# PROGRESS
# REPORT 2024

**Ministry of Finance of Georgia**

International Taxation

This Progress Report tracks records of achievements in international taxation of the Ministry of Finance of Georgia for 2024 and covers following areas:

## Tax Treaties

Currently Georgia has negotiated and concluded agreements on the **“Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital” (DTA) with 58 partner states.** These agreements include treaties with all EU member states, as well as the OECD countries and Georgia’s major trade and economic partners.

Georgia continues to actively engage in the development and revision of Double Taxation Agreements (DTAs) with various countries. Currently, Georgia is working on DTAs with the following countries:

Malaysia

Montenegro

Oman

Kazakhstan

Luxemburg

Andorra

Azerbaijan

All the aforementioned agreements are based on the revised 2017 OECD Model Tax Convention and reflect the standards established under the OECD/G20 Base Erosion and Profit Shifting Project.

- **Malaysia**

Between May 15-17, 2023, the first round of negotiations between **Georgia and Malaysia on the *"Agreement for the Elimination of Double Taxation with Respect to Taxes on Income and on Capital, and the Prevention of Tax Evasion and Avoidance"* was held in Tbilisi.** During the negotiations, the entire agreement was discussed, and significant progress was made, with most parts of the DTA agreed upon. However, certain articles, including Articles 10, 11, and 12, remained open.

In 2024, the DTA underwent a review. Following email correspondence between the parties, it was mutually agreed to schedule the second round of negotiations for 2025. This forthcoming round is expected to address the remaining open articles and advance the agreement towards finalization.

- **Montenegro**

Between September 20-22, 2023, a delegation from Montenegro conducted an official visit to Georgia to hold the first round of negotiations on the ***"Agreement between the Government of Montenegro and the Government of Georgia for the Elimination of Double Taxation with Respect to Taxes on Income and on Capital and the Prevention of Tax Evasion and Avoidance."*** During these negotiations, all articles of the agreement were discussed and agreed upon, except for Articles 10, 11, and 12.

In 2024, negotiations continued in a virtual format, resulting in an agreement on the previously disputed articles. Following these discussions, the initialed draft text was translated into Georgian and submitted to the Ministry of Foreign Affairs for further internal state procedures. Additionally, an explanatory note was prepared, outlining the main changes made to the Georgian draft text of the agreement during the negotiations. This note also included the conclusion of the Ministry of Finance regarding the expediency of signing the agreement.

***On April 8, 2024, an Order was issued by the Prime Minister of Georgia granting signing authority, along with a Decree from the Government of Georgia authorizing the signing of the agreement.***

The successful conclusion of negotiations and the issuance of the necessary government Decrees represent significant progress in formalizing the "Agreement between the Government of Montenegro and the Government of Georgia for the Elimination of Double Taxation." These developments mark an important step towards strengthening bilateral economic cooperation between Georgia and Montenegro.

- **Oman**

In 2024, negotiations between Georgia and the Sultanate of Oman resumed in a virtual format to revise the text of the agreement initially agreed upon in 2012. These discussions reflect the shared commitment to updating the agreement in line with evolving international tax standards and bilateral priorities.

Proposed Amendments The proposed amendments aim to incorporate the Base Erosion and Profit Shifting (BEPS) minimum standards into "The Agreement between the Government of Georgia and the Government of the Sultanate of Oman for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital." Key revisions include:

- Updating the rates specified in Articles 10, 11, and 12 to align with current economic and fiscal considerations.
- Exploring the inclusion of a new article on "Technical Fees" to address the taxation of specific services.

The renewal of negotiations in 2024 signifies a proactive effort to align the agreement with necessary standards and supports the economic interests of both Georgia and the Sultanate of Oman.

- **Kazakhstan**

On October 6, 2023, the Ministry of Foreign Affairs of Georgia received an official note from the Republic of Kazakhstan proposing negotiations to amend the “Agreement Between Georgia and the Republic of Kazakhstan for the Elimination of Double Taxation with respect to Taxes on Income and on Capital and the Prevention of Tax Evasion and Avoidance,” originally signed in 2000. The proposed amendments aim to align the agreement with the BEPS minimum standards.

