may have any amount of capital. Contributions to LLCs can be made in cash or in-kind property (by transferring tangible or intangible assets, including through providing services at no cost that will be deemed contribute at their market value). Shares are the property of the partner and he/she can transfer (sell or legally encumber) his/her shares without the consent of the LLC and the other partners. The management of an

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<sup>148</sup> Membership in the funded pension scheme is mandatory for all employees, in the part of a salary income, except for employees who have attained the age of 60 (in the case of female employees, the age of 55) before the entry into force of the Law of Georgian on Funded Pension (August 6, 2018). Joining the funded pension scheme is voluntary for all employees who have attained the age of 60 (in the case of female employees, the age of 55), before the entry into force of this Law, in the part of a salary income, and for self-employed persons, in the part of the income of a self-employed person.

<sup>149</sup> Law of Georgia on Entrepreneurs, <https://matsne.gov.ge/en/document/view/5230186?publication=0>.

LLC is very flexible, therefore the charter or the agreement of the partners may set out rules different from those prescribed by law except those that, given the content and purpose of the norm, are clearly mandatory.

**2) LP** - There must be at least one limited partner (komandit) in an LP and at least one general partner. The limited partner's liability to the creditors of the LP is limited to the amount of the assets of the LP. By contrast, the general partners (komplementars) have direct and unlimited liability as joint debtors. The komandit is liable to the creditors of the LP only up to the amount the limited partners have agreed to guaranty in the LP agreement. The amount must be indicated in the Register. The limited partners have the right to make a profit and participate in the general meetings of the partners, however, due to their limited liability, they have no right to manage and represent the LP, (unless otherwise provided by the charter). A limited partner may sell or transfer his/her share as an inheritance without the consent of other partners (unless otherwise provided by the charter). The general partner has full personal liability for the obligations of the LP. Accordingly, he/she has greater rights in the LP, including the authority to manage it.

Depending on the type of partnership, the general partner may sell his / her share with the prior consent of all other partners (unless otherwise provided by the charter). In case of the death of the general partner, his/her share will be added to the shares of the other partners, and the heir of the general partner will be given appropriate compensation (unless otherwise provided by the charter). The charter of the LP or the LP agreement may establish rules other than those prescribed by law, as long as they don't conflict with legal requirements.

## 3.2 WHAT IS THE REGISTRATION PROCEDURE FOR BUSINESS ENTITIES?

### 3.2.1 CAN A FOREIGN NATIONAL ESTABLISH A BUSINESS ENTITY?

The founders of all business entity in Georgia, including an LLC and a LP, can be a citizen or non-citizen of Georgia (including a citizen of the Republic of Belarus). The founder of a business entity in Georgia may be a legal entity registered abroad (including an entity registered in the Republic of Belarus). The legislation of Georgia establishes certain requirements to establish a business entity. These are related not to citizenship, but to the requirements for each type of business entity.<sup>150</sup>

### 3.2.2 CAN A FOREIGN NATIONAL BE A MANAGER/DIRECTOR OF A BUSINESS ENTITY?

A member of the governing body of a business entity and/or the head of a business entity may be either a citizen of Georgia or a non-citizen of Georgia. The selection of the members of the governing body and/or person who manages the business entity (for example, general director, executive director, president, etc.) is to be decided by its member or partners and can be a citizen of any country, including the Republic of Belarus.<sup>151</sup>

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<sup>150</sup> Law of Georgia on Entrepreneurs, Art. 7. <https://matsne.gov.ge/en/document/view/5230186?publication=0>.

<sup>151</sup> Law of Georgia on Entrepreneurs, Art. 5, 35-56  
<https://matsne.gov.ge/en/document/view/5230186?publication=0>.

### 3.2.3 WHAT REGISTRATION AND OTHER MANDATORY FEES ARE REQUIRED TO ESTABLISH A BUSINESS ENTITY?

Establishing and registering a business entity will require paying certain expenses for the preparation of relevant proper certification and registration of documents in the Register of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities (Register). If the applicant prepares these documents, he/she will have to pay only for proper certification and registration. If the applicant requires advice from a lawyer or other expert, this will be an additional cost to be negotiated. There are not fixed charges for such services.

Below are the service fees for the registration of a business entity, which relate to the provision of services by the National Agency of Public Registry (LEPL) and/or a notary. If the documents related to the registration of a business entity are certified directly by the registration body (LEPL), the applicant may not need to pay for notary services. These fees are determined in accordance with the normative acts of the Government of Georgia.<sup>152</sup> Expedited service is available at a higher cost as shown in the table below.

Type of service	Service Timeframe	Service Fee
Registration of an Entrepreneur by LEPL - the National Agency of Public Registry	One working day	200 GEL(approximately USD 67) <sup>153</sup>
	Same day	400 GEL
Preparation of an English-language extract from the Register of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities by the National Agency of Public Registry	At the request of the applicant, an additional English language extract can be prepared and for an additional 26 GEL	
Confirmation of the consent of a real estate owner of the premises of the business entity by the employee of the LEPL - National Agency of Public Registry (confirmation of the person's signature on the document)	Immediately	

<sup>152</sup> 1) Service fee rates, fee payment rules and service terms provided by the National Agency of Public Registry, a legal entity of public law operating in the field of governance of the Ministry of Justice of Georgia (Resolution of the Government of Georgia, 29/12/2011, N509); 2) Remuneration for the performance of notarial acts and the amount of the fee set for the Notary Chamber of Georgia, the procedure for their payment and the terms of service (Resolution of the Government of Georgia, 29/12/2011, N507).

<sup>153</sup> At the time of the preparation of these Guidelines the exchange rate of US dollars to Georgian lari was approximately three lari to the dollar.

Confirmation of the consent of the person who manages the business entity by the employee of the LEPL - National Agency of Public Registry (confirmation of the signature of the person on the document)	Immediately	7 GEL per page
Preparation and certification of founding documents of the business entity by a notary	The amount of the fee is determined by agreement between the notary and the interested person but should not exceed GEL 1,000.	
Notarization of the POA/proxy of a natural person (Plus VAT)	Immediately	18 GEL
Notarization of POA/proxy of a business entity (or an individual entrepreneur) (Plus VAT)	Immediately	30 GEL
Notarization of the authenticity of the signature on the founding document (Plus VAT)	Immediately	<ul style="list-style-type: none"> <li>• On a one-page document - 6 GEL for each signature;</li> <li>• 2-10-page documents – 4 GEL for each signature</li> <li>• 11-50-page documents – 3 GEL for each signature;</li> <li>• Documents with 51 pages and more – 2 GEL for each signature;</li> </ul>
Notarization of the document of consent of the person on the performance of management and representative functions (Plus VAT)	Immediately	
Notarization of the signature on the consent of the real estate owner (Plus VAT)	Immediately	
Notarization of the signature of the certified translator on the translation of the document (Plus VAT)	Immediately	
Registration of notarial acts in the electronic notary register (Plus VAT)	Immediately	5 GEL

Performing a notarial act by a notary outside the notary office	The agreed amount between the notary and the interested person, which should not exceed 35 GEL, is added to the fee set for various notarial acts.
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### 3.2.4 WHAT INFORMATION ABOUT A FOUNDER(S)/OWNER(S), OF A BUSINESS ENTITY MUST BE PROVIDED IN BYLAWS, AND WILL THIS INFORMATION BE AVAILABLE TO THE PUBLIC?

The Register holds information about the business entity's founders / partners and the founder/partner agreement (including the charter) and stores such data as:

- a) Identification data of each partner/founder of the business entity and the person responsible for management and representation (their name, surname, address of residence, information on foreign citizenship (if this is established by data protected by the Registry) and personal identification number. If the partner or member is a legal entity, its name, legal address, country of registration and identification number;
- b) Data on the shareholding status of the partner/founder;
- c) Registration and identification data of the share manager (if any). In the case of non-citizenship of Georgia, the documents submitted for registration in the register shall contain the equivalent information as determined for a citizen of Georgia.<sup>154</sup>

According to Georgian law, only the founder of an LLC, LP and GP will be registered in the Register. The shareholders and members of a JSC and a cooperative are not registered, except for the initial registration of the founders, who are registered according to different rules. The Register of Shares is maintained by a JSC in accordance with the relevant rules established by the National Bank of Georgia. The governing body of a cooperative maintains the register of the members of the cooperative).

