

Georgia

1. Government requirements

Registration requirements

Registry of Entrepreneurs and Non-Entrepreneurial (Non-commercial) Legal Persons

Companies are required to obtain tax registration together with legal registration at the National Agency of Public Registry (NAPR) which is a legal entity of public law under the Ministry of Justice of Georgia.

Under the Law of Georgia on Entrepreneurs, the NAPR is responsible for the registration of all documents submitted for the incorporation of companies in Georgia. Incorporation application documents may include: a duly certified agreement signed by all partners of the company, Charter of the Georgian entity and a proof of identity document. The standard registration fees are GEL100. An amount of GEL200 must be paid to complete the registration on the same business day.

Either way, legal registration and tax registration are carried out simultaneously, hence no additional actions are required to complete the tax registration of the company

Revenue Service (RS)

Pursuant to Georgian tax legislation, individuals starting economic activities are required to register with the Georgian Tax Authority (GTA) LELP Revenue Service of Georgia and obtain a Tax ID prior to their start-up. Foreign citizen nonentrepreneur individuals have to register with the GTA and obtain a Tax ID prior to filing their annual Personal Income Tax (PIT) returns. Furthermore, without the NAPR's assistance, the RS department is authorized to allow the registration process of taxpayers. These requirements apply to the following persons:

- Georgian citizens
- Foreign citizens
- Legal entities of public law (LEPL)
- Budgetary organizations
- Foreign entities or organizations or their Permanent Establishment (PE)

Ongoing compliance requirements

Personal Income Tax (PIT)

According to the Tax Code of Georgia (TCG), irrespective of residency status, a physical person receiving Georgian sourced income is subject to PIT at a rate of 20%.

Individuals who are tax residents in Georgia are generally liable to pay PIT on their worldwide income, though a tax code provides exemption for the foreign sourced income. In the case of tax nonresidents, PIT is payable only on their Georgian sourced income, subject to double taxation treaty relief (if any).

Thus, both tax residents and nonresidents of Georgia pay PIT only on their Georgian source income.

Article 104 provides the list of income that is considered as sourced in Georgia. The list includes:

- Income received from employment performed in Georgia
- Income or benefit earned from the supply of goods in the territory of Georgia
- Income earned from the delivery of services in Georgia
- Income earned from leasing movable property used in Georgia or from transferring any other contractual right of use
- Interest and dividend income received from a Georgian resident

- Income received from the sale of shares in a Georgian resident entity
- Other income earned from carrying on activities in Georgia

Pursuant to TCG, employers that are residents of Georgia are obliged to withhold PIT at the source of salary payment and administer the payment of tax into the budget upon the payment of salaries.

If the employer is a nonresident entity, it should not be liable to withhold PIT and pay this into the budget if the employee personally files a PIT declaration and pays the respective taxes. Withholding tax returns are filed by 15th of the month, following the reporting period in which the payment was made. Together with the withholding tax return, information about payments made to nonresidents and taxes withheld should be submitted to the GTA within the same deadline.

2. Pension requirements

Registration requirements

Upon reaching the general retirement age of 65 (60 for women), employees are entitled to apply for state pension. According to Georgian legislation, the amount of pension payment is determined and funded by the State Budget of the respective year.

Applicants seeking a state pension must submit an application with all the necessary documents to any regional office of the Social Service Agency of Georgia. The list of these documents, as well as the procedure and conditions for awarding the pension are determined by Order No. 46/n of the Minister of Health, Labor and Social Affairs.

The application is free of charge.

Based on the pension contribution reform enacted on 1st January 2019, individuals employed in Georgia are involved in the pension savings program. According to the Law of Georgia on Funded Pensions, persons under 40 were mandatorily enrolled, whereas persons over 40 had the right to refuse participation in the pension savings program within five months after mandatory enrollment. Pension contribution rules apply to company employees, as well as independent contractors and self-employed individuals.

The Law of Georgia on Funded Pensions applies only to citizens of Georgia and aliens and stateless persons permanently residing in Georgia, except for nonresident natural persons.