In response, Georgia sent an official note to Kazakhstan proposing discussions on the possibility of concluding a new agreement and shared a draft Georgian text for consideration. This initiative reflects Georgia's commitment to ensuring its tax treaties adhere to international best practices and evolving standards.

In 2024, the necessary internal procedures for the negotiation process were completed. The initialed draft text was translated into Georgian and submitted to the Ministry of Foreign Affairs of Georgia for further processing. An explanatory note was also prepared, summarizing the key changes made to the Georgian draft text during the negotiations. The note included the Ministry of Finance's conclusion regarding the advisability of signing the updated agreement. **On June 7, 2024, an Order was issued by the Prime Minister of Georgia, along with the Government Decree, granting the authorization to hold negotiations.**

The steps taken in 2024 demonstrate Georgia's dedication to modernizing its tax treaty framework with the Republic of Kazakhstan. Once finalized, these amendments will enhance bilateral cooperation, ensure compliance with BEPS minimum standards, and support the mutual economic interests of both countries.

- **Luxembourg**

In November 2024, to amend the 2007 "*Agreement between the Government of Georgia and the Government of the Grand Duchy of Luxembourg for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital*," a draft Protocol of Amendments was submitted to the Ministry of Foreign Affairs of Georgia to initiate the necessary internal procedures.

In November 2024, steps were initiated to amend the 2007 "Agreement between the Government of Georgia and the Government of the Grand Duchy of Luxembourg for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital." These amendments aim to update the agreement to reflect BEPS Minimum standards.

A draft Protocol of Amendments was prepared and submitted to the Ministry of Foreign Affairs of Georgia. This submission marked the beginning of the necessary internal procedures required to finalize and formalize the amendments.

The submission of the draft Protocol of Amendments represents a significant step towards enhancing the bilateral tax treaty framework between Georgia and the Grand Duchy of Luxembourg. Once completed, the updated agreement will further align with BEPS standards and strengthen economic cooperation.

- **Andorra**

In 2024, an analysis was conducted of the *“Agreement Between Georgia and the Principality of Andorra for the Elimination of Double Taxation with Respect to Taxes on Income and on Capital and the Prevention of Tax Evasion and Avoidance”* proposed by the Andorran side. Following this, the internal procedures for concluding the agreement were initiated. The draft Agreement, prepared by the Ministry of Finance, was submitted to the Ministry of Foreign Affairs.

In 2024, significant progress was made towards formalizing the “Agreement Between Georgia and the Principality of Andorra for the Elimination of Double Taxation with Respect to Taxes on Income and on Capital and the Prevention of Tax Evasion and Avoidance.” This initiative reflects the commitment of both nations to fostering transparent and efficient tax cooperation.

An in-depth analysis of the proposed agreement, submitted by the Andorran side, was conducted. Following the review, the internal procedures necessary for concluding the agreement were initiated. As part of this process, the draft agreement, prepared by the Ministry of Finance of Georgia, was submitted to the Ministry of Foreign Affairs for further action.

Finalizing this agreement marks a key milestone in strengthening the economic and diplomatic relationship between Georgia and Andorra

- **Azerbaijan**

Efforts to renew the “Agreement Between Georgia and the Republic of Azerbaijan for the Elimination of Double Taxation with Respect to Taxes on Income and on Capital and the Prevention of Tax Evasion and Avoidance,” originally signed in 1997, are progressing steadily.

The internal procedures required for the agreement's renewal have been completed. **On October 16, 2024, an Order was issued by the Prime Minister of Georgia, along with the Government Decree, granting the authorization to hold negotiations.** Negotiations with the Azerbaijani side are planned for the first half of 2025.

Renewing this agreement represents a significant step towards updating Double Tax Arrangement and ensuring alignment with the minimum standards.

## Base Erosion and Profit Shifting (BEPS)

The OECD/G20 Inclusive Framework on BEPS was established in 2016 and currently includes over 140 countries and jurisdictions, working together to implement the OECD/G20 Base Erosion and Profit Shifting Package.

**Since June 14, 2016, Georgia has been an associate member of the Inclusive Framework for the implementation of the BEPS package (minimum standards).** This provides a unique opportunity for developing countries, and Georgia in particular, to collaborate with OECD and G20 member states on an equal footing in shaping and implementing BEPS outcomes, thereby effectively addressing tax avoidance.