The information maintained in the Register is public and available to any person. The documents used as a basis for registration and submitted in connection with the registration proceedings, other information published by the business entity in accordance with the legislation. The decisions made by the Registration Body are public, unless otherwise specified by Georgian law. Electronic copies of the documents submitted during the registration process are posted on the unified electronic portal of the LEPL - National Agency of Public Registry and are available to any person free of charge.<sup>155</sup>

Previously issued extracts from the Register are also available on the unified portal of the National Agency of Public Registry. Any person can request an updated extract from the Register of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities, that reflects the data on the registered entity at the time of preparation of the extract. An updated extract from the Register will be issued after payment of the required fee. The fee for an extract from Register within one working day is 20 GEL, and if the request was

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<sup>154</sup> Law of Georgia on Entrepreneurs, Art. 5, 6, 8, 13, 14.  
<https://matsne.gov.ge/en/document/view/5230186?publication=0>

<sup>155</sup> Instruction on Registration of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities (Order of the Minister of Justice of Georgia, 31/12/2021, N797), Art. 8, 9, 10, 18.

made electronically, the fee for the electronic service is 13 GEL. For expedited same day service, the application, the fee is 75 or, if electronically, 52 GEL, respectively.<sup>156</sup>

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### 3.2.5 WHAT ARE THE REGISTRATION PROCEDURES FOR THE TWO MOST DESIRABLE LEGAL ORGANIZATIONAL FORMS FOR FOREIGNERS?

#### **Obligation to Register**

All business entities (including LLCs and LPs) are required to be registered in the Register of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Entities. They are considered established from the moment of registration in this Register and their existence is established only through an extract from the Register. Registration of a business entity includes both state registration and tax registration. Consequently, additional tax registration is no longer required.

#### **Registration Authority:**

The Register of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities is maintained by a Legal Entity under Public Law - the National Agency of Public Registry. The application for registration of an individual entrepreneur and the registration documents for the purpose of registration may be submitted to any territorial office of the National Agency of Public Registry, LEPL - House of Justice or other authorized person. For more information, please see [Section 1.3.4 of these Guidelines](#).

#### **Documents to be submitted for registration:**

The application to register a business entity must be submitted in Georgian, with some exceptions (for example, identity documents for foreign nationals). The founding agreement and charter may be submitted in the applicable foreign language, but the versions translated into Georgian control in the register. Upon request applicants who do not know the Georgian language may submit in English. In such case, the responsible employee of the Agency prepares the registration documents in Georgian and English, and confirms the signature of the parties without a translator. The employee is responsible to ensure that the content of the Georgian and English language versions are identical.<sup>157</sup>

When registering a non-Georgian citizen natural person or an entity of a foreign country, the founding documents must contain the same information as provided for a citizen of Georgia or an entity registered in Georgia.

The information and documents required to be submitted for registration as a business entity are established by law and currently include the following:<sup>158</sup> in particular, the following shall be submitted to the registration body for registration as a businessman entity:

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<sup>156</sup> Service fee rates, fee payment rules and service terms provided by the National Agency of Public Registry, a legal entity of public law operating in the field of governance of the Ministry of Justice of Georgia (Resolution of the Government of Georgia, 29/12/2011, N509).

<sup>157</sup> Instruction on Public Registry (Order of the Minister of Justice of Georgia, 31/12/2019, N487), Art. 57.

<sup>158</sup> Standard Charters of Entrepreneurial Entities (Order of the Minister of Justice of Georgia, 29/11/2021, N791). <https://matsne.gov.ge/en/document/view/5275911?publication=0>.

<b>1) Application:</b>
The application is filled in electronically by the responsible employee in the registration body and signed by the person applicant.
<b>2) The founding agreement signed by all the founders and duly certified:</b>
<p>The founding agreement must be submitted to the registration body, signed by all the founders, and duly certified and must, which include the information and the charter as required by Article 5 of the Law of Georgia on Entrepreneurs. The charter of a business entity is part of the founding agreement. An business entity may have a standard charter approved by the order of the Minister of Justice of Georgia and available to all interested persons.<sup>159</sup> The choice of the standard charter is indicated in the founding agreement. For registration purposes, paper and electronic version of the standard charter if used is not required to be submitted. If the applicant does not choose the standard charter and drafts its own charter, the charter (in printed and electronic versions) must be submitted and certified to the Registration Body in accordance with the legislation of Georgia.</p> <p>The founding agreement can be signed by the founders and duly certified either by the responsible official in the Registration Body confirming the signature, or, it may be notarized.</p>
<b>3) Consent of the person in charge of management and representation to perform such a function:</b>
The consent of each person authorized to manage the business entity to perform such a function in accordance with the rules established by law must be submitted to the registration body, unless it is addressed in the founding agreement. Certification of the consent of the person in charge of management may be done by the responsible official in the Registration Body confirming the signature on the consent, it may be notarized.
<b>4) Information / document defining the legal address of the entrepreneur:</b>
In order to establish the legal address of the business entity, the Registration Body must be provided with the duly certified consent of the owner of the property or the relevant lease or other agreement on the use of the property where the legal address is located in accordance with the required procedure. <a href="#">For more information, please refer to Section 3.2.6 of these Guidelines.</a>
<b>5) Proof of payment of the service fee:</b>
To start the registration process, the relevant service fee must be paid and a document confirming the payment of the service fee must be submitted to the registration authority. The service fee rates are

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<sup>159</sup> Standard Charters of Entrepreneurial Entities (Order of the Minister of Justice of Georgia, 29/11/2021, N791). <https://matsne.gov.ge/en/document/view/5275911?publication=0>.

determined by the National Agency of Public Registry in accordance with a resolution of the Government of Georgia. For more information, please refer to [Section 3.2.3 of these Guidelines](#).

#### **6) Identification documents of the applicant:**

The applicant must submit an identity document to register the business entity. For the certification of the founding documents and the documents submitted for registration in the registration body, the identity card of the relevant natural person must also be submitted. The main identity document of a non-Georgian citizen natural person or a foreign citizen, including a citizen of the Republic of Belarus, is a passport issued by the respective country, a residence permit of a foreign national residing in Georgia, a temporary identification card, or a temporary return certificate. If the business entity is registered through a representative, a document proving the identity of the representative must also be submitted. If the representative is a citizen of Georgia, the main document proving his /her identity is his/her passport, identity card, or temporary certificate of return to the homeland. The identity document submitted during registration does not need to be translated into Georgian.

**Founding Agreement and Charter:** To register a business entity, a founding agreement signed by all the founders and duly certified must be submitted to the registration body. The charter is part of the founding agreement. The founding agreement must contain the information required by law. Additional information may also be provided. The founding agreement should indicate whether there is a charter developed by the founders. If the founders did not develop a charter, the standard charter approved by the Minister of Justice of Georgia for the entity type shall be deemed part of the founding agreement and shall be attached to the registration documentation.

The information that is required to be included in the founding agreement and the charter of a business entity is determined by the Law of Georgia on Entrepreneurs (Article 5) and in various articles of the Law of Georgia on Entrepreneurs.<sup>160</sup> If the founders do not use the standard charter approved by the Minister of Justice of Georgia, they must ensure that the charter meets the requirements established by law.

The website of the LEPL - National Agency of Public Registry contains samples of founding agreements<sup>161</sup> (including for an LLC and LP) that may be used. The law defines which sections of the founding agreement must be used for all types of business entities and the additional information specific to the founding agreements of LLCs and LPs.<sup>162</sup>

### **3.2.6 WHAT ARE REQUIREMENTS FOR THE LEGAL ADDRESS OF A BUSINESS ENTITY?**

All business entities, including LLCs and LPs, must provide a legal address for registration in the Register. This must be a functioning address where the entity's formation documents are available for review and where official mail and correspondence are to be delivered. It is at the legal address where official notices will be deemed to have been properly served.

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<sup>160</sup> Art. 19-55, 112-149.

<sup>161</sup> Samples in Georgian may be found at : <https://napr.gov.ge/required-info>.

<sup>162</sup> Law of Georgia on Entrepreneurs, Art. 5. <https://matsne.gov.ge/en/document/view/5230186?publication=0>.



When applying to register, the business entity must obtain and provide either a signed and notarized consent of the owner of the property designated as its legal address or the agreement giving the applicant the right to use the property, such as a lease agreement. If the owner accompanies the applicant to the registry, the signature can be validated by the Registry staff. Submission of these document is not required if the property to be designated as a legal address is owned by the founder/partner of a business entity, or by a person responsible for management of this property, who is responsible for representation of this business entity, or, if the legal address of the business entity will be the same as registration address of the mentioned persons as registered in the electronic data base of the State Service Development Agency.<sup>163</sup>

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### 3.2.7 WHAT ARE REQUIREMENTS FOR THE NAME OF A BUSINESS ENTITY?

The name by which a business entity carries out its activities is included registered in the Register.<sup>164</sup> The name must meet the requirements of Georgian law, including the following:

The name and/or surname of the partner or member of the business entity may be used as its name. The use of the name of any other natural person requires the written consent of such person. A business entity may select a name with reference to its activities or other themes it wishes to evoke. The name should not contain graphic symbols that do not have a recognized phonetic or verbal equivalent determined by linguistic criteria may not be utilized in the title that do not have phonetic or verbal equivalents to the established by linguistic norms. The name may not include obscene or offensive words or phrases.

