

2018

ANNUAL REPORT
OF THE REVENUE
SERVICE OF THE MINISTRY
OF FINANCE OF GEORGIA



MINISTRY
OF FINANCE



REVENUE
SERVICE

THE RELATIONSHIP
IS SIMPLE

2018

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OF THE REVENUE
SERVICE OF THE MINISTRY
OF FINANCE OF GEORGIA

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საქართველოს
შემოსავლების
სამსახური



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VAKHTANG LASHKARADZE

Director General of the Revenue Service of the Ministry of Finance

I am pleased to present you an annual report on the activities carried out by the Revenue Service of the Ministry of Finance.

In 2018, through the involvement and efforts of each employee, we have conducted significant projects, which has facilitated the institutional strengthening of the Revenue Service.

The objective of the Revenue Service of the Ministry of Finance is to enable the taxpayer to ensure fulfillment of imposed tax liabilities in the favorable environment and shortest time. Promoting legitimate trade, simplification of customs procedures for the taxpayers and persons participating in international trade, introduction of new e-services as well as raising awareness regarding the rights and obligations related to border crossings and clearance of goods still remain as a priority for us.

The Revenue Service actively continues to cooperate with the relevant services outside the country. The result of this successful partnership is the ability to exchange preliminary information with the neighboring countries in the electronic mode, which allows increasing the efficiency of customs control as well as simplification of the movement of goods and means of transport across the border. In 2018, Georgia was considered to be distinctly successful country in the region and has taken leading positions in many international ratings.

It should be highlighted, that in the rankings of Doing Business 2019 of the World Bank, in terms of the activities of the Revenue Service of the Ministry of Finance, we have moved forward with 2 positions, which implies effective

progress in the tax payment component and significant advancement with 19 steps in the component of trade between borders.

Already implemented and planned reforms will further ensure strengthening and advancing positions of Georgia in DB2020. In particular, automatic VAT refund system will have a positive impact on the VAT refund process and will significantly simplify the refund procedure. However, improvement in this regard will be more visible in 2019.

Furthermore, in DB2020 the Revenue Service of the Ministry of Finance will have a possibility to present several significant novelties. In particular, the new Tax Code, formation of the Committee on Trade Promotion, authorized economic operator, digital custom, etc.

High professionalism of the employees of our Service, their loyalty, teamwork and dedication to the work, stipulates the economic security of the country. I am glad that they are doing this very responsible mission fairly.

I would like to thank each employee for the activities carried out in 2018 and their contribution to the prosperity of the country.





REVENUE
SERVICE



ფინანსთა
სამსახური

საპროცესო განყოფილება
CLEARANCE ZONE



CUSTOMS DEPARTMENT





MAMUKA JANGULASHVILI
Head of the Customs Department

I would like to present the activity report of the Customs Department of the Revenue Service. The year of 2018 together with the successful, turned out to be symbolic for the Customs Department, since exactly 100 years have passed from the creation of the Customs Service of the First Republic of Georgia. I would like to mention with pride, that the employees of the Customs Department, with the usual responsibility and high standards of professionalism, ensured continuity of protection of economic boundaries and public safety, as well as the mobilization of taxes in the state budget. At the same time, one of the priorities of the Department remains to promote legitimate trade; thus, significant steps have been taken in this regard in 2018 and the numbers of activities have been implemented towards simplification of customs procedures, sharing of information electronically as well as raising of the awareness of participants in international trade. Especially I want to emphasize the concept of digital customs and the efforts of the Customs Department in this regard, which will further accelerate and ensure effectiveness of the customs procedures. New electronic services have been introduced, and the ultimate goal is to provide all services for business in electronic form. Furthermore, the Department was actively participating in the projects implemented with regard to the customs legislation as well as the harmonization of the procedures with the international legal norms. I would like to highlight particularly the active engagement of the Department in the process of the development of the draft of the new Customs Code. This envisages the introduction of the customs procedures similar to the EU in Georgia, which shall facilitate (especially between Georgia and the EU member states) trading-related customs procedures and will create significantly upgraded environment of the customs regulation. I am deeply convinced that in the future we will continue implementation of the planned strategic goals and objectives as well as make significant contribution to the development of the country.

INTEGRATION WITH THE EUROPEAN UNION

Within the frames of the Deep and Comprehensive Free Trade Area Agreement:

- The work continues, in terms of implementation of the authorized economic operator institute, the concept of which is based on cooperation between the customs body and the business sector representatives that contributes to the supply chain security. The authorized economic operator will benefit from a number of reliefs, including: the right to the advantage of custom services while border crossing and clearance of goods; in certain cases, carrying out customs control on its territory; advance (before entry of goods) decision on the physical examination of the goods, exemption from submission of guarantees in some cases and others. It is also worth mentioning, that the authorized economic operator will benefit from the reliefs envisaged by the mutual agreement with other countries on the territories of these countries;
- For the purpose of the accession to the Common Transit Convention (CTC) and the Single Administrative Document (SAD) as well as implementation of New Computerized Transit System (NCTS) the EU technical assistance-twinning project is ongoing; in particular, the work on legislative framework, information technological infrastructure and institutional development is underway. For the changes necessary for the implementation and introduction of the system the existing situation is being studied;
- For the purpose of harmonization of the legislation of Georgia with the Regulation (EU) No 608/2013 of the European Parliament and of the Council of 12 June 2013 concerning Customs Enforcement of Intellectual Property Rights, the new edition of the Law of Georgia dated 23 June 1999 on **Border Measures Related to Intellectual Property** was developed, which was enacted on **7 February 2018**;
- Within the Comprehensive Institution Building programme (CIB), in the **customs clearance zone “Batumi” (Adlia), border inspection point was opened**, which covers units for veterinary as well as non-animal origin food and phytosanitary control. Within the framework of the same program, in terms of sanitary, phytosanitary and veterinary control, in accordance with the European standards, the customs crossing points of **“Sadakhlo” (Motorway) and “Red Bridge”** were fully equipped;
- Within the framework of the EU Eastern Partnership Joint Border Management pilot project “Customs Point of Entry between Georgia and Azerbaijan - Red Bridge”, infrastructure construction and equipment for the **customs crossing point of “Red Bridge”** necessary for the phytosanitary and veterinary border control was completed;
- Work on national commodity nomenclature of foreign economic activity is underway with the purpose of conforming to the edition of 2017 of the international convention on the **Harmonized Commodity Description and Coding System**;
In parallel, work is going on conforming the integrated tariff, as a component of the “Digital Customs” to the edition of 2017 of the international convention on the Harmonized Commodity Description and Coding System;

- Work is ongoing in terms of determining commodity codes for dangerous goods envisaged by the European Agreement concerning the International Carriage of Dangerous Goods by Road;
- Work is ongoing towards introduction of the internationally recognized document - **ATA Carnet**, which will facilitate the temporary admission procedures for goods in the territory of the country.