All countries and jurisdictions that join the Framework participate in the review process, enabling them to assess their tax systems, identify, and eliminate elements that create BEPS risks.

The BEPS package consists of 15 Actions, four of which contain minimum standards.

Action 5
Harmful Tax Practices

Action 6
prevention of treaty abuse

Action 13
Transfer Pricing Documentation and Country-by-Country Reporting

Action 14
Making Dispute Resolution More Effective

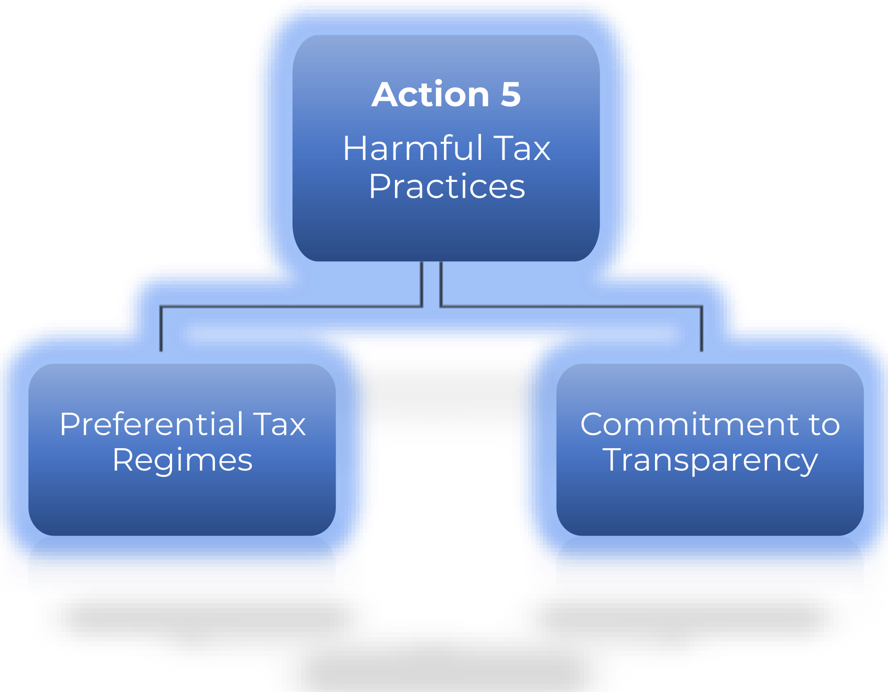
As an Inclusive Framework member, Georgia is actively engaged in the implementation process of the BEPS minimum standards.

**Since 2016 as a member of the IF Steering Group Georgia has been intensely involved in the work related to the tax challenges arising from digitalization, which aimed to provide consensus-based, long-term solutions to the tax challenges arising from the digitalization of the economy.**

## BEPS ACTION 5 - Harmful Tax Practices

Action 5 is one of the four BEPS minimum standards, and all members of the Inclusive Framework on BEPS are committed to its implementation and participation in the peer review process. The primary objective of Action 5 is to eliminate harmful tax practices through the revision of preferential tax regimes and the mandatory exchange of information related to such practices.


The Action 5 minimum standard comprises two key components. The first pertains to preferential tax regimes, where a peer review process is conducted to identify features that may facilitate base erosion and profit shifting and potentially have an unfair impact on the tax base of other jurisdictions. The second focuses on enhancing transparency through the mandatory spontaneous exchange of relevant information on taxpayer-specific rulings. This exchange is crucial, as the absence of such information sharing could give rise to BEPS-related concerns.

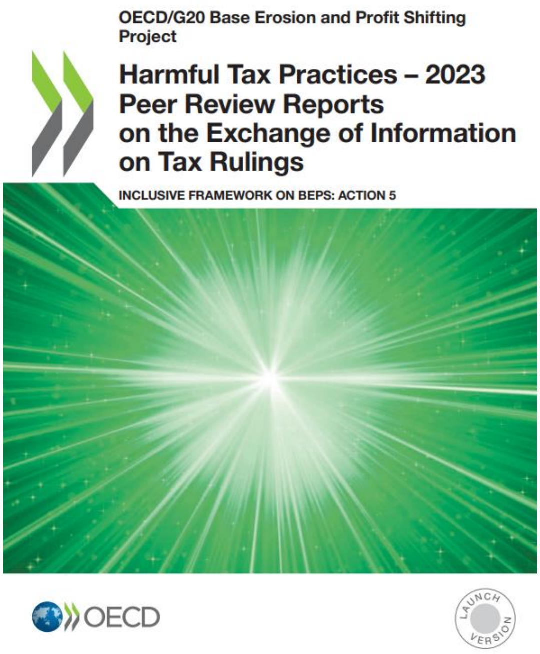


The Forum on Harmful Tax Practices (FHTP) has been conducting reviews of preferential regimes since its creation in 1998 in order to determine if the regimes could be harmful to the tax base of other jurisdictions.

