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BUSINESS ENVIRONMENT

THE CONSUMER

IMPORTING & DISTRIBUTING

Import Procedures

Importing requires a minimum of a declaration, an invoice, and a certificate of origin bearing the confirmation of the Customs authorities in the country of export. The documentation accompanying the product must prove that it complies with Georgian technical standards of quality and security.

Distribution market players

Georgia with 4,8 million population and 8,4 billion dollars of total retail sales are one of the country in central Asia that had an increasment in retail market in these years. Georgia has a solid per capita spending growth over the past five years, and an underpenetrated retail market.

Georgia remains attractive for retailers across all categories. Despite growth and expansion in food retail, modern formats still represent only 30% of the market, with most key players considering traditional market their strongest competitors. [Carrefour](#) and local [Goodwill](#) remain the only hypermarket players, while the minimarket playing field is a bit more competitive. [SPAR](#) (with 42 stores as of today) entered the Georgia market in the summer of 2014 by acquiring Populi, the third-largest retail chain, with plans to rebrand and expand its network from 51 to 80 stores by 2018. Local food retailer [Nikora](#) reinforced its leading position by acquiring a small regional chain of 12 supermarkets in December 2014.

OPERATING A BUSINESS

Type of companies

Joint Stock Company (JSC)

Number of partners: One or more partners.

Capital (max/min): GEL 100,000, 25% of which shall be contributed by the respective shareholders immediately upon incorporation.

Shareholders and liability: Limited to its all assets. Shareholders are not liable for obligations of the JSC.

Limited Liability Company

Number of partners: 1 to 50 partners / shareholders.

Capital (max/min): No specific requirements.

Shareholders and liability: Limited to the share held in the capital of the company

General Partnership

Number of partners: One or more partners.

Capital (max/min): No specific requirements.

Shareholders and liability: the obligations of one or several partners towards the creditors of the partnership is limited to their investments into the company (limited partners - Comandits), while the other partners (Complementars) are personally liable for the company debt.

Limited Partnership

Number of partners: One or more partners.

Capital (max/min): No specific requirements.

Shareholders and liability: Limited for some partners and unlimited for others

Cooperative

Number of partners: One or more persons.

Capital (max/min): GEL 100

Sole Proprietorship

Number of partners: One personne

Capital (max/min): No specific requirements.

Shareholders and liability: Unlimited

Setting Up a Company	Georgia	Eastern Europe & Central Asia
Procedures (number)	1.0	5.3
Time (days)	1.0	11.8

Source: Doing Business - Latest available data.

Cost of Labour

Minimum Wage

GEL 20 per month (source: ILO, 2011).

Average Wage

Gross average monthly wage of men: GEL 742 (source: ILO, 2010);

Gross average monthly wage of women: GEL 426 (source: ILO, 2010).

Social Contributions

Social Security Contributions Paid By Employers: The social tax has been abolished and replaced by a doubling of income tax.

Social Security Contributions Paid By Employees: The social tax has been abolished and replaced by a doubling of income tax.

Intellectual Property

National Organisations

The authority in charge of the protection of intellectual property in Georgia is the [Sakpatenti \(National Center for Intellectual Property\)](#).

Regional Organisations

Georgia is a signatory to the [WIPO Treaty on copyright](#), and the [Paris Convention on the Protection of Industrial Property](#).

International Membership

[Member of the WIPO](#) (World Intellectual Property Organization)

[Signatory to the Paris Convention](#) For the Protection of Intellectual Property

TAX RATES

Consumption Taxes

Nature of the Tax

Value Added Tax (VAT) - Damatebuli Ghirebulebis Gadasakhadi (Local Name)

Tax Rate

18%

Reduced Tax Rate

Exempt items include: certain medicines; passenger cars; publications and mass media; baby products; land plots; supply of goods and services between Free Industrial Zone Companies; conduct of financial operations or supply of financial services; medical services; educational services; assets under finance leases if the assets are exempt without the entitlement to credit; betting and gaming services; import of gold for supply to the National

Bank of Georgia; supply or import of goods and services needed for the oil and gas industry under the Law of Georgia "on Oil and Gas"; import of natural gas for electricity production; import or temporary import of goods intended for the personal use of the citizens of foreign countries employed at oil and gas exploration and extraction works; import of natural gas for electricity production; import of goods by an issuer or a recipient of the grant as defined by the grant agreement; etc.