IN ORDER TO ESTABLISH COMMON APPROACHES AND ENHANCE THE EFFICIENCY OF CUSTOMS CONTROL, WORK WAS ACTIVELY ONGOING CONCERNING THE DEVELOPMENT OF VARIOUS PROCEDURAL MANUALS:

ALREADY APPROVED
● Guidelines for "Customs Control of Ozone Depleting Substances.
ALREADY DEVELOPED
● Manual on the Implementation of the Border Measures Related to Intellectual Property;
● Manual on the Customs Control of the Transboundary Shipment of Waste;
● Manual on the Permission Control of International Movement of Freight Vehicles;
● Manual on Customs Control of the Species, their Parts and Derivatives envisaged by the Appendices of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
WORK IS IN PROGRESS
● Procedural Manual on Clearance of Goods Imported by Post;
● Procedural Manual on Customs Crossing Point Opened for Railway Traffic;
● Procedural Manual on Customs Control of Military Products;
● Procedural Manual on Customs Control of Arms;
● Procedural Manual on Customs Control of dual-use Products;
● Procedural Manual on International Carriage of Dangerous Goods.



ACTIVITIES CARRIED OUT TO SIMPLIFY CUSTOMS CLEARANCE OF GOODS:

- In the cases defined by the legislation, submission of goods is not required in the tax authority if in the customs control zone the submission of goods is unable without its dismantling and / or without interruption of continuous cycle of production and / or if its examination with the consent of the tax authority is implemented in the agreed area;

- In case of carriage of the ferrous metal scrap from Georgia by sea intended for export and received from the recycling of railway wagons under commodity operation of internal processing, submission of customs declaration became possible before loading of goods in the transport;
- While export from the territory of Georgia or while placing the goods of Georgia in the free zone, declaration of goods may be implemented in the customs crossing point using a tax document;
- In cooperation with the non-governmental organization “Coalition for Independent Living” which protects the rights of people with disabilities, the draft normative act was developed. As a result, the list of those goods was envisaged, which are necessary for movement of the person with childhood disability as well as of person with severe disability and the delivery of which, import and temporary import is exempted from the VAT.



DIGITAL CUSTOMS

For simplifying the procedures for the taxpayers, new electronic services have been introduced and documents to be submitted materially were replaced with the electronic form.

Electronic services

It became possible to:

- ✓ Search electronically information regarding on the corridor selected for the preliminary declaration;
- ✓ Receive electronically the information concerning the warehoused goods balances;
- ✓ Inform the taxpayer regarding the registration of the preliminary customs declarations of goods and selected corridor for the preliminary declaration through the text message;
- ✓ Move the container and goods placed therein from one control zone to another control zone through the special electronic service (Form 222).

Replacement of documents to be submitted materially with the electronic form:

- The application regarding preliminary decision on determining the country of origin of goods or the commodity code;
- The application to add the person authorized to fill the declaration in ASYCUDA;
- The application regarding determination of necessity of the permit / certificate;
- The application regarding the amendments to the registration certificate;
- The application regarding the refund of over-paid / mistakenly paid amount for the service rendered by the customs clearance body;
- The application regarding the transfer of goods to the state ownership;
- The application regarding alienation of goods;
- The application regarding presenting additional documentation in case of selection of yellow corridor;
- Notification to be delivered to the payer to eliminate the error caused by the failure of the document in general declaration;
- The application for receiving export / re-export phytosanitary and export veterinary certificates.

SINGLE ELECTRONIC SYSTEM FOR LICENSES, PERMITS AND CERTIFICATES

For the purpose of engagement of the LEPL National Agency for Cultural Heritage Preservation in the **Single Electronic System for Licenses, Permits and Certificates**, technical works are ongoing. Furthermore, engagement of the LEPL National Wine Agency in the abovementioned system is scheduled as well.



EFFECTIVE CUSTOMS CONTROL

Exchange of information

- Work is actively ongoing in terms of implementation of CAREC Advanced transit System – CATS and Customs Information Common Exchange – ICE pilot project. Within the frames of CAREC Advanced transit System, the economic operators of the member states (Georgia, Azerbaijan and Kazakhstan) after the relevant authorization will benefit from single electronic transit and warranty system; Furthermore, utilization of common mechanism for mutually recognized authorized economic operators with the international agreements is envisaged as well;
- Customs Department actively participates in the process of introduction of advance passenger information system (API PNR);
- Work is ongoing concerning the signing of the agreement between the Ministry of Finance of Georgia and the State Customs Service of the Government of the Republic of Kyrgyzstan in order to **organize preliminary data exchange regarding the goods and means of transport displaced between the territories of Georgia and Kyrgyzstan**;
- Georgian side has initiated the project, according to which, **as a result of control of vehicles moved between Georgia and Turkey, electronic exchange of information on weighing and scanning** will be ensured between customs bodies of the two countries;
- Work has commenced on the **e-TIR computerization project**, which implies exchange of TIR information electronically between Georgia, Ukraine, Azerbaijan and Kazakhstan. The project is aimed at promotion of introduction of additional Internet instruments for the purpose of TIR risk management. TIR information was electronically exchanged in the test mode with the International Road Transport Union.

ELECTRONIC SEALS

In order to increase the efficiency of customs control, the project is initiated according to which, **monitoring of movement of goods and vehicles under customs control is scheduled to be ensured through electronic seals**. Furthermore, for this purpose, formation of operative duty groups is also planned, which will ensure constant monitoring of the vehicles moved under the control of electronic seals.