The name of the business entity may not be identical or similar to the name of an already- registered business entity unless the other entity consents. In the absence of such consent, the trade name of the entrepreneur should be changed or supplemented with additions to distinguish the name from the trade name of another entrepreneur. It is possible to verify in advance on the relevant link of the e-portal of the LEPL - National Agency of Public Registry,<sup>165</sup> whether the name the business entity plans to use is identical or similar to the name of another entity. Advance verification of names already used will avoid delays in registration for the applicant.

The name of the business entity must be in Georgian, however when registering, the name in English may also be indicated. The name of the business entity must include its legal form, i.e., “Sample Name, LLC” for an LLC and “Sample Name, LP” for an LP.

There are other restrictions on the name of a business entity under Georgian law. For example, it is impermissible to use a word or phrase in the name that call for the overthrow or violently change of the constitutional order of Georgia or incites hatred on the grounds of national, religious or other affiliation, etc. For more information, please see [Section 2.3.6 of these Guidelines](#).

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<sup>163</sup> Instruction on Registration of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities (Order of the Minister of Justice of Georgia, 31/12/2021, N797), Art. 12.

<sup>164</sup> Law of Georgia on Entrepreneurs, Art. 16, <https://matsne.gov.ge/en/document/view/5230186?publication=0> 2)Instruction on Registration of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities (Order of the Minister of Justice of Georgia, 31/12/2021, N797), Art. 21.

<sup>165</sup> <https://www.my.gov.ge/en-us/services/10/service/179>

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### 3.2.8 WHAT ARE THE REGISTRATION TIMEFRAMES FOR A BUSINESS ENTITY AND MAY IT BE SUSPENDED?

#### **Timeframe for Registration**

The regular timeframe for registering in the Register of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities (including LLCs and LLCs) is one working day. The calculation of this period starts on the day following the registration of the application and ends at the end of the last day of the period. If the last day of the term coincides with a holiday or a weekend, the next working day shall be considered as the end date of the term. The standard registration fee is 200 GEL and expedited same day service is available for 400 GEL.<sup>166</sup>

#### **Suspension of Registration**

For information regarding the grounds and timeframes for suspension of registration, and the renewal of registration procedure, please refer to [Section 2.3.7 of these Guidelines](#).

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### 3.2.9 FOR WHAT REASONS MAY THE GOVERNMENT DENY REGISTRATION OF A BUSINESS ENTITY?

The legislation governing the registration process of a business entity defines the grounds and time frames for rejecting an application. The Registration Body will reject an application if a legal act of an authorized person or body has entered into force, which requires it to reject an application, or if the registration application is identical to an already registered entity, or if there are other legal grounds to reject it provided by law. If the registration application is rejected, the applicant may request that the documents submitted be returned to him/her. The Registration Body will do so except that the document confirming payment of the registration service fee will not be returned.<sup>167</sup> For more information, please see [Section 2.3.8 of these Guidelines](#).

## 3.3 OPERATION OF A BUSINESS ENTITY

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### 3.3.1 WHAT STEPS ARE NECESSARY TO MAKE A BUSINESS ENTITY OPERATIONAL AFTER REGISTRATION (OPENING BANK ACCOUNT, ETC.) AND WHAT ARE THE LEGAL REQUIREMENTS TO DO SO?

Georgian legislation establishes certain requirements and steps that must be taken by business entities after they are registered and begin activities. The business entity may commence operations after it is registered. In order to conduct activities, it must open a bank account. Below are the other basic and necessary steps that are typical for all forms of business entities as they begin economic activities. Under Georgian law, a business entity is not required to have a seal.

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<sup>166</sup> Service fee rates, fee payment rules and service terms are established by the National Agency of Public Registry, a legal entity of public law operating that is part of the Ministry of Justice of Georgia (Resolution of the Government of Georgia, 29/12/2011, N509).

<sup>167</sup> Instruction on Registration of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities (Order of the Minister of Justice of Georgia, 31/12/2021, N797), Art. 25, 27; 2) Law of Georgia on Public Registry, Art. 23, 27.

## **Registration of Certain Business Activities in the Register of Economic Activity**

For certain activities conducted both by business entities and NNLE, Georgian legislation requires an additional, separate registration on the Register of Economic Activities maintained by the LEPL- National Agency of Public Registry. Carrying out these activities without completing this mandatory registration in the Register of Economic Activities will result in administrative liability and financial penalties as provided by law. The types of activities subject to mandatory registration include, for example:

- Activities related to producing, processing and distributing food, animal feed, animals, plants, products of animal and plant origin in Georgia; animal health and welfare, plant health, veterinary drugs, pesticides, and agrochemicals, and veterinary and plant protection services;<sup>168</sup>
- Activities related to arranging or assisting in arranging employment outside Georgia;<sup>169</sup>
- Carrying out high-risk, heavy, harmful and dangerous work defined by the Government of Georgia;<sup>170</sup>
- Other activities as provided by Georgian law.

To register the above activities, an authorized person must submit an electronic application form on behalf of the business entity to the National Agency of Public Registry, providing information about the activity and the address where it is conducted. The staff of the Register of Economic Activities will use this information to prepare an extract that constitutes registration. Registration is valid for one year from the time of registration and the applicant must request extensions each year. The service fee for registration in the Register of Economic Activities, or to register changes or terminations is 39 GEL. It is processed within two business days.<sup>171</sup>

## **Registration of the Taxpayer on the Revenue Service Website**

State and tax registration of business entities, including the assignment of a taxpayer code, is a single process. Business entities registered in the Register of Entrepreneurs and Non-Entrepreneurial (Non-Commercial) Legal Entities may register on the electronic taxpayer page on the website of the LEPL Revenue Service. This makes it possible to communicate electronically with the Revenue Service so that the business entity is able to conduct its tax-related activities remotely (e.g., electronic filing of tax returns, submitting letters and documents, receiving tax and other information, etc.). The activation of the taxpayer's website can be done by business entity remotely or<sup>172</sup> by visiting any service center of the LEPL Revenue Service.<sup>173</sup>

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<sup>168</sup> Food Products/Animal Feed Safety, Veterinary and Plant Protection Code, not consolidated version in English - <https://matsne.gov.ge/en/document/view/1659434?publication=8>

<sup>169</sup> Law of Georgia on Labor Migration, <https://matsne.gov.ge/en/document/view/2806732?publication=3>

<sup>170</sup> 1) Organic Law of Georgia on Labor Safety,. Only available in Georgian - <https://matsne.gov.ge/ka/document/view/4486188?publication=1> 2) Resolution N381 of the Government of Georgia 27/07/2018.

<sup>171</sup> 1) Law of Georgia on Public Registry, Art. 20<sup>3</sup>; 2) Instruction on Public Registry (Order of the Minister of Justice of Georgia, 31/12/2019, N487), Art. 63-67; 3) Service fee rates, fee payment procedure and service terms provided by the National Agency of Public Registry, a legal entity of public law operating in the field of governance of the Ministry of Justice of Georgia (Resolution of the Government of Georgia, 29/12/2011, N509).

<sup>172</sup> <https://eservices.rs.ge/Login.aspx>

<sup>173</sup> <https://rs.ge/Contact-en?cat=1&tab=1>

### **Registration in the Electronic Pension Administration System:**

There is a funded pension scheme in Georgia, that applies to Georgian citizens who are employed or self-employed and receive income from employment or self-employment, excluding non-resident citizens. The funded pension scheme also applies to foreign nationals permanently residing in Georgia and non-Georgian citizens, except for non-resident individuals. Under the funded pension scheme, payment of the pension contribution for the participant must be made in the amount and in the manner prescribed by law. This amount is paid by the employer, the employee and the state. The employer administers its contributions and the employee's.<sup>174</sup> In order to administer and report on pension contributions, all employers must register in the electronic pension contribution administration system. An employer that fails to make a required pension contribution will be subject to a fine.<sup>175</sup> It is possible to register in the electronic system remotely.<sup>176</sup> An employer that fails to make a required pension contribution will be subject to a fine.<sup>177</sup>

### **Requirements for a Business Entity's business letters**

Georgian law establishes certain requirements for the business letters of business entities, including LLCs and LPs. These are the same that apply to a non-profit (non-commercial) legal entity (except for the administrative liability). The law does not explicitly define what is meant by a "business letter", although this can be understood as a business communication with any party.

All business letters in both paper and electronic form must include at least the following information about the business entity: its name as it appears in the Register of Entrepreneurs and Non-commercial persons; its legal address and its identification number.<sup>178</sup> Additional requirements apply to business entities that are in the process of liquidation or insolvency.<sup>179</sup> Failure to comply with these requirements will result in administrative sanction liability of the entrepreneur's managerial authority (warning or a fine).<sup>180</sup>

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<sup>174</sup> 1) Law of Georgia on Funded Pensions, not consolidated version in English - <https://matsne.gov.ge/en/document/view/4280127?publication=0> 2) Instruction on the rules of payment of pension contributions, forms of submission of information, administration of overpaid amounts, pension contributions to the individual pension account, expenses, gross income, other income, gains and losses (Order of the Director of the LEPL-Pension Agency, 30/07/2019, N002).