In 2018, to implement BEPS Action 5 the Order of the Minister of Finance of Georgia "On implementation of the obligatory measures under the Base Erosion and Profit Shifting (BEPS) project" was issued.

**In February 2024, as part of the assessment of the 5th BEPS Action measure, Georgia submitted a completed questionnaire within the framework of the annual monitoring process for the "Virtual Zone Person" and "International Company" regimes to the OECD FHTP Secretariat. Based on the information provided, Georgia's preferential tax regimes were evaluated during the Forum meeting held in Paris.**

**In August 2024, the Inclusive Framework published a report on the assessment of preferential tax regimes, according to which the preferential tax regimes in Georgia comply with the standards set by the OECD.**




**The updated conclusions on the review of preferential tax regimes are available here.**

**On December 16, 2024, the OECD published the "Peer Review Reports on the Exchange of Information on Tax Rulings," in which Georgia received a positive evaluation.** According to the report, Georgia has met all aspects of the terms of reference (OECD, 2021[3]) (ToR) for the calendar year 2023, and no recommendations are made. This assessment reflects Georgia's adherence to best practices in implementing the OECD's framework for exchanging information on tax rulings.

## MLI and BEPS ACTION 6 - Prevention of Treaty Abuse

In alignment with global efforts to combat tax treaty abuse, the Organization for Economic Co-operation and Development (OECD) developed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting ("Multilateral Instrument" or "MLI"). The MLI provides governments with practical tools to address loopholes in international tax treaties, incorporating outcomes from the BEPS Project into bilateral tax agreements on a global scale.


The MLI facilitates the adoption of agreed minimum standards aimed at curbing treaty abuse and enhancing dispute resolution mechanisms. Additionally, it allows for flexibility to accommodate the specific tax treaty policies of individual jurisdictions.

**In accordance with Georgia's international tax policy objectives, Georgia signed the "Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting" on June 7, 2017, during the OECD Ministerial Meeting. The MLI was ratified by the Parliament of Georgia on December 27, 2018, and the instrument of ratification was officially deposited with the OECD Secretariat. The MLI entered into force for Georgia <u>on July 1, 2019</u>. The MLI has already modified 34 of the country's 58 active DTAs**. Efforts to extend the MLI's provisions to all DTAs have involved close collaboration with the OECD Secretariat. In 2024, significant progress was made in developing Georgia's Consolidated MLI Position, a document that details the reservations and notifications submitted by Georgia upon depositing its instrument of ratification, in accordance with Article 28(5) and Article 29(1) of the Convention. The Georgian translation of the Consolidated MLI Position was verified by the Translation Bureau and subsequently forwarded to the Ministry of Foreign Affairs for further domestic procedures.

In 2020, Georgia was elected as the chairing country for the OECD's international conference on the BEPS MLI, a role it held for a three-year term. This leadership position was renewed in 2023, enabling Georgia to continue chairing the conference until 2026. **As of now, 102 jurisdictions are signatories to the BEPS MLI, underscoring its global significance.**