14 technological schemes of land and railway customs crossing points were approved.

Bilateral cooperation is actively ongoing in the field of development of Canine Service with the Ministry of Finance of Germany and the Czech Development Agency. Within the frames, employees were retrained and Georgian side was given **3 service dogs**.

Vehicle **stationary x-ray scanner** placed at the village of Pansheti at the customs crossing point “Kazbegi” has started operation.

In June 2018, in Kazbegi and Lagodekhi, **2 new special parking lots**, the so-called TIR parks were opened. As a result, currently, throughout the country, totally, 10 special parking lots are operating, which ensure effective regulation of the rows of trucks on the borders.

SOFTWARE MODULES

For the purpose of improvement of registration, increase the efficiency and simplification of control procedures

The following has been developed and introduced:

- Export customs declaration balance module, which enables in case of carriage of several containers at different times, their confirmation to be ensured gradually;
- Software module for instant control and removing from the control individuals and means of transport;
- Module of electronic registration of goods sent to commodity expertise;
- Electronic registry of free industrial zone enterprises;
- Electronic protocol of seizure of goods subject to mandatory marking without excise stamp or excise stamps marked in violation of the established rule;
- To eliminate the defect caused by the failure to submit documents while general declaration the electronic form of the notification to be delivered to the taxpayer.



DEVELOPMENT OF QUALIFICATION OF CUSTOMS OFFICERS

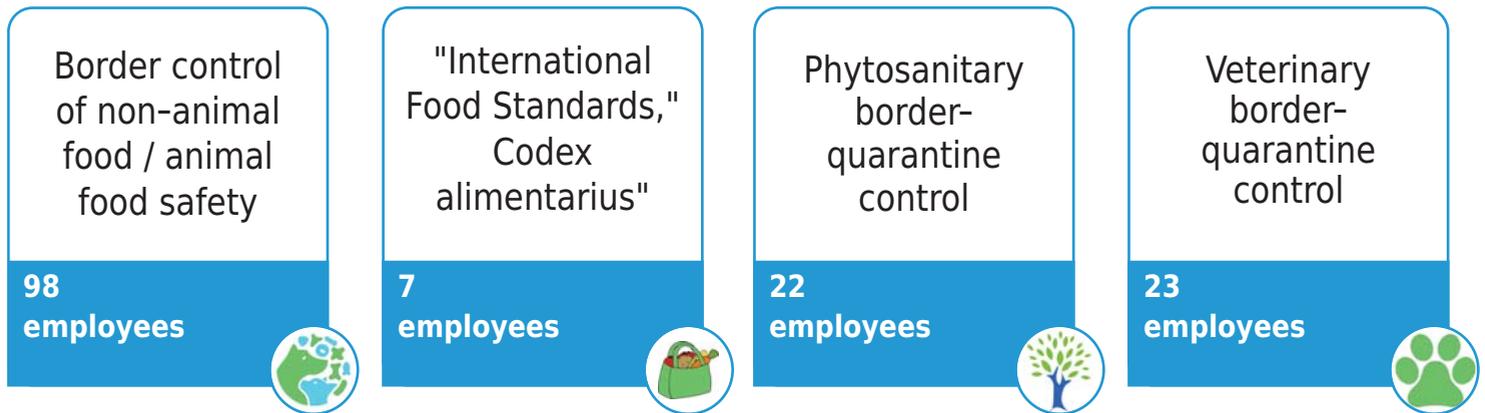
In 2018 through the support of various donor, international and partner organizations as well as agencies and the with the initiative of Customs Department, 97 trainings have been held and as a result up to 1500 employees of the Customs Department have been trained.

Training issues were related to the following significant issues:

- Modern border control procedures;
- Vehicle inspection techniques;
- Dual-use and strategic cargo;
- Weapons;

- Weapons of mass destruction;
- Drugs;
- Trafficking;
- Cultural heritage;
- Intellectual property rights on the border.

As a result of the bilateral trainings and TOTs regarding sanitary, phytosanitary and veterinary control, the number of trained employees (sanitary, phytosanitary and veterinary):



TRAININGS ORGANIZED BY THE CUSTOMS DEPARTMENT:

- Radiation-technical safety of X-ray scanners of luggage, handbag and body;
- Consideration of the Foreign Economic Activity National Commodity Nomenclature (FEACN) codes and interpretation rules;
- Non-tariff control procedures;

For the purpose of implementation of effective non-tariff control the project was developed, which envisages conducting of trainings for the employees of the Customs Department in the field various directions of non-tariff control, for their development and rising of their qualification. Within the frames of the project Effective Non-tariff Control, up to 300 customs officers were retrained.

30 customs officers have been retrained as the **experts in precious metals and precious jewelry products**.

Furthermore, up to 170 customs officers have undertaken **the first aid emergency medical course**.

