

Georgia

Summary of key findings

1. Consistent with the agreed methodology this first annual peer review covers: (i) the domestic legal and administrative framework, (ii) certain aspects of the exchange of information framework as well as (iii) certain aspects of the confidentiality and appropriate use of CbC reports. Georgia does not yet have a legal and administrative framework in place to implement CbC Reporting. It is recommended that Georgia finalise its domestic legal and administrative framework in relation to CbC requirements as soon as possible (taking into account its particular domestic legislative process) and put in place measures to ensure appropriate use.

Part A: Domestic legal and administrative framework

2. Georgia does not yet have a complete domestic legal and administrative framework to impose and enforce CbC requirements on the Ultimate Parent Entity of an MNE Group that is resident for tax purposes in Georgia. It is recommended that Georgia take steps to implement a domestic legal and administrative framework to impose and enforce CbC requirements as soon as possible, taking into account its particular domestic legislative process.¹

Part B: Exchange of information framework

3. Georgia is a Party to the *Multilateral Convention on Mutual Administrative Assistance in Tax Matters: Amended by the 2010 Protocol* (OECD/Council of Europe, 2011) (signed on 3 November 2010, in force on 1 June 2011 and in effect for 2016). Georgia has signed the CbC MCAA on 30 June 2016 but has not yet submitted notifications under section 8 of the CbC MCAA. In respect of the terms of reference under review,² it is recommended that Georgia take steps to have QCAs in effect with jurisdictions of the Inclusive Framework which meet the confidentiality, consistency and appropriate use prerequisites. It is however noted that Georgia will not be exchanging CbC reports in 2018.

Part C: Appropriate use

4. In respect of the terms of reference under review,³ Georgia does not yet have measures in place relating to appropriate use. It is recommended that Georgia take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information. It is however noted that Georgia will not be exchanging CbC reports in 2018.

Part A: The domestic legal and administrative framework

5. Part A assesses the domestic legal and administrative framework of the reviewed jurisdiction by reviewing the (a) parent entity filing obligation, (b) the scope and timing of parent entity filing, (c) the limitation on local filing obligation, (d) the limitation on local filing in case of surrogate filing and (e) the effective implementation of CbC Reporting.

6. Georgia has no draft legislation in place in order to implement CbC Reporting.

(a) Parent entity filing obligation

Summary of terms of reference:⁴ Introducing a CbC filing obligation which applies to Ultimate Parent Entities of MNE Groups above a certain threshold of revenue, whereby all required Constituent Entities of the MNE Group are included in the CbC report and no entity is excluded from CbC Reporting other than permitted (paragraph 8 (a) of the terms of reference).

(b) Scope and timing of parent entity filing

Summary of terms of reference: Providing that the filing of a CbC report by an Ultimate Parent Entity commences for a specific fiscal year; includes all of, and only, the information required; and occurs within a certain timeframe; and the rules and guidance issued on other aspects of filing requirements are consistent with, and do not circumvent, the minimum standard (paragraph 8 (b) of the terms of reference).

(c) Limitation on local filing obligation

Summary of terms of reference: If local filing requirements have been introduced, that such requirements may apply only to Constituent Entities which are tax residents in the reviewed jurisdiction, whereby the content of the CbC report does not contain more than that required from an Ultimate Parent Entity, whereby the reviewed jurisdiction meets the confidentiality, consistency and appropriate use requirements, whereby local filing may only be required under certain conditions and whereby one Constituent Entity of an MNE Group in the reviewed jurisdiction is allowed to file the CbC report, satisfying the filing requirement of all other Constituent Entities in the reviewed jurisdiction (paragraph 8 (c) of the terms of reference).

(d) Limitation on local filing in case of surrogate filing

Summary of terms of reference: If local filing requirements have been introduced, that local filing will not be required when there is surrogate filing in another jurisdiction when certain conditions are met (paragraph 8 (d) of the terms of reference).

(e) Effective implementation

Summary of terms of reference: Providing for enforcement provisions and monitoring relating to CbC Reporting's effective implementation including having mechanisms to enforce compliance by Ultimate Parent Entities and Surrogate Parent Entities, applying these mechanisms effectively, and determining the number of Ultimate Parent Entities and Surrogate Parent Entities which have filed, and the number of Constituent Entities which have filed in case of local filing (paragraph 8 (e) of the terms of reference).

7. Georgia has no draft legislation in place in order to implement CbC Reporting and thus does not implement CbC Reporting requirements for the 2016 fiscal year. Georgia indicates that relevant legislation will be designed in cooperation with the international experts. A number of group discussions and consultations will take place within the Ministry of Finance and the Georgia Revenue Service ("GRS").

8. Georgia states that there are currently no MNE groups headquartered in Georgia. All enterprises in Georgia, which are subject to audit based on the Law of Georgia on Accounting, Reporting and Auditing, have an obligation to submit their consolidated reports to the Service for Accounting, Reporting and Auditing Supervision. Therefore, the information about the enterprise's annual turnover will be readily available and the Georgia Revenue Service ("GRS") shall each year officially ask the Service for Accounting, Reporting and Auditing Supervision to provide this information. GRS will monitor this situation yearly by asking the Service for Accounting, Reporting and Auditing Supervision to provide this information and it shall then provide the updates for the purposes of the peer review.