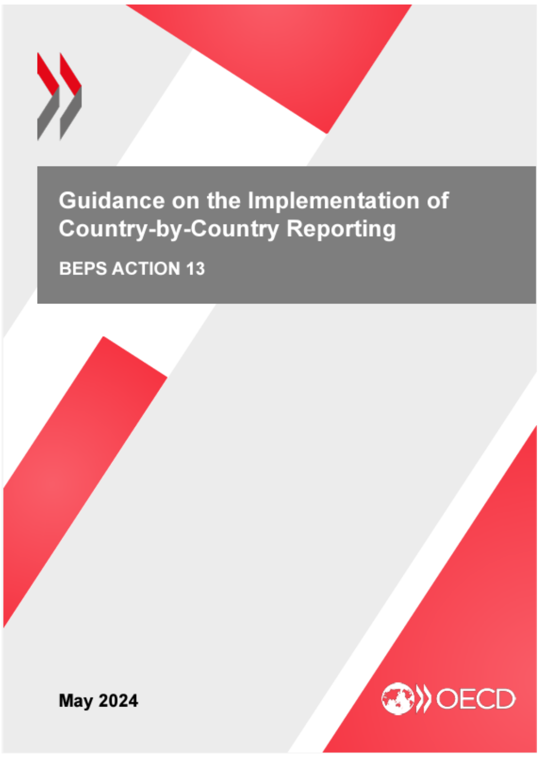
To ensure effective implementation of Action 6 minimum standards, the OECD initiated a peer review process in 2018 to evaluate bilateral tax treaties. **The sixth peer review, published in March 2024, assessed 142 jurisdictions, reflecting data available as of 31 May 2023. According to this review, Georgia has 58 tax agreements in force, and 34 of these agreements have been amended by the MLI in order to make them in-line with the BEPS minimum standards.**

Georgia remains committed to enhancing its tax treaty network through the MLI, a proven mechanism for achieving compliance with international tax standards. Continued collaboration with the OECD and domestic efforts will ensure the effective implementation of measures to prevent base erosion and profit shifting.

The complete report is available at the following link:
https://www.oecd.org/en/publications/2024/03/prevention-of-tax-treaty-abuse-sixth-peer-review-report-on-treaty-shopping_359a09f4.html

## BEPS ACTION 13 - Country-by-Country Reporting

Under BEPS Action 13, large multinational enterprises (MNEs) with consolidated group revenue of at least EUR 750 million are required to report key information on their activities and income annually for each tax jurisdiction in which they operate. The BEPS Action 13 report provides a standardized template for such reporting.




As one of the four BEPS minimum standards, Action 13 is subject to peer review to ensure accurate and timely implementation, thereby safeguarding a level playing field. All members of the Inclusive Framework on BEPS have committed to implementing the Action 13 minimum standard and participating in the peer review process on equal terms.

**On June 30, 2016, during the meeting of the Inclusive Framework on BEPS, Georgia signed the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country (CbC MCAA) Reports.** This agreement establishes rules and procedures for Competent Authorities in participating jurisdictions to automatically exchange CbC Reports prepared by the Reporting Entity of an MNE Group. To enable such exchanges, countries are required to establish the necessary legal framework.

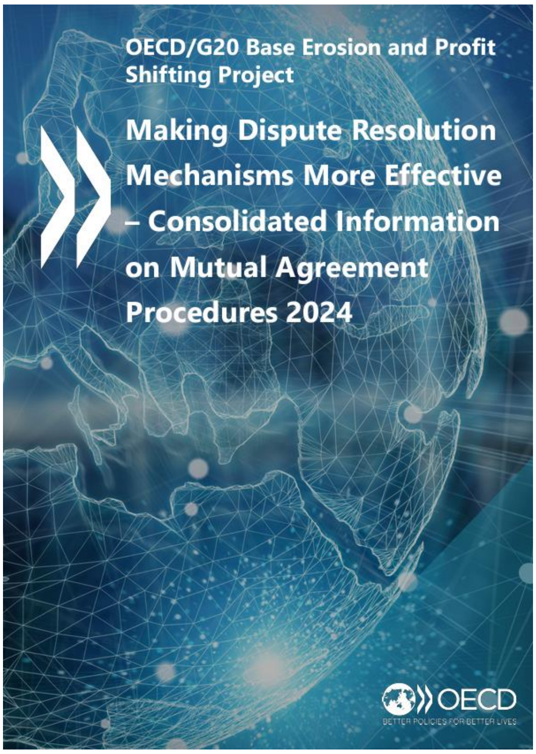
Between 2019 and 2020, the Ministry of Finance of Georgia collaborated extensively with the OECD to develop the legal framework for implementing the CbC reporting standard. **<u>This effort culminated in 2020 with the drafting and subsequent approval of the primary legislation on Country-by-Country Reporting (CbCR) by the Parliament of Georgia on July 14, 2020.</u>**

**On June 4, 2024, the Order of the Minister of Finance of Georgia on approval of the "Reporting Rule for Multinational Enterprises Group" was issued in accordance with Article $70^1$, Part 4 of the Tax Code of Georgia. It introduces updated reporting standards for MNE groups operating in Georgia, aligning with international guidelines and comes into effect <u>on January 1, 2025.</u>**

**On September 18, 2024,** a peer review of the Action 13 minimum standard on Country-by-Country Reporting was conducted. This review reflects Georgia's commitment to evaluating and improving the implementation of international tax transparency measures.