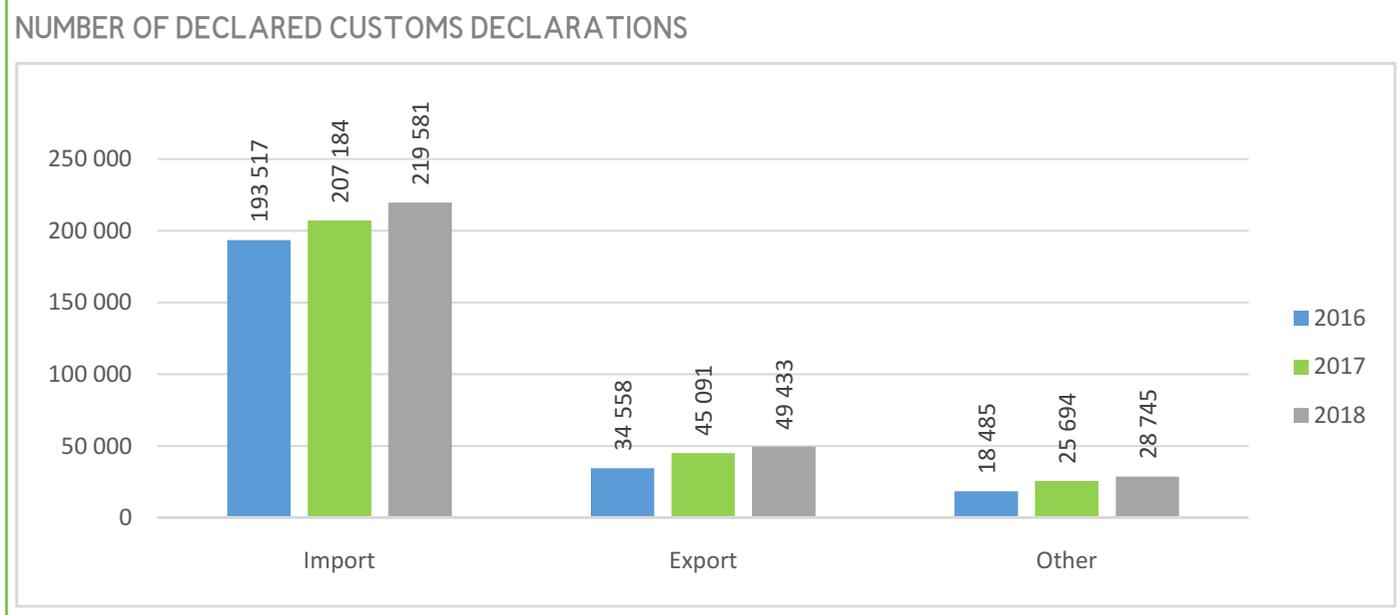
INCREASING THE LEVEL OF KNOWLEDGE RELATED TO BORDER CROSSING

For promotion of the voluntary law obedience, awareness and level of cognition of the taxpayers:

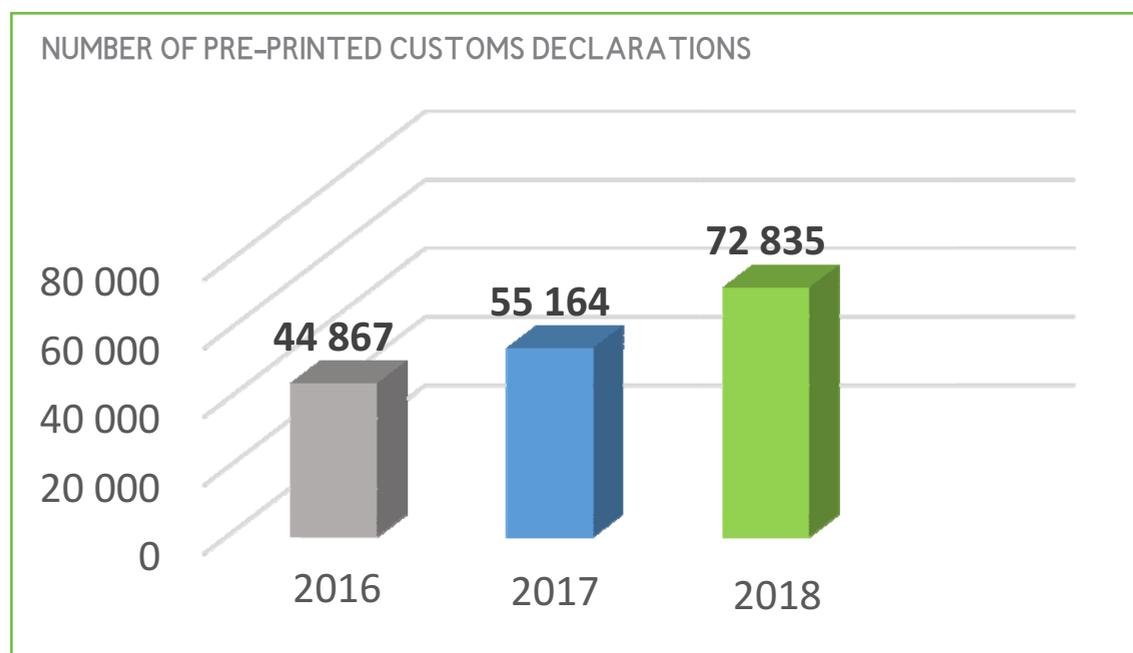
- Information-consultation meetings were held with the participants of international trade;
- Customs Department was actively participating in the meetings held in the regions densely populated with the ethnic minorities and organized by the Office of the State Minister of Georgia for Reconciliation and Civic Equality within the informational campaign;

- Customs Department is actively involved in the Revenue Service project of the Ministry of Finance - "we pay taxes and create a secure future." Within the frames of the project, students got familiar with the customs procedures in the customs crossing points and customs clearance zones.