Zero-rated items include: supply of fuel or groceries to the aircraft; supply, remake, repair, servicing or lease of aircraft and equipment installed or used on an aircraft; supply of goods outside Georgia (export, re-export); supply of goods or services intended for the official use of foreign diplomatic missions and equivalent representative offices as well as for the personal use of the members of such diplomatic missions and representative offices (including family members residing with them); transportation of goods under export, re-export, external processing and transit arrangements (foreign goods moving through the customs territory of Georgia) and related services; transportation of goods not yet declared into import, warehouse, temporary import, internal processing or free-zone operations between points located in Georgia and related services (except for storage services); transportation of goods declared into import, warehouse, temporary import, internal processing or free-zone operations before entering the territory of Georgia from the customs border of Georgia to the destination point and related services (except for storage services); transportation of goods declared into import, warehouse, temporary import, internal processing or free-zone operations before entering the territory of Georgia from the customs border of Georgia to the destination point and related services (except for storage services); transportation of passengers and cargo and related services, if the departure or arrival point is located outside Georgia and if a unified transportation document is issued for such transportation; import and supply of products to be provided on board for international flights or international sea passages; transportation, loading, unloading and storage services provided for the purpose of sending (returning) empty transport facilities (including containers and wagons) outside Georgia; supply of natural gas to thermoelectric power stations; supply of Georgian goods to a duty-free outlet for sale, and sale of goods and provision of catering services in a duty-free zone; supply of gold to the National Bank of Georgia; organized foreign tours into Georgia by tour operators and the supply of tourist packages to foreign tourists; rendering of services to ships on carrying goods into the customs territory of Georgia; supply of goods or services or import of goods that qualify for VAT exemption in accordance with the framework of international agreements ratified by the parliament of Georgia; supply of unprocessed agricultural products produced in Georgia (except for eggs and chicken); supply/import of books and e-books, also, rendering of sales and printing services for the goods.

Other Consumption Taxes

Excise duties are applied on alcoholic drinks, condensed natural gas, oil distillates, goods produced from crude oil, tobacco products and automobiles. Telecommunication services and international phone calls are subject to excise taxes (GEL 0.15 per minute on the mobile network; GEL 0.08 per minute on the fixed network).

Corporate Taxes

Company Tax

15%

retained profits are no longer taxable until they are distributed

Tax Rate For Foreign Companies

An individual is resident if he/she is present in Georgia for more than 183 days in any continuous 12-month period ending in a tax year, or if the individual was in the Georgian state service abroad during the tax year.

Capital Gains Taxation

Capital gains are taxable as normal business income at the general corporate income tax rate.

Main Allowable Deductions and Tax Credits

The new corporate tax law incorporates the IFRS accounting principles and does not provide for any deduction as it only taxes distributed profits (retained profits are no longer taxable until they are distributed). However, the deductions listed below still apply to the taxpayers who continue operating under the old CIT system:

- interest (capped at 24% - no limits are established on loans received from domestic licensed banks and microfinance organisations);
- reserves of insurance funds;
- scientific research;
- depreciation of fixed assets (5-20%);
- repairs (up to 5% of the book value of the relevant asset at the end of the year);
- bad debts (conditions apply);
- insurance costs;
- prospection and extraction of resources;
- depreciation of intangible assets (in proportion with the period of beneficial use, assets valued less GEL 1,000 are fully deductible);
- bad debts (under conditions);
- charitable contributions (up to 10% of the taxable profit).

Start-up expenses incurred before the registration of the company as a taxpayer are not deductible.

Net operating losses can be carried forward for up to five years (taxpayers can request an extension of up to 10 years). The carryback of losses is not permitted.

Other Corporate Taxes

Property tax is levied at maximum of 1% on the annual average residual value of fixed assets (except for land). The average residual value is multiplied by a coefficient of between 1.5 and 3 for properties acquired before 2005. Land used for agricultural purposes is taxed per hectare at rates varying from GEL 5 to GEL 100. An additional coefficient of up to 150% applies depending on the location. Non-agricultural land is taxed at GEL 0.24 per square metre, with a territorial coefficient of up to 150%.

Georgia does not levy transfer taxes or stamp duties. There are no social security contributions payable by the employer. However, payments to a defined contribution pension scheme are mandatory, with the employer contributing 2% of the employee's gross salary. The state contributes 2% on an employee's gross annual salary of up to GEL 24,000 and 1% on the excess up to GEL 60,000; however, no contribution is made where the annual salary exceeds GEL 60,000.

A self-employed person makes a 4% contribution.

Other Domestic Resources

[Consult Doing Business Website](#), to obtain a summary of the taxes and mandatory contributions.

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[See the list of the conventions signed](#)

Withholding Taxes

Dividends: 0 (paid to resident companies)/5%; Interest: 0 (paid to resident companies)/5% (non-residents)/15% (if paid to a non-resident registered in a low-tax jurisdiction); Royalties: 0 (paid to resident companies)/20%

(resident individual)/5% (non-residents)/15% (if paid to a non-resident registered in a low-tax jurisdiction)