<sup>175</sup> Code of Administrative Offenses of Georgia Art. 165<sup>11</sup>. not consolidated version in English - <https://matsne.gov.ge/en/document/view/28216?publication=494>

<sup>176</sup> <https://agency.pensions.ge/ge/login>

<sup>177</sup> Code of Administrative Offenses of Georgia Art. 165<sup>11</sup>. not consolidated version in English - <https://matsne.gov.ge/en/document/view/28216?publication=494>

<sup>178</sup> According to the applicable tax legislation, the person is obliged to register before conducting the economic activity. After registration person is assigned a unique and permanent identification number. Registration of Commercial entities and Non-Entrepreneurial (Non-Commercial) Legal Entities is carried out by LEPL National Agency of Public Registry and registration of other taxpayers is carried out by LEPL Revenue Service of the Ministry of Finance of Georgia.

<sup>179</sup> Law of Georgia on Entrepreneurs, Art. 17. <https://matsne.gov.ge/en/document/view/5230186?publication=0>

<sup>180</sup> Code of Administrative Offenses of Georgia, Art. 177<sup>17</sup>. not consolidated version in English - <https://matsne.gov.ge/en/document/view/28216?publication=494>

## **Requirements for a Business Entity's Website**

Georgian law does not require a business entity to establish a website. If it does, the law requires at minimum, that all the information required for business letters must be included on the website.<sup>181</sup> This applies to LLCs and LPs, and the same requirements apply to non-commercial entities.

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### **3.3.2 WHAT ARE THE LIMITATIONS ON ACTIVITIES FOR BUSINESS ENTITIES?**

Under Georgian law, business entities registered in Georgia (including LLCs and LPs) may engage in any activity not prohibited by law, regardless of whether such activity is provided for in its founding documents.<sup>182</sup> Some activities, as specified by law, may only be carried out with a special license, permit or authorization. The right of the business entity to carry out those activities begins as soon as it receives the license, permit or authorization.<sup>183</sup>

In addition to licensing and permits, Georgian law defines the commercial activities that business entities can undertake after registration in the **Register of Economic Activities**. These requirements apply to both business entities and NGOs, if they carry out commercial activities subject to mandatory registration. The register of economic activities is maintained by the LEPL - National Agency of Public Registry. [Please also refer to the Register of Economic Activities in Section 3.3.1\).](#)

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### **3.3.3 CAN A BUSINESS ENTITY RECEIVE A TAX EXEMPT GRANT OR DONATION FROM A LOCAL NGO OR FOREIGN ORGANIZATION?**

Under the Law of Georgia on Grants, funds to achieve business purposes and funds provide to business entities are generally not considered and treated as grants. However, the law recognizes some exceptions where a grant is allowed for business purposes or to certain business entities registered in Georgia. The following examples are considered grants:

- Funds provided by the Georgian Innovation and Technology Agency to implement innovative activities as defined by the Law of Georgia on Innovation. Its grant programs specify which form(s) of business entities are eligible for its such programs;
- Funds provided to cooperatives that have been granted the status of agricultural cooperative in accordance with the Law of Georgia on Agricultural Cooperative; and
- Funds provided to an accredited higher education institution to implement projects provided for in Article 2 of the Law of Georgia on Grants.

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<sup>181</sup> Law of Georgia on Entrepreneurs, Art. 17. <https://matsne.gov.ge/en/document/view/5230186?publication=0>

<sup>182</sup> Civil Code of Georgia, Article 24. not consolidated version in English - <https://matsne.gov.ge/en/document/view/31702?publication=115>

<sup>183</sup> Law of Georgia on Licenses and Permits, not consolidated version in English - <https://matsne.gov.ge/en/document/view/26824?publication=62>

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### 3.3.4 WHAT ARE THE SPECIAL REQUIREMENTS AND LIMITATIONS APPLICABLE TO BUSINESS ENTITIES THAT CARRY OUT SPECIFIC TYPES OF ACTIVITIES?

#### **Legal Consultations:**

A business entity is permitted to carry out consulting activities, including legal consultations, provided it has suitably qualified and authorized persons. A business entity is permitted to consult on the legislation of the Republic of Belarus, both for citizens of the Republic of Belarus and for citizens of other countries without any license, permit or authorization. A business entity is also permitted to provide certain legal advice on the legislation of Georgia, if a person in the organization has such knowledge. It is important to clearly define the scope of the legal consultation to determine what is permitted. If the service is limited to legal consultations for a fee, and does not involve litigation in court, such service does not require a license. If, however, the service extends to legal aid including representation in court and advocacy, it is subject to restriction. Only a licensed lawyer can practice law in Georgia.

A licensed lawyer is a person in the legal profession, who obeys the professional ethics norms and is a member of the Georgian Bar Association. Only a citizen of Georgia who meets the requirements established by law can join the Georgian Bar Association. Consequently, a foreign national, including a citizen of the Republic of Belarus, is not permitted to practice law independently in Georgia and will not be able to establish a law firm independently.<sup>184</sup> A lawyer has the right to practice law individually without establishing a business entity and to establish a law firm with other lawyers or other persons as a business entity.

#### **Accounting and Auditing Services**

A business entity can carry out consulting activities including accounting and preparation of financial statements if there are suitably qualified and authorized persons to do so. According to the legislation of Georgia, an accountant can be any natural person who performs accounting services or prepares financial statements. A business entity may maintain its accounting records using a staff accountant or retaining a qualified individual or entity. The law does not establish a licensing or certification requirement for a person performing accounting and financial reporting.

Georgian law requires that audit services be provided only by audit firms (or individuals) registered in the specialized state register maintained by the Accounting, Reporting and Audit Supervision Service.<sup>185</sup> An auditor is a certified public accountant who is registered in the Register of Auditors. Audit firms are also registered in this register. The rules for recognizing a natural person as a certified accountant and the matters of registration in the State Register of auditors /audit firms are established by the legislation of Georgia.<sup>186</sup>

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<sup>184</sup> Law of Georgia on Lawyers, Art. 1, 2, 10, 11, 18-21, not consolidated version in English - <https://matsne.gov.ge/en/document/view/15472?publication=16>

<sup>185</sup> <https://www.saras.gov.ge/en/Home/>

<sup>186</sup> Law of Georgia on Accounting, Reporting and Auditing, Art. 2-13, not consolidated version in English - <https://matsne.gov.ge/en/document/view/3311504?publication=4>

## **Psychological services**

A business entity can provide consulting activities related to psychological assistance if there are suitably qualified persons in the business entity to do so. Georgian law does not classify psychology as a medical specialty, and there are no special requirements for this type of activity. However, if the service includes psychotherapy, psychiatry or neurology, it is subject to professional certification as medical activities and medical professions.<sup>187</sup>

## **Consultancy Services:**

Data processing, analytical work and research services, and project proposal preparation, etc. do not require licensing or authorization. Accordingly, a business entity is free to provide these and similar consulting services without formalities.

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### **3.3.5 REPORTING REQUIREMENTS AND GOVERNMENT INSPECTIONS**

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#### **3.3.5.1 WHAT ARE THE REPORTING REQUIREMENTS FOR BUSINESS ENTITIES?**

## **CATEGORIES OF BUSINESS ENTITIES**

Georgian law defines the accounting and financial reporting standards applicable to business entities that are not registered as non-profit (non-commercial) legal entities based on the following size categories:<sup>188</sup>

**First Category** – a business entity that meets at least two of the following three criteria at the end of the reporting period:<sup>189</sup>

- a) The total value of assets exceeds GEL 50 million;
- b) The revenue exceeds GEL 100 million;
- c) The average number of persons employed during the reporting period exceeds 250.

**Second Category** – a business entity not in the third or fourth category that meets at least two of the following three criteria at the end of the reporting period:

- a) The total value of assets does not exceed GEL 50 million;
- b) The revenue does not exceed GEL 100 million;
- c) The average number of persons employed during the reporting period does not exceed 250.

**Third Category** - a business entity not in the fourth category that meets at least two of the following three criteria at the end of the reporting period:

- a) The total value of assets does not exceed GEL 10 million;
- b) The revenue does not exceed GEL 20 million;
- c) The average number of persons employed during the reporting period does not exceed 50.

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<sup>187</sup> Law of Georgia on Medical Activities, not consolidated version in English - <https://matsne.gov.ge/en/document/view/15334?publication=17>

<sup>188</sup> Law of Georgia on Accounting, Reporting and Auditing, Art. 2-13. not consolidated version in English - <https://matsne.gov.ge/en/document/view/3311504?publication=4>

<sup>189</sup> The reporting period is each calendar year.