STATISTICAL DATA

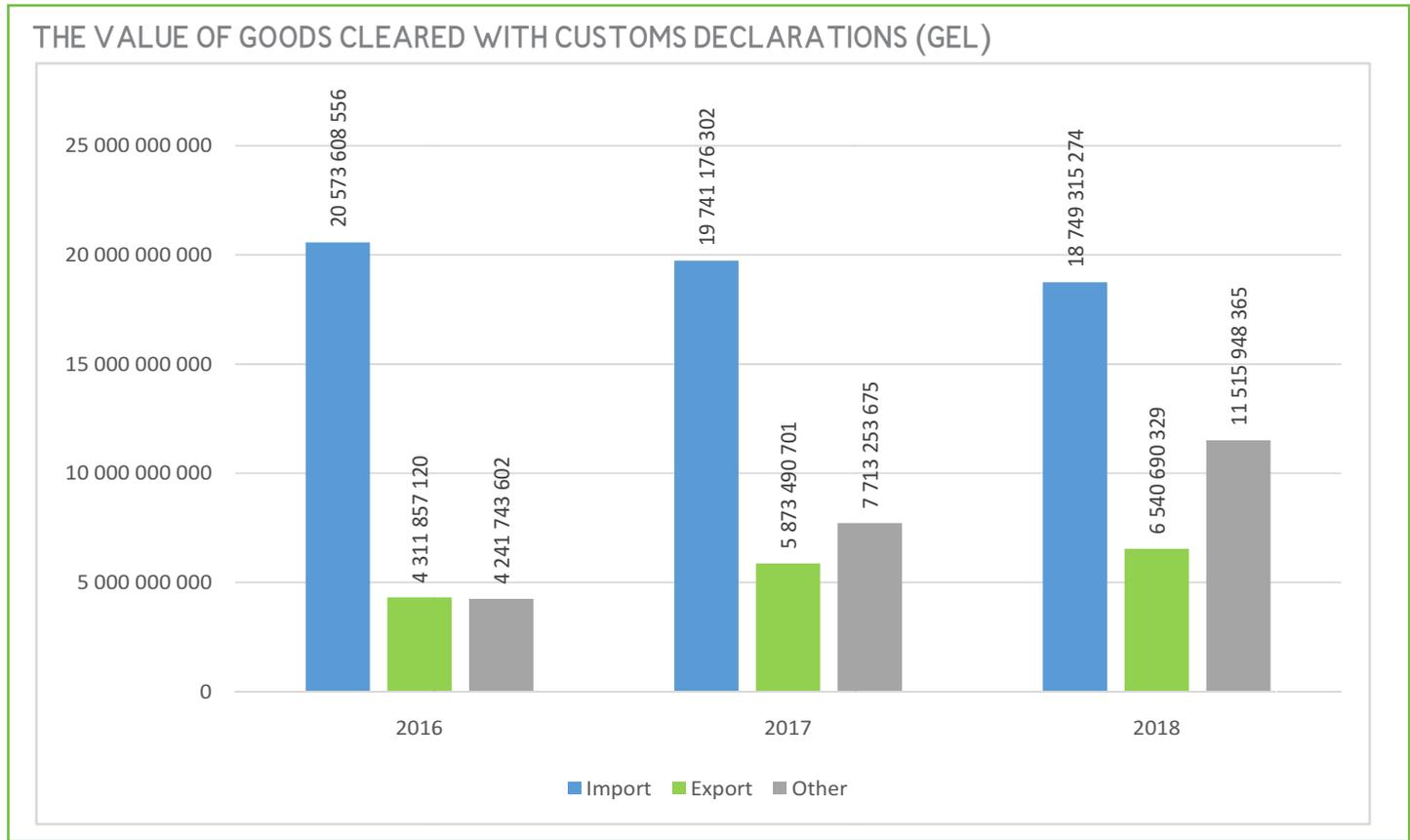


The total number of commodity customs declarations, in comparison with the previous year, is increased by 7%. In total, 297,759 customs declarations were signed, including, 219,581 - in import commodity operation and 49,433 - in export commodity operation.

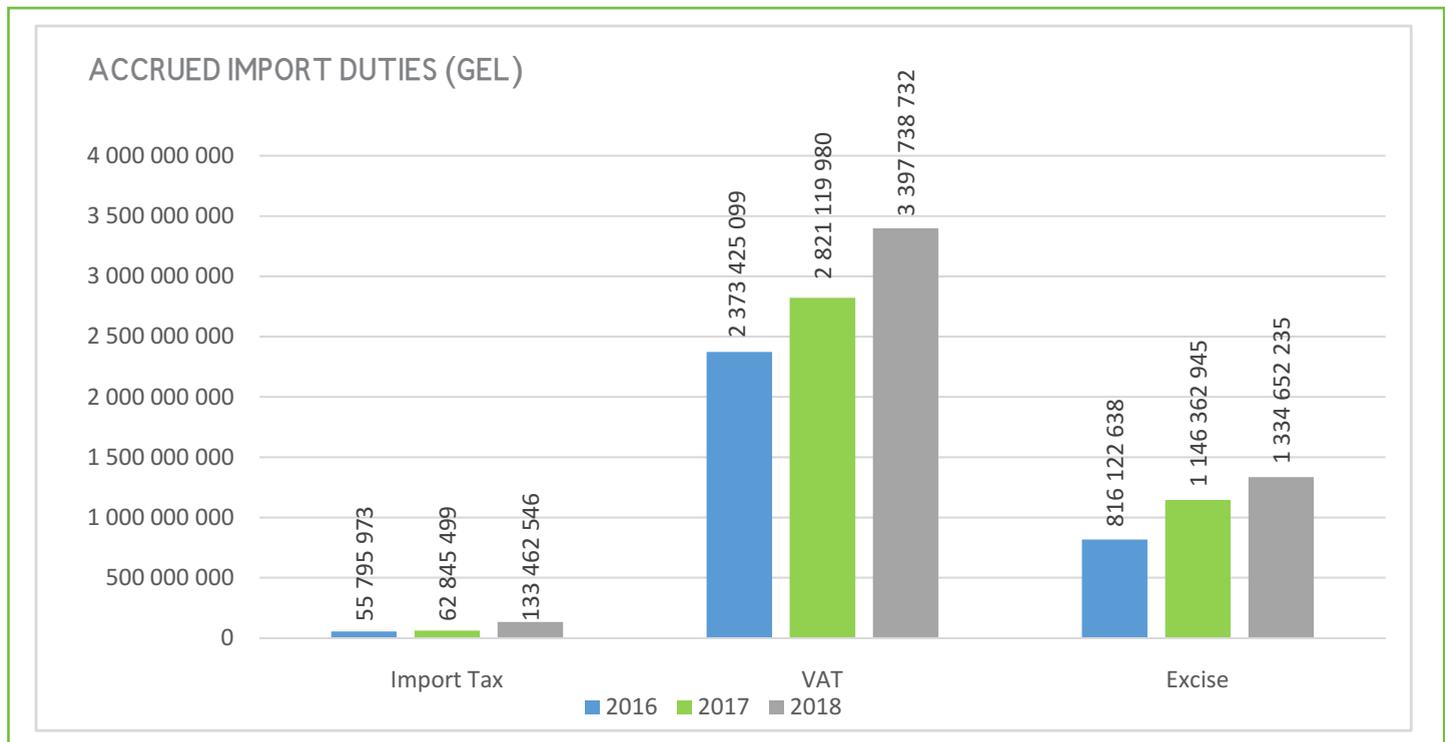


In import commodity operation 33,17 % of declarations were pre-printed.