## BEPS ACTION 14 - Making Dispute Resolution More Effective

The minimum standard under BEPS Action 14 requires member countries of the Inclusive Framework to ensure consistent and proper implementation of tax treaties. This includes the effective and timely resolution of disputes concerning the interpretation or application of tax treaties through the Mutual Agreement Procedure (MAP). Members are committed to providing timely and complete reporting of MAP statistics in accordance with an agreed reporting framework.




The MAP peer review and monitoring process is conducted by the Forum on Tax Administration (MAP Forum), following the Terms of Reference and Assessment Methodology. This methodology outlines a two-stage approach to peer review and monitoring, ensuring that all members participate on an equal footing.

**In line with BEPS Action 14, the Minister of Finance of Georgia issued Order №258 on July 4, 2023, titled "On the Approval of the Mutual Agreement Procedure Defined by the International Agreement on the Avoidance of Double Taxation."** This Order designates the Tax and Customs Policy Department of the Ministry of Finance of Georgia and the Legal Department of the Revenue Service as the competent authorities responsible for the procedures outlined in Articles 5, 7, and 9 of the agreement.

To update Georgia's OECD MAP profile, the relevant information was prepared and submitted to the OECD Secretariat for publication. Additionally, on February 2, 2024, the OECD Secretariat sent Georgia a questionnaire to monitor the implementation of the Action 14 minimum standard. This evaluation focused on assessing Georgia's relevant legislation.

**In July 2024, during the FTA MAP Forum meeting, Georgia successfully passed the assessment related to the Action 14 minimum standard. This review covered the period from January 2016 to January 2024. Moreover, as of 2023, Georgia is an elected member of the renewed Steering Group**

**of the OECD MAP Forum, alongside 13 other member countries of the OECD Inclusive Framework.**

More information is available at the following link:
https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/dispute-resolution/consolidated-information-on-mutual-agreement-procedures-2024.pdf

Map Decree is fully in line with the standards introduced by the OECD under BEPS Action 14 project and provides a mechanism, independent from the ordinary legal remedies available under domestic law, through which the competent authorities of the Contracting States may resolve differences or difficulties regarding the interpretation or application of the Convention on a mutually-agreed basis under Article 25 of the OECD Model Tax Convention.

MAP is fundamental to the proper application and interpretation of tax treaties. It ensures that taxpayers eligible for treaty benefits are not subject to taxation by either contracting state in a manner inconsistent with the terms of the treaty. This procedure is critical in maintaining the integrity and effectiveness of international tax treaties and fostering fair tax treatment.

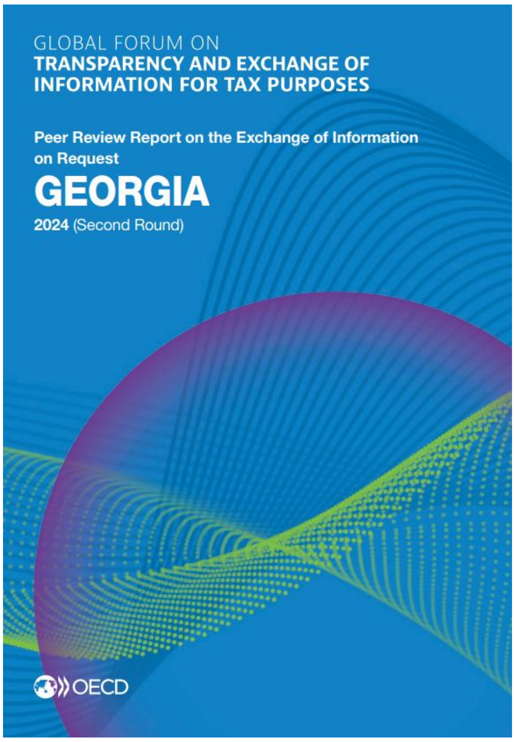
Georgia remains committed to implementing the BEPS Action 14 minimum standard. Through continuous collaboration with the OECD and adherence to international best practices, the country has established mechanisms to address tax treaty disputes effectively, further strengthening its role within the global tax community.