**Fourth category** - a business entity that meets at least two of the following three criteria at the end of the reporting period:

- a) The total value of assets does not exceed GEL one million;
- b) The revenue does not exceed GEL two million;
- c) The average number of persons employed during the reporting period does not exceed 10.

### **ACCOUNTING AND REPORTING REQUIREMENTS**

Business entities are obliged to carry out accounting and financial reporting as follows

- Business entities in the first category must carry out accounting and financial reporting in accordance with the International Financial Reporting Standards (IFRS). They are required to submit to the Service for Accounting, Reporting and Auditing Supervision financial statements, a management report, report on payments to the state and an audit not later than 1 October of the year following the reporting period.
- Business entities in the second and third categories must carry out accounting and financial reporting in accordance with the IFRS for small and medium-sized enterprises (IFRS for SMEs). A business entity in the second category is required to submit to the Service for Accounting, Reporting and Auditing Supervision financial statements, a management report, and audit not later than 1 October of the year following the reporting period. An entity in the third category must submit financial statements to the Service for Accounting, Reporting and Auditing Supervision not later than 1 October of the year following the reporting period.
- Business entities in the fourth category must maintain accounting and financial reporting in accordance with the financial reporting standards established for the enterprises of the fourth category and shall be entitled to apply either the IFRS for SMEs, or IFRS. A business entity in fourth category must submit to the Service for Accounting, Reporting and Auditing Supervision a financial statement not later than 1 October of the year following the reporting period.

#### **3.3.5.2 DOES THE LAW ESTABLISH REQUIREMENTS FOR REPORTING INFORMATION PUBLICLY AND WHAT INFORMATION IS PUBLICLY AVAILABLE OR IS DISCLOSED UPON REQUEST?**

The Service for Accounting, Reporting and Auditing Supervision is obliged to post on the public website <https://saras.gov.ge/> the statements (including the consolidated statements) and audit reports submitted by business entities, except for statements of business entities in the fourth category, within one month after their submission<sup>190</sup>

Information on business entities in the first, second, third categories is available to anyone who registers on the site <https://rms.reportal.ge/>.

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<sup>190</sup> Law of Georgia on Accounting, Reporting and Auditing, Art. 9, paragraph 3. Not consolidated version in English - <https://matsne.gov.ge/en/document/view/3311504?publication=4>



Information on the fourth category of business entities is not publicly available. To gain access, it is necessary to apply in writing to the Service for Accounting, Reporting and Auditing Supervision which will decide in its discretion what, if any, information it will provide.

### 3.3.5.3 UNDER WHAT CIRCUMSTANCES CAN GOVERNMENT AUTHORITIES INSPECT THE ACTIVITIES OF AND REQUEST INFORMATION FROM BUSINESS ENTITIES AND WHAT IS THE PRACTICE FOR INSPECTIONS?

Certain types of business activities in Georgia require a license, permit, or authorization from the state,<sup>191</sup> and a wide range of regulatory areas that are subject to supervision and inspection by various state institutions (e.g., environmental protection, food safety, veterinary medicine, fire safety, nursing activities, construction, etc.). Accordingly, there is a legal framework that regulates the basic principles and requirements related to the oversight of business activity<sup>192</sup> and many laws that establish standards and mechanisms to supervise implementation.

Described below are the parameters of inspection of business entities by state institutions, that may be applicable.

#### **Tax Supervision**

Tax supervision procedures are regulated by the Tax Code of Georgia. Relevant procedural rules apply to both business entities and NGOs. Tax supervision includes current control procedures and tax audits.<sup>193</sup>

**Current control procedures** include taxpayer accounting, general analytical processes, and requesting information from the business entity taxpayer. The information obtained from the current control procedures is used to determine the business entity's tax liability during a tax audit. These procedures should not interfere with the business activities of the entity.

The current control procedures of a business entity's activity are conducted without prior notice on the order of an authorized representative of the tax authority. The tax authority may use audio and video recordings as part of the current control procedures. Current control is performed during the actual working hours of the business entity. The findings of the current control procedures are reflected in a report to be signed by an authorized representative of the tax authority implementing the current control procedures and the business entity's representative

Current control procedures entail a time analysis study, tax monitoring, oversight of purchases, observance of rules for using cash registers, visual inspections, and taking inventory.

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<sup>191</sup> Law of Georgia on Licenses and Permits, Not consolidated version in English - <https://matsne.gov.ge/en/document/view/26824?publication=62>

<sup>192</sup> Law of Georgia on Entrepreneurial Control, Not consolidated version in English - <https://matsne.gov.ge/en/document/view/15364?publication=44>

<sup>193</sup> Tax Code of Georgia, Art. 255, Paragraph 4.

**Tax audits** are carried out in accordance with the Tax Code. The Revenue Service may conduct a tax audit to determine the correctness of the tax declared by a business entity. This may be a correspondence tax audit or a field tax audit.

**Correspondence tax audit**<sup>194</sup> is conducted remotely. It is an approved practice that correspondence tax audit involves checking specific matters (e.g., inspecting VAT declarations), although in some cases a full audit may also occur.

**Field Tax Audit**<sup>195</sup> is conducted at business entity's place of business after written or electronic notice of the field tax audit is provided at least 10 working days prior to the commencement of the audit. The audit shall commence no later than 30 days after serving the notice to the taxpayer. A field tax audit does not necessarily mean a full inspection but may examine only certain areas of activities.

The tax statute of limitations is three years, which means that the Revenue Service can check the business entity's declarations for the past three years. For example, if the Revenue Service sent an audit notice in June 2022, then it reserves the right to check the taxes for the years 2019, 2020, and 2021. Older data are not subject to audit (with exceptions).

A notable exception is when the business entity itself adjusts the earliest year's declaration. For example, in case of an adjustment of declarations for the latest of the three years, the statute of limitations is extended by one year, so that the tax authority would be entitled to examine the 2019 declarations in 2023 as well.

After the tax audit, the Revenue Service may impose sanctions (including fines and penalties) on the business entity as applicable. As a result, an act is prepared and provided to the business entity, which can appeal it.

In addition to the tax control procedures described above, the tax authority has the right to require the business entity to:

a) provide accounting documents and/or taxation-related information (including information requested by another state's authorized body based on an international agreement to which Georgia is a party; and

b) submit a list of its property.<sup>196</sup>

Based on current practice, field tax audits of business entities are more frequent than for non-commercial entities.

### **Labor Inspection**

In Georgia, labor relations and labor safety are regulated by legislation. The Labor Inspectorate, a legal entity under public law, facilitates the implementation of this legislation and ensures the effective use of labor norms. To this end, the Labor Inspectorate uses various mechanisms provided by law, including inspections. Inspections can be done both by requesting relevant information and by inspecting the workplace. The Labor Inspectorate may initiate an inspection based on a complaint or notification from an interested person, and on its own initiative as provided by law.

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<sup>194</sup> Tax Code of Georgia, art. 263.

<sup>195</sup> Tax Code of Georgia, art. 264.

<sup>196</sup> Tax Code of Georgia, Art. 70, paragraph 1.

A business entity is obliged to provide the Labor Inspection Service with the documents and or information necessary for the inspection as provided by law. The Labor Inspectorate is authorized to examine, inspect, collect materials and suspend work in accordance with the rules established by law. The sanctions contemplated by Georgian law for violation of labor norms and labor safety norms include warnings, fines, suspension of work.<sup>197</sup>

Labor inspections and potential administrative liability are not related to the citizenship status of the founder or head of the business entity. Any employer operating in Georgia may be subject to inspection.

### **Oversight of Personal Data Processing:**

Georgia has legislation and standards aimed at protecting personal data. The Personal Data Protection Service in Georgia works to ensure the implementation of this legislation and conformity with law of personal data processing in Georgia. Within its mandate, the Service uses various mechanisms provided by law, including inspections. The Service reviews complaints related to personal data protection and is also authorized on its own initiative or on the basis of an application by an interested person to inspect any data processor and other responsible person.

The Personal Data Protection Service is authorized to review and request documents and information, including tax, banking, commercial, and professional secrets, from a business entity during the inspection. The Personal Data Protection Service is authorized to enter an organization to carry out the inspection, in accordance with the rules established by law. The legislation of Georgia provides for warnings and fines for violation of the laws on personal data protection. Matters related to the protection of personal data, including the capacity of the Personal Data Protection Service, are established by the relevant legislation.<sup>198</sup>

Potential administrative liability regarding personal data is not related to the citizenship status of the founder or head of the business entity. Any business entity operating in Georgia that processes personal data may be inspected. Information about the Personal Data Protection Service, including legislation and decisions made by it, is available on the Service's website.<sup>199</sup>

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### **3.3.6 INTERNAL MANAGEMENT OF BUSINESS ENTITIES**

The operation of the governing bodies of a business entity is defined by the legislation. The essential elements through which an LLC and an LP make decisions are the general meeting, general meeting of partners and the governing body and director. Unless required by applicable law, establishing a supervisory board is not mandatory. However if desired, the founders or partners of a business entity may call for a supervisory board in the charter. The governing bodies of a business entity and their members carry out their activities and make decisions only within the scope of competence defined by law or the charter.