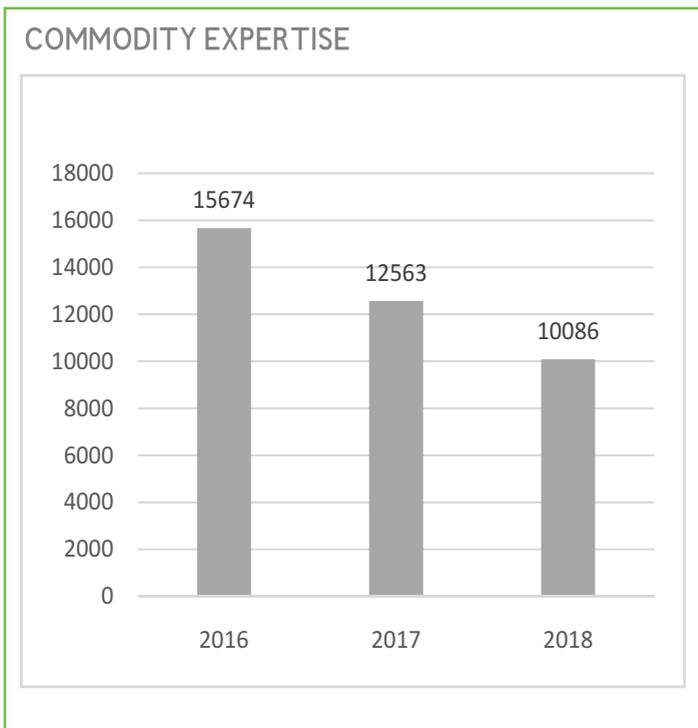
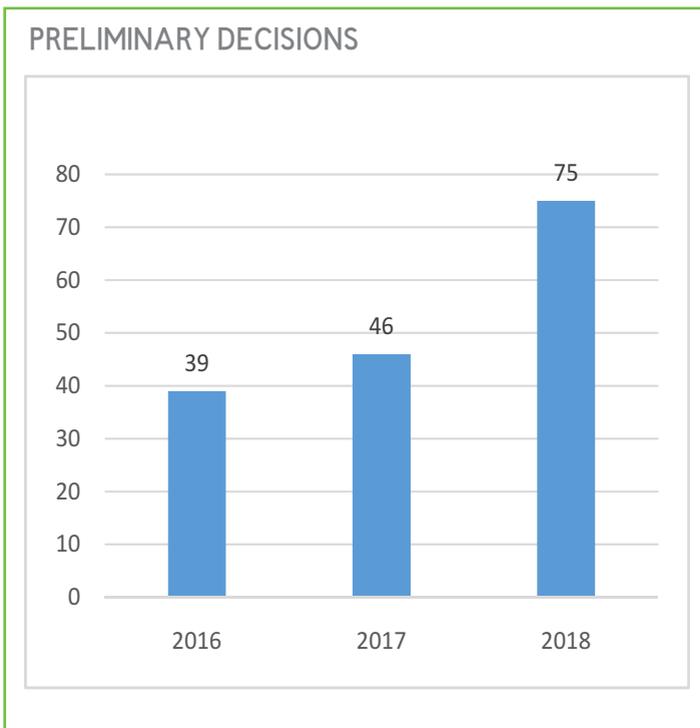
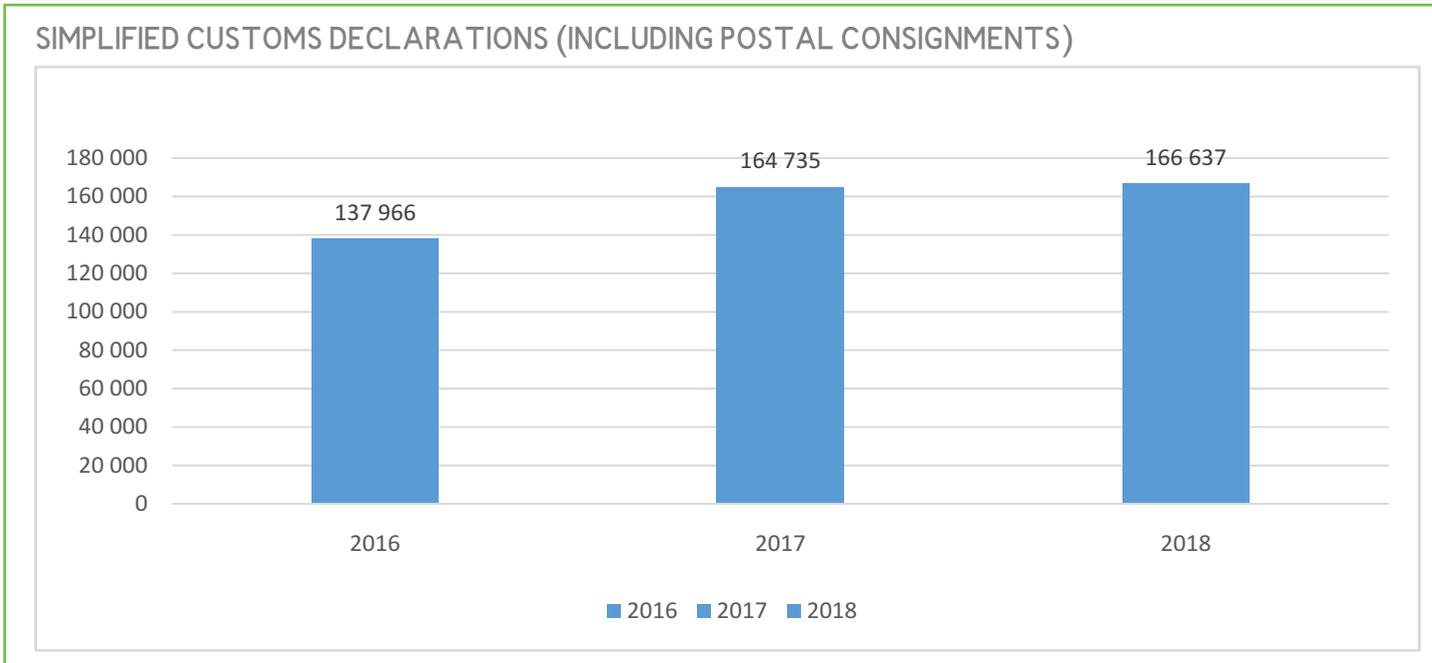
In 2018, number of preliminary customs declarations is 32% higher in comparison to the previous year.