## Global Forum on Transparency and Exchange of Information for Tax Purposes

The Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) is the world's leading multilateral body responsible for ensuring transparency and effective exchange of information for tax purposes. Its mandate is to promote the swift and consistent implementation of internationally agreed standards in this area. The Global Forum focuses on two primary standards: the Exchange of Information on Request (EOIR) and the Automatic Exchange of Information (AEOI).

Currently comprising 171 members on equal footing, the Global Forum employs a robust and transparent peer review process to evaluate the implementation of these standards. This process identifies areas requiring legal or practical improvement, fostering a level playing field among jurisdictions.

- **Exchange of Information on Request (EOIR)**




The evaluation process of Georgia under the OECD's EOIR standard officially began on March 10, 2023, with the receipt of the questionnaire from the Global Forum. The Tax and Customs Policy Department coordinated the process, compiling responses and collaborating with relevant agencies to address the questions within their areas of competence.

**As part of the assessment, from May 29 to June 2, 2023, the OECD Secretariat and the Global Forum assessment team conducted an on-site visit to the Ministry of Finance of Georgia.** During this visit, meetings were held with all agencies involved in the evaluation process. Following the visit, Georgia continued active cooperation with the Global Forum Secretariat, providing additional information and clarifications to finalize the assessment report. On December 18, 2023, the Secretariat shared Georgia's draft report with assessing countries for further comments.

On February 28, 2024, Georgia was assessed to evaluate its compliance with international standards for the exchange of tax information, covering the period from October 2019 to September 2022. **Georgia received the**

**highest rating in 8 out of 10 elements, resulting in an overall rating of <u>"Largely Compliant."</u>**

The complete report is available at the following link: http://www.oecd.org/content/dam/oecd/en/publications/reports/2024/03/global-forum-on-transparency-and-exchange-of-information-for-tax-purposes-georgia-2024-second-round_70ea4512/40424254-en.pdf

**On March 28, 2024,** the OECD Peer Review Report on the aforementioned evaluation was published, highlighting Georgia's strong performance in implementing transparency standards. This achievement positions Georgia as a regional leader in transparency, reinforcing its commitment to global tax cooperation.

Key documents on the Global Forum can be found at the following link: https://www.oecd.org

- **Automatic Exchange of Information (AEOI)**

To strengthen tax transparency and compliance, Georgia has taken significant steps towards the implementation of the automatic exchange of financial reporting information. This initiative aligns with global standards established by the Common Reporting Standard (CRS) and the OECD.

On November 9, 2022, Georgia signed the "Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information" (CRS MCAA). This agreement provides the legal framework for the AEOI between Georgia and participating jurisdictions.


**On April 5, 2023, the Minister of Finance of Georgia issued Order №125, "On Approval of the Reporting Procedure Provided for by the CRS Multilateral Competent Authority Agreement (CRS MCAA) within the Scope of the Convention on Mutual Administrative Assistance in Tax Matters of 25 January 1988 or the Agreement on Automatic Exchange of Financial Account Information between Georgia and the Appropriate**

**Jurisdiction." This order formalized the reporting rules under the CRS MCAA.**

From 2023, financial institutions operating in Georgia are required to:

- Implement appropriate procedures in compliance with CRS rules.
- Report information on financial accounts held by residents of participating jurisdictions to the Revenue Service by June 30 each year, starting from January 1, 2024.

As of April 2024, Georgia has designated 55 jurisdictions for the AEOI. This includes countries: Austria, Azerbaijan, Belgium, Brazil, Bulgaria, Cayman Islands, Chile, Colombia, Costa Rica, Croatia, Cyprus, Czech Republic, Denmark, Dominica, Estonia, Finland, France, Germany, Greece, Hungary, Indonesia, Ireland, Italy, Kenya, Korea, Kuwait, Latvia, Liechtenstein, Lithuania, Luxembourg, Macau (China), Malaysia, Maldives, Malta, Mauritius, Netherlands, Norway, Panama, Peru, Poland, Portugal, Romania, Saint Kitts and Nevis, Saint Vincent and the Grenadines, San Marino, Saudi Arabia, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, Great Britain, Uruguay.