The General Meeting is the required gathering that brings together all the partners and members of the governing body of the business entity. Execution of the decision made by the General Meeting within its

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<sup>197</sup> 1) Law of Georgia on Labor Inspection., -<https://matsne.gov.ge/en/document/view/5003057?publication=0>

2) “Labor Code of Georgia” Organic Law of Georgia,

<https://matsne.gov.ge/en/document/view/1155567?publication=21> 3) Organic Law of Georgia on Labor Safety, only available in Georgian - <https://matsne.gov.ge/ka/document/view/4486188?publication=1>

<sup>198</sup> Law of Georgia on Personal Data Protection, not consolidated version in English - <https://matsne.gov.ge/en/document/view/1561437?publication=9>.

<sup>199</sup> <https://personaldata.ge/en>.

competence is mandatory for the partners governing body of the business entity. All partners of the business entity have the right to participate in the General Meeting, except in specified cases provided by law. The capacity of the General Meeting, the standard rules for convening, participating in and making decisions by the General Meeting are determined by law, unless the charter of an LLC or LP calls for an alternate means of decision making provide it is not prohibited by law.

The capacity of the Supervisory Board and the standard decision-making rules are defined by law unless the charter of an LLC or LP calls for an alternate means of decision making not prohibited by law. The number of members of the Supervisory Board is not defined by law and should be determined by the founding agreement/charter.

A business entity (including an LLC and an LP) must have a governing body and/or a director to ensure sound management of its activities. Georgian law does not specify the title or number of the governing body or persons. Accordingly, the founding agreement or charter should define what name the governing body of the business entity (e.g., directorate, board of directors, etc.) and/or director shall use (e.g. General Director, Executive Director, President, etc.). As a general rule, in an LP, the general partners who are personally liable (komplementars) have the managerial capacity, unless another person is appointed to lead by the decision of the partners. In an LLC, the person designated as managing partner by the other partners will lead it.

In the founding agreement and the charter, the partners founders should define how the management of the business entity is carried out, whether by one person in an individual capacity, by several directors jointly or separately or jointly by all. The managerial authority includes the governing body and or the individual (e.g., director) who are authorized to represent the business entity in relation to a third party.

A member of the governing body of a business entity and/or the head of a business entity (for example, General Director, Executive Director, President, etc.) may be either a citizen of Georgia or a non-citizen of Georgia.<sup>200</sup>

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#### 3.3.6.1 IS A BUSINESS ENTITY REQUIRED TO HAVE A MINIMUM NUMBER OF PAID STAFF?

Georgia does not have regulations specifying paid staffing levels. Accordingly, a business entity is free to retain the number of staff that meets its needs and is within its financial resources.

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#### 3.3.6.2 CAN A BUSINESS ENTITY'S MANAGEMENT WORK WITHOUT COMPENSATION?

**Business Entity Director:** Under Georgian law, a business entity director is not treated as an employee and the relations between a business entity and its director is regulated by a service agreement. A service agreement should specify the amount, form and periodicity of the remuneration and the benefits the director will be entitled to receive during the term of the service agreement, as well as the rights and obligations of the director that will remain in force after the termination of the service agreement. If the service agreement does not reference the remuneration of a director, it will be interpreted to mean that the director is performing his/her duties without remuneration,<sup>201</sup> and this is permitted under Georgian law.

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<sup>200</sup> Law of Georgia on Entrepreneurs, Art. 5, 35-56, 112-149  
<https://matsne.gov.ge/en/document/view/5230186?publication=0>.

<sup>201</sup> Law of Georgia on Entrepreneurs, Art. 45 (3) <https://matsne.gov.ge/en/document/view/5230186?publication=0>.

**Accountant and other staff members:** The work of a business entity accountant and other staff members are classified as labor activity. Labor activity is the performance of work by an employee for an employer under organized labor conditions in exchange for remuneration.<sup>202</sup> An accountant and other staff members who carry out labor cannot be considered volunteers, because Georgian legislation prohibits using volunteer relations to evade labor relations.<sup>203</sup> Because remuneration is a mandatory aspect of the labor relationship an accountant and other staff members should at least be paid a minimum wage, which is set at 20 GEL per month in Georgia at the time of these Guidelines.<sup>204</sup>

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#### 3.3.6.3 CAN A BUSINESS ENTITY ONLY HAVE CONTACTORS/ CONSULTANTS?

There is no regulation prohibiting business entities from only hiring only contractors and consultants. However, service agreements should not be used to avoid a labor relationship and to disguise employment. The Labor Inspection Service can use its mandate to warn or fine an employer that is illegally evading labor relations with service contracts.

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#### 3.3.6.4 WHAT ARE THE LEGAL REQUIREMENTS WHEN A LABOR CONTRACT IS MANDATORY?

##### **Form**

The labor contract may be in oral (only if the duration is less than one month) or written, with limited or unlimited duration.<sup>205</sup>

The requirements here are identical to the applicable requirements of Section 2.4.7.5. Under Georgia law, labor relations are defined as the performance of work by an employee for an employer under organized labor conditions in exchange for remuneration. Georgian legislation does not clearly distinguish when a labor contract is mandatory and when a service contract can be concluded. Organizations should assess specific circumstances individually and evaluate factors such as the nature of the work, the extent to which tasks are repeated and continuing, reporting lines and rights and obligations, among others.

According to Georgian legislation a labor contract may be oral only for labor relations lasting less than one month and only with Georgian nationals, All other labor contracts must be written. Labor contracts may be fixed-term or open-ended,<sup>206</sup> Except that labor contracts with foreign nationals (labor immigrants) are required to be for a specified time.

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<sup>202</sup> Labor Code of Georgia, Art. 2(1). <https://matsne.gov.ge/en/document/view/1155567?publication=21>.

<sup>203</sup> Law of Georgia on Volunteering, art. 3 (5) <https://matsne.gov.ge/en/document/view/3132612?publication=1>.

<sup>204</sup> The Decree of the President of Georgia on the Amount of the Minimum Wage, <https://matsne.gov.ge/ka/document/view/112786?publication=1>.

<sup>205</sup> Labor Code of Georgia, art. 12. (1) <https://matsne.gov.ge/en/document/view/1155567?publication=21>.

<sup>206</sup> Labor Code of Georgia, art. 12. (1) <https://matsne.gov.ge/en/document/view/1155567?publication=21>.

Contracts with foreign nationals must be in their native language or another language understood by the labor immigrant legally residing in Georgia. If the labor contract is not executed in the Georgian language, a notarized Georgian language translation must be attached to the contract.<sup>207</sup>

### **Duration**

The duration of fixed-term labor contract should not be less than one year except in the following cases:

- a) a specific amount of work is to be performed;
- b) seasonal work;
- c) coverage for a temporary increase in the amount of work;
- d) coverage for an employee who is being replaced;
- e) the employment agreement provides for subsidizing wages as defined in the Law of Georgia on Facilitating Employment; and
- f) other objective circumstances justifying the conclusion of an employment agreement for a fixed term;<sup>208</sup>

If the duration of a labor contract is more than 30 months, or if labor relations have continued by concluding fixed-term labor contracts two or more consecutive times and the duration of such labor relations exceeds 30 months, an open-ended labor contract will be automatically concluded.<sup>209</sup>

### **Content**

A written labor contract must include the following:

- a) information about the parties;
- b) start date and duration of employment;
- c) working time and rest periods;
- d) location where work is to be performed, and information on the different places of work of the employee if his/her regular or primary places of work are not determined;
- e) position (with an indication where applicable, of rank, grade, category, etc.), the type and description of work to be performed;
- f) remuneration indicating salary and, where applicable, periodic adjustments and how it will be paid;
- g) procedure for compensating overtime work;

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<sup>207</sup> Government of Georgia, Resolution No. 417, August 7, 2015, On the approval of the labor arrangement of a labor immigrant (a foreigner without a permanent residence permit in Georgia) with a local employer and the procedure for performing paid labor activities, art. 3(2), <https://matsne.gov.ge/ka/document/view/2941958?publication=4>.

<sup>208</sup> Labor Code of Georgia, art. 12 (3).

<sup>209</sup> Id. art. 12 (4).

- h) amount of paid and unpaid leave and how it is granted;
- i) procedure to terminate labor relations by the employer and the employee; and
- j) provisions of a collective agreement, if the employment conditions are regulated differently under said provisions.<sup>210</sup>

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#### 3.3.6.5 MAY A BUSINESS ENTITY HAVE VOLUNTEERS AND IF SO IS A WRITTEN AGREEMENT REQUIRED?