As of 12 months of 2018, **goods valued at 36,805,953,969 GEL** were cleared; in 2017 - 33,327,920,678 GEL and in 2016 - 29,127,209,278 GEL.



The accrued import duties amounted to 4,865,853,514 GEL - 20% more in comparison with 2017.



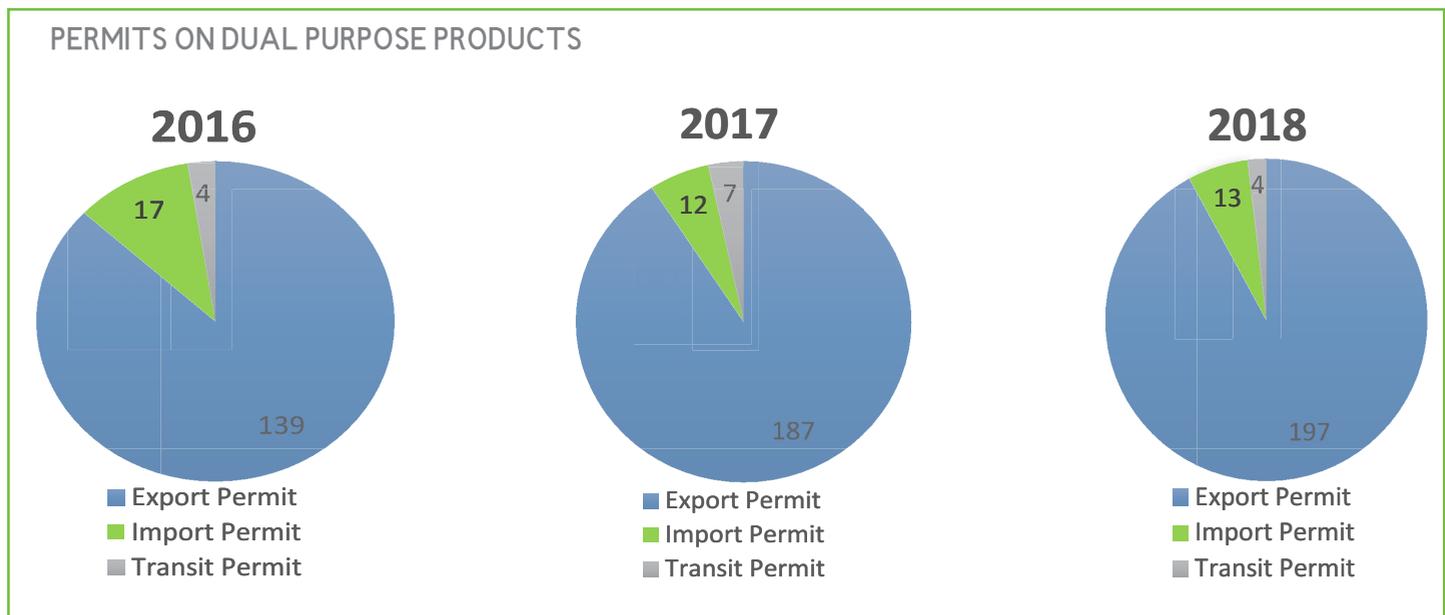
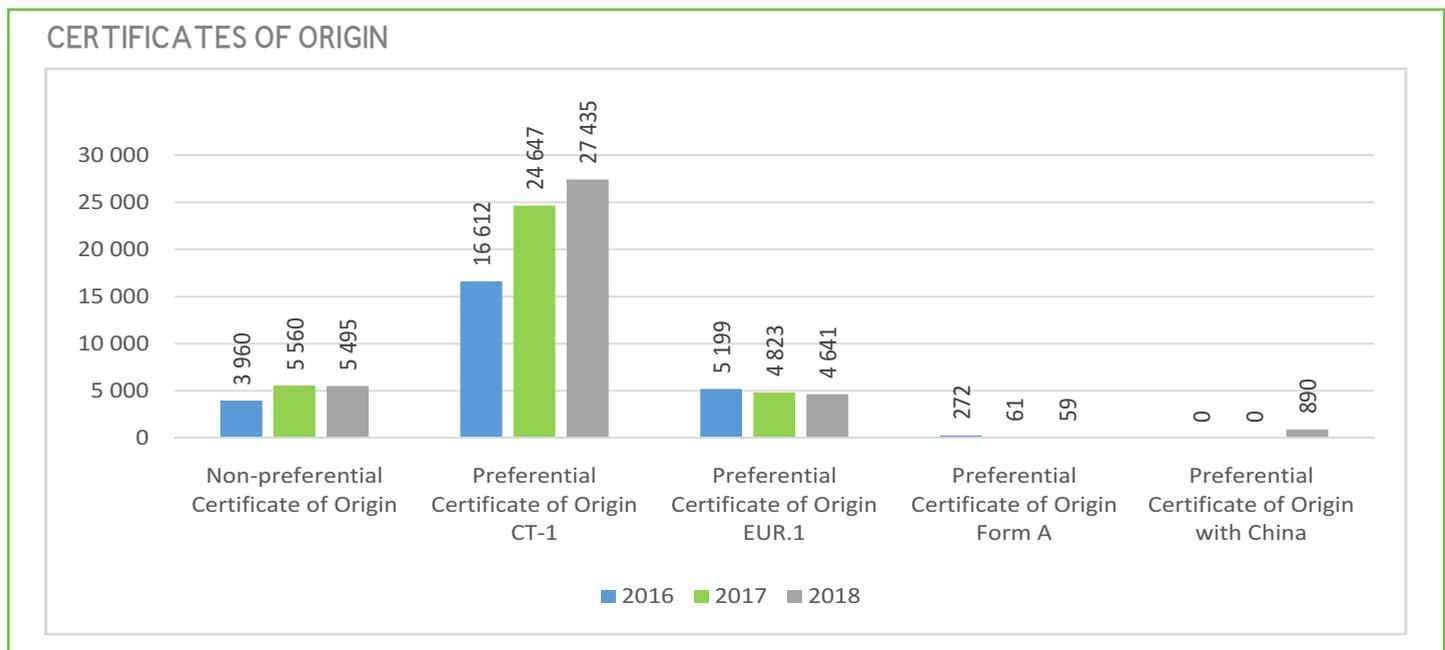
In 2018, 73 preliminary decisions have been issued regarding the determining the commodity code to the goods and 2 were issued regarding the identification of the country of origin of goods. 10086 commodity expertise have been carried out.

