

Georgian Tax and Legal News Refer to the Law



Possible amendments to the Georgian Tax Code

The Parliament of Georgia is currently considering possible amendments to the Georgian Tax Code. The purpose of the amendments is to govern the legal issues related to writing off inventories, facilitating transport services, regulate grant status for the goods imported for goods and humanitarian purposes.

The amendments will allow the taxpayer to write off inventories that are lost or destroyed by force-majeure without any notice or confirmation to the Revenue authorities, as well as specifying that grantors or grantees will be exempt from VAT without the right of deduction. Furthermore, import goods of humanitarian status will be exempt from VAT without the right of deduction.

The Parliament of Georgia is discussing other amendments to the Georgian Tax Code aimed at extending the time period for tax privileges, and granting special trade zone status in the agricultural sector.

In accordance with these amendments, the existing tax privileges in the agricultural sector will continue until 1 January 2018. Furthermore, the time period for special trade zone status will last until 1 January 2018.

Possible amendments to the Georgian law on grants

The Parliament of Georgia is currently discussing possible amendments to the law on grants. The aim of these changes is to establish grant status for import goods, which are connected with purposes of the exemption from import duties.

These amendments are aimed at improving the law on grants so that the Georgian Tax Code will regulate the grant status of import goods and the enjoyment of tax privileges.

Case Law

The Tbilisi Appeal Court made an important decision on 24 November 2011 related to court jurisdiction.

The Chamber for Civil Cases noted that the place of the performance of a contract should be considered the place of performance of obligation, which was the main purpose of the contract. The differentiate of obligations into main and cross obligations simplifies to determine the jurisdiction of the court. Under contracts, all parties undertake obligations and the legislative terms determining jurisdiction of the court, should not be interpreted in favor of the breaching party.

In the case in question, the court ordered that under the sales-purchase agreement, the monetary obligation is not main obligation between the parties, it is merely a counter-obligation/reciprocate obligation and, accordingly, the place of the performance of the contract should not be considered the residence of the creditor as stated in Article 387 of Civil Code of Georgia.

The Chamber pointed to the literal definition of Article 16(2) of the Civil Code of Georgia. Pursuant to this definition, the court jurisdiction depends on the place of the performance of the main obligation and not the place of the obligation that should have been performed by the breaching party.

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