A business entity is only allowed to host a volunteer if it is an authorized educational institution or a medical institution.<sup>211</sup> Business entities operating in other fields are not allowed to have volunteers. A business entity is required to have a written agreement with a volunteer if volunteer relations last for more than one month.<sup>212</sup>

A volunteer agreement should be concluded in a language understandable to the parties. If the agreement is concluded in several languages, it must specify the language that controls in case of any discrepancy in the versions.

The Agreement must identify the nature of the activities to be performed by the volunteer, the duration and place of their performance any benefits related to volunteer status, and the rights and obligations of the parties.<sup>213</sup>

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#### 3.3.6.6 WHAT IS THE MINIMUM SALARY FOR EMPLOYEES REQUIRED BY LAW?

Georgia does not have a functioning minimum wage as a practical matter because the official minimum wage in the private sector, as of the date of these Guidelines, is set at 20 GEL per month<sup>214</sup> and actual salaries are much higher.<sup>215</sup>

Additionally, Georgian legislation prescribes minimum remuneration for foreign nationals who wish to apply or retain work residence permit, according to which a foreigner should be paid not less than the five times the amount of the average consumer's subsistence minimum (established monthly in Georgia by the National Statistics Office of Georgia.<sup>216</sup>). For example, based on the current subsistence minimum standards for May 2022, a foreigner holding a work residence permit should be paid at least 1225.5 GEL per month.

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<sup>210</sup> Labor Code of Georgia, Art. 14 (1).

<sup>211</sup> Law of Georgia on Volunteering, Art. 3 (6) <https://matsne.gov.ge/en/document/view/3132612?publication=1>.

<sup>212</sup> Law of Georgia on Volunteering, Art. 8 (1) <https://matsne.gov.ge/en/document/view/3132612?publication=1>.

<sup>213</sup> Id. Art. 8 (3).

<sup>214</sup> The decree of the President of Georgia on the Amount of the Minimum Wage, <https://matsne.gov.ge/ka/document/view/112786?publication=1>.

<sup>215</sup> For reference see the official data on average monthly salaries in Georgia, <https://www.geostat.ge/en/modules/categories/39/wages>.

<sup>216</sup> <https://www.geostat.ge/en/modules/categories/49/subsistence-minimum>.

### 3.4 WHAT ARE THE REQUIREMENTS FOR OPENING A BANK ACCOUNT FOR A BUSINESS ENTITY?

#### 3.4.1 REQUIRED DOCUMENTS AND PROCEDURES FOR OPENING A BANK ACCOUNT FOR A BUSINESS ENTITY

Business entities are subject to rules similar to those of NGOs in opening a bank account, with the following additional specifications:

1. Banks currently request proof that a business entity intends to operate in Georgia. This requires foreign business entities to demonstrate business plans associated with Georgia, in addition to confirming that a newly registered business entity is properly registered and to identify its general sources of the income.
2. Business entities must provide signature samples for all of its authorized persons, together with copies of their identity cards.
3. A business entity is requested to disclose personal information about its shareholders who hold more than 25% of shares and personal data of beneficial owners.

#### 3.4.2 RULES FOR RECEIVING FUNDS FROM FOREIGN SOURCES ACCORDING TO ANTI-MONEY LAUNDERING AND COUNTERING TERRORISM FINANCING LEGISLATION

Georgian legislation establishes broad guidelines to prevention of money laundering and terrorism financing and does not have different standards for the prescribed responsibilities and prohibitions for natural persons, NGOs, and business entities. Please refer to the information provided in [Section 1.5.2 of these Guidelines](#).

Business entities should be aware that banks monitor their deposit of money in a bank account in cash or non-cash form (e.g., stocks, gold) for 90 calendar days following the registration of a business entity, a branch of a foreign business entity enterprise (except for commercial banks and legal entities under public law established by the State under the legislation or administrative acts of Georgia), or the transfer of money out of that account (except for operations between its own accounts in the same banking institution).<sup>217</sup>

#### 3.4.3 ACCOUNT FEATURES AND THE TERMS RELATED TO THE BANKING SERVICES

Please refer to [Section 1.5.3 of these Guidelines](#).

#### 3.4.4 INACTIVE ACCOUNT FEES

Please refer to [Section 1.5.4 of these Guidelines](#).

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<sup>217</sup>Law Of Georgia on Facilitating the Prevention of Illicit Income Legalization, Art. 5(2)(i)



## 3.5 TAXATION OF BUSINESS ENTITIES

### 3.5.1 WHAT ARE THE BASIC TAXATION RULES FOR LLCs AND LPs?

#### BASIC TAXATION RULES FOR BUSINESS ENTITIES

According to the Tax Code of Georgia, there are six common state and local taxes. State taxes include income tax, profit tax, value-added tax (VAT), excise tax, and import duty. Property tax is considered a local tax.

1. **Income tax** is the taxation of a person's financial income. The tax that a natural person's income is subject to and taxed at the source by business entity is often referred to as corporate tax or corporate income tax.

The income tax rate provided by the legislation of Georgia is 20%.

2. **Profit tax** on the economic activity of a business entity includes tax on the following:

- Distributed profit;
- Costs incurred or other payments not related to economic activity;
- Free delivery of goods/services and/or transfer of funds; and
- Representation expenses paid in excess of the limited amount permitted pursuant to the Tax Code.

The profit tax rate is 15%.

3. A **VAT payer** is paid by a business entity engaged in economic activity if the total amount of VAT taxable transactions during any continuous 12 calendar months exceeds 100,000 GEL. The VAT rate is 18% of taxable turnover (gross annual income).

4. An **excise taxpayer** is a business entity that produces excisable goods in Georgia, including, for example, alcoholic beverages, tobacco products, petroleum products, natural gas, etc.), imports and exports excisable goods into/out of Georgia, and supplies natural gas for motor vehicles. The excise tax rate depends on the type of excisable goods/services.

5. A **payer of import duty** is a business entity moving goods across the customs border into Georgia, except for export. Import duty will be imposed on the customs value of goods crossing the customs border of Georgia from outside Georgia. There are two tax rates of 12% and 5% depending on the type of goods.

6. The **property tax rate** is determined in the maximum amount of 1% of the average annual net book value of the taxable property maintained by the business entity as shown on its inventory list.

**Property tax rates on non-agricultural land** are calculated according to the basic tax rate (the basic rate is fixed at GEL 0.24 per square meter of land per year, multiplied by the regional coefficient, as determined by each a municipality and not to exceed 1.5%).

The annual basic property tax rates on agricultural land and forest land are determined by the applicable regional units and land categories and are calculated at 1% of the cost per hectare, as determined by law.

The following table provides an overview of the taxes and rates applied to business entities in Georgia.

<b>Taxes and Tax Rates Applicable to Business Entities in Georgia</b>		
<b>Type of tax</b>	<b>Tax Rate</b>	<b>Remarks</b>
<b>Profit tax</b>	15%	
<b>VAT</b>	18%	VAT taxable transactions during any continuous 12 calendar months exceeds 100,000 GEL
<b>Excise</b>	Variable	Excise rate is calculated at different rates based on the type of excisable goods/services.
<b>Payer of import duty</b>	5%/12%	Depending on the type of goods
<b>Property tax rate</b>	1%	Applied to the average annual net book value of the taxable property
<b>Property tax rates on non-agricultural land</b>	GEL 0.24 per square meter of land per year	Basic rate is multiplied by the territorial coefficient, which is determined by the municipality and shall not exceed 1.5
<b>The annual basic property tax rates on agricultural land and forest land</b>	Variable	Differentiated according to administrative-territorial units and land categories and are calculated for 1 hectare, in GEL.

### 3.5.2 WHAT IS THE SIMPLIFIED TAX REGIME FOR SMALL BUSINESSES AND WHAT TAX AND REPORTING OBLIGATIONS DO THEY HAVE?

The Tax Code of Georgia provides for special tax regimes for the following small businesses:<sup>218</sup>

- a) natural persons having micro business status;

<sup>218</sup> Article 83 of the Tax Code of Georgia (17/09/2010, № 3591)

- b) individual entrepreneurs with the status of a small business; and
- c) persons with the status of a fixed taxpayer.

### **MICRO BUSINESS STATUS**

**Micro business status** is granted to a natural person registered as a taxpayer and is not r. To be granted the status of a micro business, a person does not have to register as an entrepreneur natural person.

Micro business status can be granted to a natural person who meets all the following conditions:

- is not registered as a VAT payer;
- uses no hired labor other than that of family members; and
- conducts economic activity independently, the gross income from which does not exceed GEL 30,000 during a calendar year.

