

### *Legal amendments effected in September 2009:*

- *Amendments were made to the Property Taxes whereby the tax agencies are granted authority to calculate and apply the market value for the purposes of Property Tax payable by the corporate taxpayers.*
- *New forms of VAT returns are introduced by virtue of the new regulations*
- *The power to administer and control the commercial banks was returned to the National Bank of Georgia*

### **Property Tax**

On July 17, 2009 important amendments were introduced to the Tax Code of Georgia. One of the fundamental changes applies to the rule of calculating the taxable value of property. Thus, such value shall amount to the average value in the beginning and the end of respective calendar year. The abovementioned average shall further differ in accordance with the time of acquisition of the property under question. Consequently:

1. average (balance) value increases 3 times, provided the property was acquired until 2000 or no information on acquisition of the property is available;
2. average (balance) value increases 2 times, provided the property was acquired from 2000 until 2004;
3. average (balance) value increases 1,5 times, provided the property was acquired in 2004;

*NOTABLY:* while carrying out the tax inspection, tax authority is now granted the discretion to determine the average value of the taxable property of an entity/organization applying the market value, such decision is subject to appeal by taxpayer. If it is established that the market value of the taxable property exceeds the average (balance) value thereof, taxpayer shall be bound to pay the property tax charged on the difference between market and average (balance) value and pay the property tax in accordance to the established market value during the next 3 (three) years, regardless of the actual market value of such property at that time. It follows that even if the market value of the

property decreases as a result of natural wear and tear thereof, the taxpayer shall pay the property tax in the ratio of the earlier established market value.

### **VAT**

On 25 August, 2009 the amendments were introduced to the “Instruction on the Rules of Completing VAT Return”, which mainly concerns new forms of the tax return and provides for the rules on filling out the VAT returns. The amendments came into effect as of 1 September 2009.

On 27 August, 2009 the Minister of Finance of Georgia introduced amendments to the “Instruction on Computer Generated Printed Official Reporting VAT Invoices”. A taxpayer is now entitled to issue the computer generated printed VAT invoices accumulating total amount of goods/services supplied to customers during the respective month. An electronic version of the VAT invoice filed with the tax authorities shall also be submitted in two hard copies approved by representatives of the taxpayer and the tax authorities. The abovementioned amendments are effective since 1 September 2009.

### **Banking**

By virtue of the amendments to the Law of Georgia on the Activities of Commercial banks, dated September 24, 2009 the authority to carry out the financial supervision of the financial institutions was returned to the National Bank of Georgia. National Bank of Georgia is the authority authorized to issue the banking licenses.

Amendments clarify the notion of “control” to include subjective criteria of intention to gain profit alongside with the objective criteria of effecting the policy and operations of the commercial banks.

Whereas for the purposes of the previous version of the law mere objective criteria, such as direct or indirect influence on operation of the company engaged in banking, regardless of the intention, sufficed for establishing “control”.

Further to the abovementioned, the new Organic Law on the National Bank was adopted respectfully envisaging the abovementioned amendments.

The amendments shall become effective from December 1, 2009.