More detailed regarding Activated exchange relationships for CRS information is available at the following link:
https://web-archive.oecd.org/tax/automatic-exchange/international-framework-for-the-crs/exchange-relationships/

Notifications sent to the OECD reflect updates:

- **April 11, 2024:** India added to the list.
- **May 13, 2024:** Curaçao included.

This brings the total number of designated jurisdictions to 57.

Georgia continues to uphold its commitment to the CRS. In 2024, a draft amendment to the CRS Order was prepared and submitted to the Legal Department for further legal review and processing. Subsequently, on May 21, 2024, the Minister of Finance of Georgia issued the Order №162 "On Amendments to the Order №125 of the Minister of Finance of Georgia of April 5, 2023 "On Approval of the Reporting Procedure Provided for by the CRS Multilateral Competent Authority Agreement (CRS MCAA) within the Scope of the Convention on Mutual Administrative Assistance in Tax Matters of 25 January 1988."  **In addition, between September and November 2024, under the framework of the CRS MCAA, Georgia exchanged information for the first time.**

## Digital Economy

Since 2017, Georgia has actively participated in OECD initiatives addressing the taxation of the digital economy. On October 8, 2021, Georgia joined 135 jurisdictions in supporting the OECD's official statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy.

In alignment with this commitment, Georgia engaged in significant activities during 2024 under the Global Anti-Base Erosion Rules (GloBE – Pillar Two) Pilot Program. With the assistance of the OECD, efforts focused on evaluating the implications of GloBE on Georgian tax legislation by analyzing the relevant data collected.

## Crypto-Asset Reporting Framework (CARF)

The Crypto-Asset Reporting Framework (CARF) is a set of new guidelines introduced by the OECD to regulate the reporting of cryptocurrency transactions and ensure adherence to Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) standards. The framework is designed to promote transparency in crypto-asset transactions by facilitating the annual and automatic exchange of relevant information between participating jurisdictions, focusing on tax residents involved in crypto-asset activities.

In 2024, Georgia collaborated with the OECD Secretariat regarding the CARF. As part of this process, the OECD questionnaire was completed, and relevant national legislation was translated to ensure full compliance with CARF standards.


Additionally, coordination with key national stakeholders, including the National Bank of Georgia and the Financial Monitoring Service, was integral to gathering the necessary information for CARF implementation. Based on the information provided and the completed questionnaire, a document outlining Georgia's CARF commitment was issued.

Currently, Georgia remains under monitoring and a decision on whether to assume further obligations will be determined following the OECD's annual assessment. This ongoing process will be crucial in shaping Georgia's role in the global effort to regulate and track crypto-asset transactions, ensuring compliance with international tax standards.

## Subject to Tax Rule (STTR)

The STTR is a treaty-based provision aimed at safeguarding the tax rights of developing countries within the OECD/G20 Inclusive Framework. This rule ensures that certain intra-group payments, subject to a corporate income tax rate lower than the minimum threshold set by international tax standards, remain taxable in the source jurisdiction. The primary objective of the STTR is to prevent base erosion by enabling countries to impose tax on such payments, thereby protecting their tax base from the impact of low-tax or no-tax jurisdictions.

As part of the broader two-pillar plan addressing the taxation of the digital economy, the OECD Working Party 1 (WP1) developed the STTR to ensure that intra-group payments are taxed at an appropriate rate. To implement this rule effectively, the OECD approved a series of documents outlining the STTR. These documents were carefully reviewed to assess their compatibility with the Tax Code of Georgia and existing Double Taxation Agreements.


In response to the OECD's request, Georgia received and completed the STTR questionnaire, which was submitted on November 30, 2023. The questionnaire required a detailed analysis of Georgia's DTAs to evaluate their alignment with the newly established STTR framework. This assessment aims to ensure that Georgia's tax treaties comply with international standards and address the potential impact of the STTR on intra-group payments.

As part of this process, Georgia will continue to cooperate with the OECD to ensure compliance with the STTR framework and contribute to the global effort of minimizing tax avoidance and base erosion.