The status of a micro business can be obtained only if the person manufactures the goods and/or services listed below and delivers them to the end customer through retail:

1. Growing agricultural products, which are carried out by tractors or combines;
2. Manufacture of carpets and rugs;
3. Manufacture of pullovers and similar products;
4. Manufacture of outerwear, except for the demonstration and display of models;
5. Production of underwear;
6. Production of headscarves;
7. Manufacture of other clothing and accessories;
8. Production of various wood products;
9. Manufacture of wooden hangers for clothes and scarves;
10. Manufacture of wooden household items and kitchen utensils;
11. Production of porcelain and faience household goods;
12. Production of household utensils and inventory;
13. Production of musical instruments;
14. Production of accordions and similar instruments, including lip harmonics;
15. Production of wind musical instruments;
16. Production of brooms and brushes;
17. Repair of household goods and personal items;

18. Repair of household goods and personal consumption items, if it is carried out independently of the production of these items, wholesale and retail trade if the repair is carried out together with other types of activities, then it belongs to the relevant groups of retail and wholesale trade or production of these goods;

19. Repair of shoes and leather goods;

20. Repair of household electronic products;

21. Repair of watches and jewelry;

22. Clothing remodeling and repair;

23. Repair of household goods and personal items;

24. Washing and processing of linen and other textiles; and

25. Housekeeping services.<sup>219</sup>

### **Activities Not Qualifying for Micro Business Status:**

Georgian law excludes the following activities by a natural person from the status as a micro business:

1. Activities that require licensing or permission, except for certain taxi permits in Tbilisi;

2. Activities from which the income received during the calendar year may exceed 30,000 GEL;

3. Carrying out foreign exchange transactions;

4. Medical (except for those performed by local doctors and nurse in state programs), architectural, legal or notarial, auditing, and consulting (including tax consultants) activities;

5. Gambling; and

6. Sales.<sup>220</sup>

Individual with the status of a micro business:

- ✓ does not pay income tax;
- ✓ is exempt from the obligation to use the cash register;
- ✓ is not obliged to keep records of income and expenses; and
- ✓ individuals with micro business status do not pay advance payments.

The calculation of the taxable income of GEL 30,000 received by a micro-business during a calendar year does not include the following types of income defined by a decree of the Government of Georgia, which is not taxed under a special tax regime and is subject to income tax at a general rate of 20%, including the following:

1. Income from renting out a property;

2. Interest on a loan;

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<sup>219</sup> Resolution of the Government of Georgia on Special Tax Regimes (№29 / 12 / 2010,415), Annex 1

<sup>220</sup> Resolution of the Government of Georgia on Special Tax Regimes (№29 / 12 / 2010,415), Annex 2

3. Profits from gambling;
4. Gifts;
5. Profit from the sale of the following property:
  - a) real estate;
  - b) vehicles;
  - c) securities.
6. Income from inherited property;
7. Dividend income;
8. Interest income;
9. Royalty income; and
10. Income from the forgiveness of a debt.<sup>221</sup>

### **SMALL BUSINESS STATUS**

**Small business status** can be granted to a natural person (including a person registered as a VAT payer) who is registered for tax purposes.

If a natural person is not registered as an individual entrepreneur and intends to start a business activity, he/she is obliged to register as an individual entrepreneur in the Register of Entrepreneurial and Non-entrepreneurial (Non-commercial) Legal Entities. After registration, a natural person must apply to the tax authority in order to be granted the status of a small business.

Under the current legislation, a natural person who conducts the following activities is not permitted to obtain small business status:

1. Activities that require a license or permit, except for a permit to travel by taxi (M1 category) in Tbilisi.
2. Activities which require significant investment (e.g., production of goods subject to excise tax);
3. Carrying out foreign exchange transactions;
4. Medical, architectural, legal or notarial, auditing, consulting (including tax consultants) activities.
5. Gambling business;
6. Staffing, provision of personnel; and
7. Production of excisable goods.<sup>222</sup>

**The income of a small business is taxed at different rates, namely:**

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<sup>221</sup> Resolution of the Government of Georgia on Special Tax Regimes (№29 / 12 / 2010,415), Annex 3.

<sup>222</sup> Resolution of the Government of Georgia on Special Tax Regimes (№29 / 12 / 2010,415), Annex 4

- ✓ Taxable income of a person with small business status is taxed at 1 percent if the annual income does not exceed 500,000 GEL;
- ✓ The taxable income of a person with the status of a small business is taxed at 3 percent if the taxable income from economic activities exceeds GEL 500,000 during a calendar year (from the beginning of the month of excess to the end of the same calendar year).

**Salary of up to a total of GEL 6,000 paid by a person with a small business status, during one calendar year, is not taxed at the source of payment if:**

- The person was registered as an individual entrepreneur and was granted the status of a small business during the same calendar year;
- The gross income received by him/her during the previous calendar year does not exceed GEL 50,000; and
- In other cases, a natural person with the status of a small business is obliged to withhold tax at the source of payment for the services received, or when paying out salaries (should such an obligation arise under the Tax Code of Georgia).

**The calculation of the 500,000 GEL taxable income received by a small business during a calendar year does not take into account the income received as a salary by a small business and the types of income, defined by a Georgian government decree, which are not taxed by special tax regime and is subject to 20% income tax. Such revenues are:**

1. Income from renting out property;
2. Income from a loan;
3. Profits from a gambling business;
4. Income received through gifts;
5. Surplus income received from the sale of the following property:
  - a) real estate;
  - b) vehicles;
  - c) securities.
6. Income received as inherited property;
7. Dividend income;
8. Interest income;
9. Royalty income;
10. Income from the waiver of a debt; and
11. Profit earned from the sale of a partner's share.<sup>223</sup>

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<sup>223</sup> Resolution of the Government of Georgia on Special Tax Regimes (№29 / 12 / 2010,415), Annex 5.

## **STATUS AS A FIXED TAXPAYER**

**The status of a fixed taxpayer** may be granted to a natural person who meets all the following conditions:

- is registered as an individual entrepreneur;
- is not a value-added taxpayer;
- carries out one or more activities subject to fixed tax, including a bakery, beauty salon, and car maintenance and repair service, but excluding legal or consultancy services.<sup>224</sup>

**Fixed tax rate according to the types of activities defined by the Government of Georgia can be:**

- ✓ Per the object of taxation - from 1 GEL to 2000 GEL;
- ✓ 3 percent of income from taxable activities.

**A fixed taxpayer is exempt from the obligations to:**

- ✓ use cash registers;
- ✓ maintain revenue and expense accounting;
- ✓ submit an annual income tax declaration.

A fixed taxpayer is entitled to carry out any activity that is not prohibited by law, except for the use of goods/services obtained from fixed taxable activities subject to a different tax regime.

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### **3.5.3 WHICH BUSINESS ENTITY INCOME IS TAX EXEMPT?**

**Exempt from profit tax is:**

- profit earned by an agricultural cooperative from a primary supply of agricultural products made in Georgia before their industrial processing (changing their commodity code) before 1 January 2023 or distribution of profit, and expenses incurred/disbursements made within the scope of the same activity that is provided for in Article 97(1)(b-d) of the Tax Code;
- income earned by non-residents from leasing out the property that does not belong to the non-resident's permanent establishment in Georgia;
- profit or distribution of profit earned by a Free Industrial Zone (FIZ) Enterprise from a business permitted within the FIZ and expenses incurred/disbursements made within the scope of the same activity as provided for in Article 97(1)(b-d) of the Tax Code;
- profit (distribution of profit) earned from the supply of information technologies outside Georgia developed by a legal entity of a virtual zone<sup>225</sup>; and

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<sup>224</sup> The full list is defined in the Resolution of the Government of Georgia on Special Tax Regimes (№29 / 12 / 2010,415), Annex 6.

<sup>225</sup> <https://www.businesssetup.com/ge/virtual-zone-entity-in-georgia#:~:text=%E2%80%9CVirtual%20Zone%20Entity%E2%80%9D%20is%20the,Georgia%20are%20exempted%20from%20tax> : Georgian legislation defines a Virtual Zone Legal Entity as “any legal entity related to Information Technology”. It must involve research, development, support, design, production, and implementation of computer information systems and software design. Virtual Zone IT companies are also called “Information Technology Zones.”

- distribution of profit earned by a high-mountain settlement enterprise from an activity carried out in the same high-mountain settlement, and expenses incurred/disbursements made within the scope of the same activity that is provided for in Article 97(1)(b-d) of this Code – for 10 years after being granted the relevant status (including the calendar year when the status was granted).

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#### 3.5.4 WHAT TAXES ARE REQUIRED FOR EMPLOYEE SALARIES AND PAYMENTS TO CONSULTANTS?

As with the requirements for NGOs described in Section 2.6.5 of these Guidelines, when a business entity pays an employee's salary and the remuneration for the consulting services provided by an individual, the business entity must withhold at the source of payment:

1. Employee pension contribution in the amount of 2% of gross salary/service remuneration, if the employee has joined the pension scheme; and
2. Income tax in the amount of 20% of the salary remaining after the deduction of the pension contribution.

If an employee has joined the pension scheme, the business entity is obliged to pay the employer's 2% pension contribution separately from gross salary/service remuneration.

For tax-related information regarding payments under service agreements (consultant fees) please refer to [Section 1.4.1](#) of these Guidelines.