Conclusion

9. In respect of paragraph 8 of the terms of reference (OECD, 2017), Georgia does not yet have a complete domestic legal and administrative framework to impose and enforce CbC requirements on the Ultimate Parent Entity of an MNE Group that is resident for tax purposes in Georgia. Even though Georgia does not have MNE groups meeting the filing threshold resident in Georgia, it is recommended that Georgia take steps to implement a domestic legal and administrative framework to impose and enforce CbC requirements as soon as possible.

Part B: The exchange of information framework

10. Part B assesses the exchange of information framework of the reviewed jurisdiction. For this first annual peer review process, this includes reviewing certain aspects of the exchange of information framework as specified in paragraph 9 (a) of the terms of reference (OECD, 2017).

Summary of terms of reference: within the context of the exchange of information agreements in effect of the reviewed jurisdiction, having QCAAs in effect with jurisdictions of the Inclusive Framework which meet the confidentiality, consistency and appropriate use prerequisites (paragraph 9 (a) of the terms of reference).

11. Georgia does not have a domestic, legal basis for the exchange of information in place. Georgia is a Party to the *Multilateral Convention on Mutual Administrative Assistance in Tax Matters: Amended by the 2010 Protocol* (OECD/Council of Europe, 2011) (signed on 3 November 2010, in force on 1 June 2011 and in effect for 2016).

12. Georgia has signed the CbC MCAA on 30 June 2016 but has not yet submitted notifications under section 8 of the CbC MCAA. As of 12 January 2018, Georgia does not yet have bilateral relationships activated under the CbC MCAA. It is recommended that Georgia take steps to have Qualifying Competent Authority agreements in effect with jurisdictions of the Inclusive Framework that meet the confidentiality and consistency conditions.

Conclusion

13. In respect of the terms of reference under review, it is recommended that Georgia take steps to have QCAs in effect with jurisdictions of the Inclusive Framework which meet the confidentiality, consistency and appropriate use prerequisites. It is however noted that Georgia will not be exchanging CbC reports in 2018.

Part C: Appropriate use

14. Part C assesses the compliance of the reviewed jurisdiction with the appropriate use condition. For this first annual peer review process, this includes reviewing certain aspects of appropriate use.

Summary of terms of reference: (a) having in place mechanisms (such as legal or administrative measures) to ensure CbC reports which are received through exchange of information or by way of local filing are only used to assess high-level transfer pricing risks and other BEPS-related risks, and, where appropriate, for economic and statistical analysis; and cannot be used as a substitute for a detailed transfer pricing analysis of individual transactions and prices based on a full functional analysis and a full comparability analysis; and are not used on their own as conclusive evidence that transfer prices are or are not appropriate; and are not used to make adjustments of income of any taxpayer on the basis of an allocation formula (paragraphs 12 (a) of the terms of reference).

15. Georgia does not yet have measures in place relating to appropriate use. It is recommended that Georgia take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information. It is however noted that Georgia will not be exchanging CbC reports in 2018.

Conclusion

16. It is recommended that Georgia take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information. It is however noted that Georgia will not be exchanging CbC reports in 2018.

Summary of recommendations on the implementation of Country-by-Country Reporting

Aspect of the implementation that should be improved		Recommendation for improvement
Part A	Domestic legal and administrative framework	It is recommended that Georgia take steps to implement a domestic legal and administrative framework to impose and enforce CbC requirements as soon as possible, taking into account its particular domestic legislative process.
Part B	Exchange of information framework	It is recommended that Georgia take steps to have Qualifying Competent Authority agreements in effect with jurisdictions of the Inclusive Framework that meet the confidentiality and consistency conditions.
Part C	Appropriate use	It is recommended that Georgia take steps to ensure that the appropriate use condition is met.

Notes

¹ Paragraph 8 of the terms of reference (OECD, 2017).

² Paragraph 9 (a) of the terms of reference (OECD, 2017).

³ Paragraph 12 (a) of the terms of reference (OECD, 2017).

⁴ The « summary of terms of reference » is provided to facilitate the reading of the report. Reference should be made to the exact wording of the terms of reference published in February 2017 (OECD, 2017).

References

- OECD (2017), “Terms of reference for the conduct of peer reviews of the Action 13 minimum standard on Country-By-Country Reporting” in *BEPS Action 13 on Country-by-Country Reporting – Peer Review Documents*, OECD/G20 Base Erosion and Profit Shifting Project, OECD, Paris.
www.oecd.org/tax/beps/beps-action-13-on-country-by-country-reporting-peer-review-documents.pdf.
- OECD/Council of Europe (2011), *The Multilateral Convention on Mutual Administrative Assistance in Tax Matters: Amended by the 2010 Protocol*, OECD Publishing, Paris,
<http://dx.doi.org/10.1787/9789264115606-en>.



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