Ongoing compliance requirements

According to the Law of Georgia on Funded Pensions, the employer is liable to withhold 2% of the gross salary of the employee and pay to his or her personal retirement account on his or her behalf. Moreover, the employer is liable to pay its own portion of pension contribution which is also 2% of the gross salary to the aforementioned account of the employee (notably, such contribution is not qualified as salary income for the employee). In addition, 2% of the gross salary will be transferred to the retirement account of the employee from the state budget. LEPL Pension Agency is responsible for the implementation and administration of the pension scheme. Respective Pension Returns are filed by employers via the electronic system for managing pension contributions which is administered by the Agency.

The base from which the amount of pension contribution is calculated shall be any salary income including cash and non-cash benefits, such as insurance, housing allowance, etc. Pension savings shall not be subject to taxation at the moment of contribution or withdrawal, except for full withdrawal of savings by persons permanently leaving Georgia.

All of the abovementioned rules regarding pension contributions apply not only to company employees, but to independent contractors as well.

According to the Tax Code of Georgia, state pensions are exempted from PIT. Thus, no tax liability occurs in this regard. However, in cases when an employer pays into a private pension fund for the benefit of an employee, the contributed premiums are considered as a salary income and are subject to PIT at the source of payment.

at a rate of 20%. The Tax Code of Georgia, under Article 154, requires that tax shall be withheld at the source by the person paying salary to the employee. In addition, withholding liability is not triggered when the pension is paid to the employee, since it was taxed at the source of payment at the point of transfer to the private pension funds.

3. Employment obligations

Duration of work

Pursuant to the Labor Code of Georgia, the working time is 40 hours per week. However, in companies with specific working regimes where the work requires more than eight hours of continuous work (per day), working hours should not exceed 48 hours a week. It should be noted that the abovementioned duration does not include break times. If the working time during the working day is more than 6 hours, the duration of the break time should be at least 60 minutes. The duration of uninterrupted rest between working days (or shifts) shall not be less than 12 hours.

Leave days

The employee is authorized to take paid leave of at least 24 business days and maximum 15 days of unpaid leave per annum. An employee working under arduous, harmful, or hazardous labor conditions shall be granted additional paid leave of 10 calendar days annually. An employee shall, upon her request, be granted paid maternity leave of 126 calendar days, and in the case of complications during childbirth or the birth of twins, maternity leave of 143 calendar days. An employee shall, upon his or her request, be granted parental leave of 604 calendar days, and in the case of complications during childbirth or the birth of twins, a parental leave of 587 calendar days. Fiftyseven calendar days of the leave shall be paid.

Facilitating professional development

Employers shall facilitate the upgrading of the qualifications of employees. After the end of a period of maternity leave, parental leave, or new-born adoption leave, upon the request of the employee, the employer shall ensure that the qualifications of the employee are upgraded if this is necessary for the performance of the work under the employment agreement, and does not impose a disproportionate burden on the employer.

Safe and healthy working environment

Employers shall provide employees with a work environment that is as safe and healthy as possible in respect of the life and health of the employees. Employees may refuse to perform work, an assignment, or an instruction, that contravenes law or, due to the lack of occupational safety standards, obviously and substantially jeopardizes they're or a third person's life and health, property, or the safety of the natural environment.

Labour Inspection Service

LELP Labour Inspection Service has the power to ensure the effective application of the Law. The Labour Inspection has power to impose administrative sanctions for the violation of labor norms from GEL 200 up to GEL 1000. Committing the same violation repeatedly or committing severe violations result in doubling or tripling sanctions.

4. Payroll requirements

According to Georgian Labor Law, remuneration must be paid at least once a month. If there is a delay, employers are obliged to pay their employees 0.07% of the delayed sum for each day of any delayed compensation or payment. Unless otherwise determined by an employment agreement, an employee shall be fully remunerated during an idle time caused through the fault of an employer.

Overtime work shall be paid for at an increased hourly rate of remuneration. The amount of the said payment shall be determined by agreement between the parties.

Deductions

Furthermore, according to the Labor Law, employers are authorized to deduct from the employee's remuneration overpayments or any other funds payable by the employee to the employer. The said deduction shall not exceed 50% of the remuneration.

No additional specific requirements are defined by the Labor Code of Georgia.

5. Banking requirements related to payroll

There are no specific requirements regarding the mode of payment except the currency rule. All payments within the territory of Georgia must be made only in GEL. Payroll payments can be made in cash or by bank transfer. Taxes should be paid from the local bank account into the Georgian State Budget.