



Thinking beyond borders: Management of extended business travelers - Georgia

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Contents

1	Key message	4
2	Income Tax	6
3	Social Security	10
4	Compliance obligations	12
5	Immigration	14
6	Other issues	16

01

Key message

An individual's liability to income tax in Georgia is determined by residence status for taxation purposes and the source of income derived by the individual. Income tax is levied at a flat rate on an individual's taxable income for the year. Residents are taxed on worldwide income (however, overseas income of resident individuals is exempt from income tax) and non-residents are taxed on their Georgian-sourced income only.

1 Key message

Extended business travellers are likely to be taxed on employment income received in Georgia.

02

Income tax

2 Income Tax

2.1 Liability for income tax

Income taxpayers are resident and non-resident individuals of Georgia. Residency is defined by the Tax Code of Georgia (TCG) as follows:

“during the entire current tax year, an individual shall be recognized as a resident of Georgia if they were ‘actually present’ in the territory of Georgia for 183 days or more in any continuous calendar 12-month period ending in this tax year, or was in the Georgian state service abroad during the tax year “.

“Actually present” shall be considered as the time of actual presence in the territory of Georgia during which a person has been in the territory of Georgia, as well as the time period which they have spent outside the territory of Georgia specifically for the purposes of medical treatment, vacation, business trip, or study. Time during which a person was in Georgia is not considered as a time of actual presence on the territory of Georgia if they stayed:

- As a person having diplomatic or consulate status or as a family member of such person.
- As a staff member of an international organization under Georgian international agreements, or as a person who is in the state service of a foreign country/jurisdiction, and/or a family member of such a person, except citizens of Georgia.
- Exclusively for moving from one foreign country/jurisdiction to another through the territory of Georgia
- For medical treatment or resting purposes.

A day of presence in Georgia is considered any day during which a person actually stayed in the territory of Georgia, regardless of the duration of this stay. The status of residence or non-residence is established for each tax period. Moreover, days to which the person was considered a resident during the previous tax period shall not be considered while establishing residency for the following tax period.

An individual is regarded as a non-resident of Georgia if they do not comply with the criteria established for residency.

Irrespective of the above-mentioned criteria established for residency, Georgian residency may be granted:

- to a high net worth individual according to the rule and the conditions prescribed by the Minister of Finance of Georgia
- to Georgian citizen, if it is impossible to identify the residency of this individual for any country/jurisdiction and the individual appeals to the Georgian tax authorities
- to foreign citizen according to the rule and conditions prescribed by the Minister of Finance of Georgia.

Tax trigger points for employment income

There is a tax exemption for income from employment of a non-resident employee received from a non-resident employer, provided that the employee spends less than 31 days in a calendar year in Georgia and the expenses on salaries are not attributable to the non-resident employer’s permanent establishment (PE) in Georgia. Otherwise, there is no threshold/minimum number of days that exempts the employee from the requirements to file tax returns and pay tax in Georgia.

To the extent that the individual qualifies for relief in terms of the employment income article of an applicable double tax treaty, there will be no Georgian tax liability.

2.2 Types of taxable income

Generally, all earnings (whether in cash or in the form of a benefit-in-kind), made by an employer to an employee, are taxable unless specifically exempted.

2.3 Tax rates

For the year ending 31 December 2023, the following rates apply for various types of income:

Residents

Type of income	Tax Rate	Taxable through withholding (W)/ Filing tax return (R)
Employment	20%	W
Interest from Georgian source	5%	W
Dividends from Georgian source	5%	W
Taxable income of entrepreneur individuals	20% / 1% / 3%	R
Royalty	20%	W
Capital gains	20% / 5%	R
Rent	20% / 5%	W / R
Income earned from organizing gambling in a systemic-electronic form*	10%	R
Income derived from systemic-electronic gambling**	2%	W

* Effective from January 1, 2024, the rate will be further increased to 15%. Additionally, the same rate would apply to a person arranging a gambling machine salon.

** Effective from January 1, 2024, the rate will be further increased to 5%. Additionally, the same rate would apply to the income derived from gambling machines.

Non-residents

Type of income	Tax Rate	Taxable through withholding (W)/ Filing tax return®
Employment	20%	W
Dividends	5%	W
Interest	5%	W
Royalty	5%	W
International traffic, international telecommunication	10%	W

Type of income	Tax Rate	Taxable through withholding (W)/ Filing tax return®
Rent	20% / 5%	W / R
Other payments (except for sale of property)	10%	W
Service payments (including interest and royalty) to a nonresident in the list of offshore countries/jurisdictions	15%	W
Capital gains	20% / 5%	R
Taxable income of individuals through their PE	20%	R
Income earned from organizing gambling in a systemic-electronic form*	10%	R
Income derived from systemic-electronic gambling**	2%	W

* Effective from January 1, 2024, the rate will be further increased to 15%. Additionally, the same rate would apply to a person arranging a gambling machine salon.

** Effective from January 1, 2024, the rate will be further increased to 5%. Additionally, the same rate would apply to the income derived from gambling machines.

03

Social Security

3 Social Security

3.1 Liability for social security

Employers, employees, and individual entrepreneurs are not liable to any obligatory social security payments on income paid/received.

However, on 1 January 2019, the Law on Accumulative Pension came into force (Pension Law). The new pension system obliges employees, employers, and the state to contribute to the individual pension account of employees.

04

Compliance obligations

4 Compliance obligations

4.1 Employee compliance obligations

Annual income tax returns must be filed by non-resident or resident individuals who derive any Georgian-sourced income which are not subject to withholding tax.

Income tax returns are due by 31 March following the tax year-end, which is 31 December.

4.2 Employer reporting and withholding requirements

Normally withholdings from employment income are covered under the Pay-As-You-Earn (PAYE) system. If an individual is taxable on employment income, the employer has a PAYE withholding requirement. Particularly, the employer (who is considered as a tax agent according to Georgian tax legislation) shall withhold taxes at the source of payment and transfer to the budget upon salary payment. In case of benefits-in-kind, the taxes should be withheld and paid to the budget no later than the last day of the respective month.

Monthly withholding tax returns must be filed by tax agents. Withholding tax returns are due by the 15th day of the month following the reporting month. The return inter alia contains the following information: the registration number of that person, their name, living address, the total amount of income, and the total amount of tax withheld during the reporting period. Starting from February 2021 the employer is required to submit the up-to-date list of employees to the Revenue Service of Georgia.

In the case where salary is paid by a non-resident entity and this expense is not attributable to PE expenses, the employee may have to account for income tax.

05

Immigration

5 Immigration

5.1 Immigration Compliance

Administrative sanctions may be imposed for violation of legal terms of stay in the territory of Georgia.

Maximum penalty is 360 Georgia lari (GEL). In addition, an alien may be forced to leave Georgia if there are no legal grounds for their further stay in Georgia.

06

Other issues

6 Other issues

6.1 Double taxation treaties

Georgia has entered into double taxation treaties with more than 55 countries/jurisdictions to prevent double taxation and allow cooperation between the Georgian and overseas tax authorities in enforcing their respective tax laws.

6.2 Permanent establishment implications

There is the potential that a PE could be created as a result of extended business travel, but this would be dependent on the type of services performed, the functions and level of authority of the employee, and the specific terms of any applicable double tax treaty.

6.3 Indirect taxes

Georgia imposes value-added tax (VAT), which is a tax on consumer expenditures. Businesses (that are VAT registered and fully taxable) do not bear the final costs of VAT. They are able to charge VAT on the supplies that they make (output VAT) and recover VAT on purchases that they have made (input VAT).

VAT is applicable at 18 percent of taxable supplies. Some goods and services may be exempt from VAT (with or without the right to credit input VAT).

6.4 Transfer pricing

The TCG contains a specific chapter on transfer pricing with rules based on the Organization for Economic Co-operation and Development (OECD) arm's length principle and OECD methods. The TCG and the current administrative practice recognize the concept of 'market price' with respect to transactions between related parties.

6.5 Work permit/visa requirements

Individuals visiting Georgia to carry out labor activities, representatives and consultants of companies who travel to Georgia to perform their duties, aliens who enter Georgia to work on the basis of the labor contract, and individuals visiting Georgia to carry out entrepreneurial activities, need to obtain the immigration visa (D1 Category). Immigration visa is a prerequisite for issuing work residence permit.

The citizens of the EU, USA, Canada, the former Soviet Union and some other countries/territories do not need a visa to enter Georgia for 1 year.

6.6 Local data privacy requirements

Georgia has data privacy laws.

6.7 Exchange control

Georgia does not restrict the flow of Georgian or foreign currency into or out of the country/jurisdiction. Certain reporting obligations are imposed, however, to prevent illicit income legalisation. Certain limitations on the amount of importing and exporting of cash (or securities) without customs declaration are applied (the limit is GEL 30,000 (approximately 11,000 US dollars (USD)), or its equivalent in foreign currency).

A bank account cannot be opened in Georgia without proof of identity.

6.8 Non-deductible costs for assignees

A person is declined a deduction for an amount of expenditure to the extent to which it is incurred in deriving income from employment. Furthermore, as a rule, expenses not related to economic activity are not deductible from the gross income.

6.9 Other immigration considerations

The Ministry of Foreign Affairs of Georgia (also, a diplomatic mission, the Georgian interests division at a diplomatic mission of a third country/jurisdiction and a consular office of Georgia; an authorized body designated under an individual administrative-legal act of the Minister of Internal Affairs of Georgia) issues immigration visas to aliens residing in Georgia legally. There is an e-Visa Portal function within the Ministry of Foreign Affairs. You can access the electronic application on the following link: <https://www.evisa.gov.ge/GeoVisa/>

If a foreign national start working in Georgia on the employment contract basis, the local employers are obliged to register labor migrant in the unified database of the Ministry of Internally Displaced Persons from the Occupied Territories Labor, Health and Social Affairs of Georgia within the 30 calendar days from the event of concluding contract.

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