NON-TARIFF CONTROL

Certificates of origin

The application for issuing of certificates of origin may be submitted to the Revenue Service both in a tangible form and electronically. In addition, the Revenue Service will issue a certificate of origin for free;

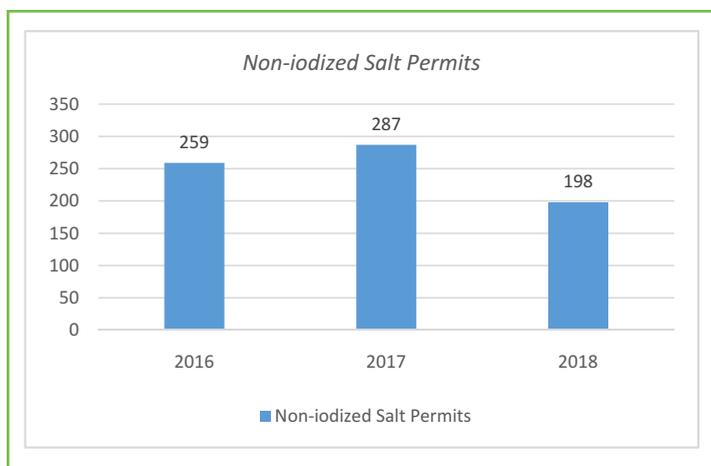
In 2018, the Revenue Service has issued 38,628 certificates of origin, including 27,435 preferential certificates of origin CT-1; 4,641 preferential certificates of origin EUR.1, while 2,580 certificates were issued for cases of export of goods to the EU Countries and 890 preferential certificates of origin are issued within the frames of the agreement with China.



- 214 permits for dual-use goods have been issued;
- 201 intellectual property objects were registered in the registry of intellectual property objects;
- 198 permits for non-iodized salt imports have been issued;
- 15 permits for customs warehouse activities were issued;
- 2 permits for free trade area activities were issued;
- Initial access of 153 persons was granted in the automated customs data system - ASYCUDA;
- An authorized exporter status was granted to 3 taxpayers.

PERMITS FOR NON-IODIZED SALT IMPORTS

For the purpose of preventing diseases caused by deficiency of iodine, other microelements and vitamins, only iodized salt may be imported to Georgia for consumption; and non-iodized salt is imported based on appropriate permits.



Intellectual property

Protection of intellectual property rights is one of the main aspects of promoting international trade and the Revenue Service has a significant role in protecting these rights. Protection of intellectual property objects ensures that the customer is protected from smuggled and illegal goods, as well as the rights of right-holder are protected.

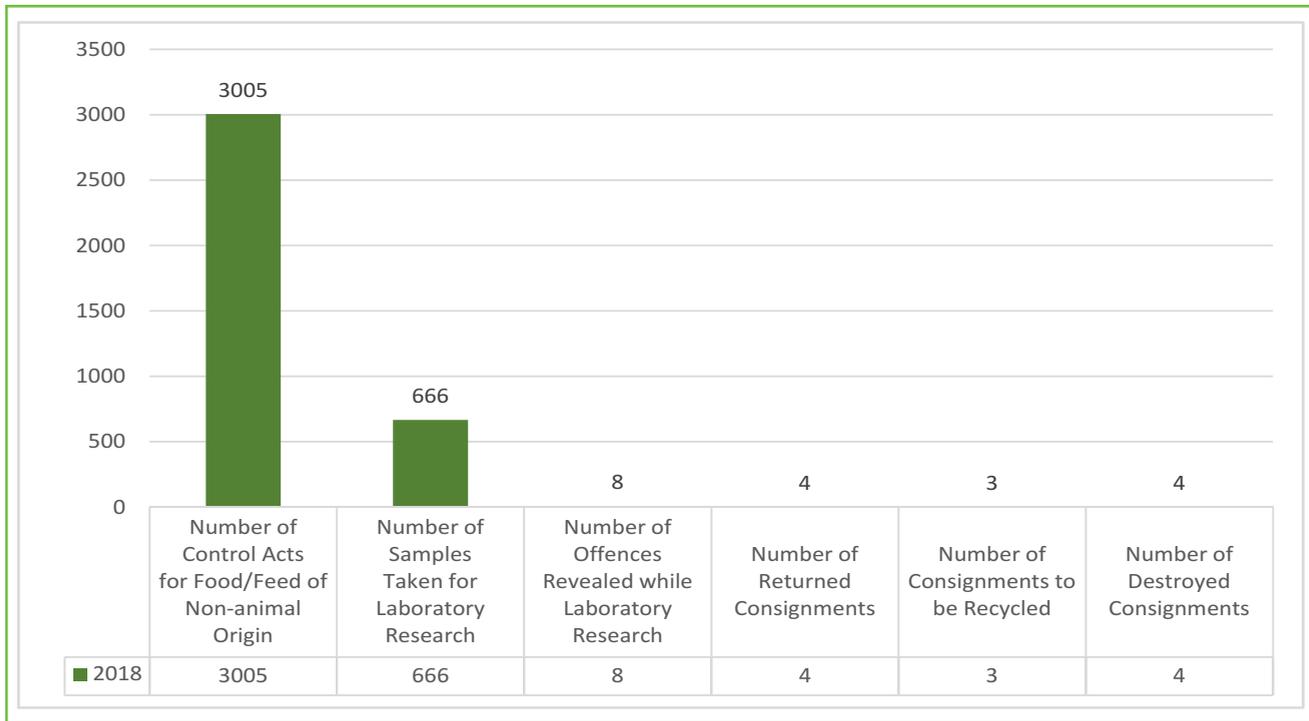
In 2018, in total 201 intellectual property objects were registered in the registry of intellectual property objects.

IN TERMS OF IMPLEMENTATION OF SANITARY, PHYTOSANITARY AND VETERINARY CONTROL

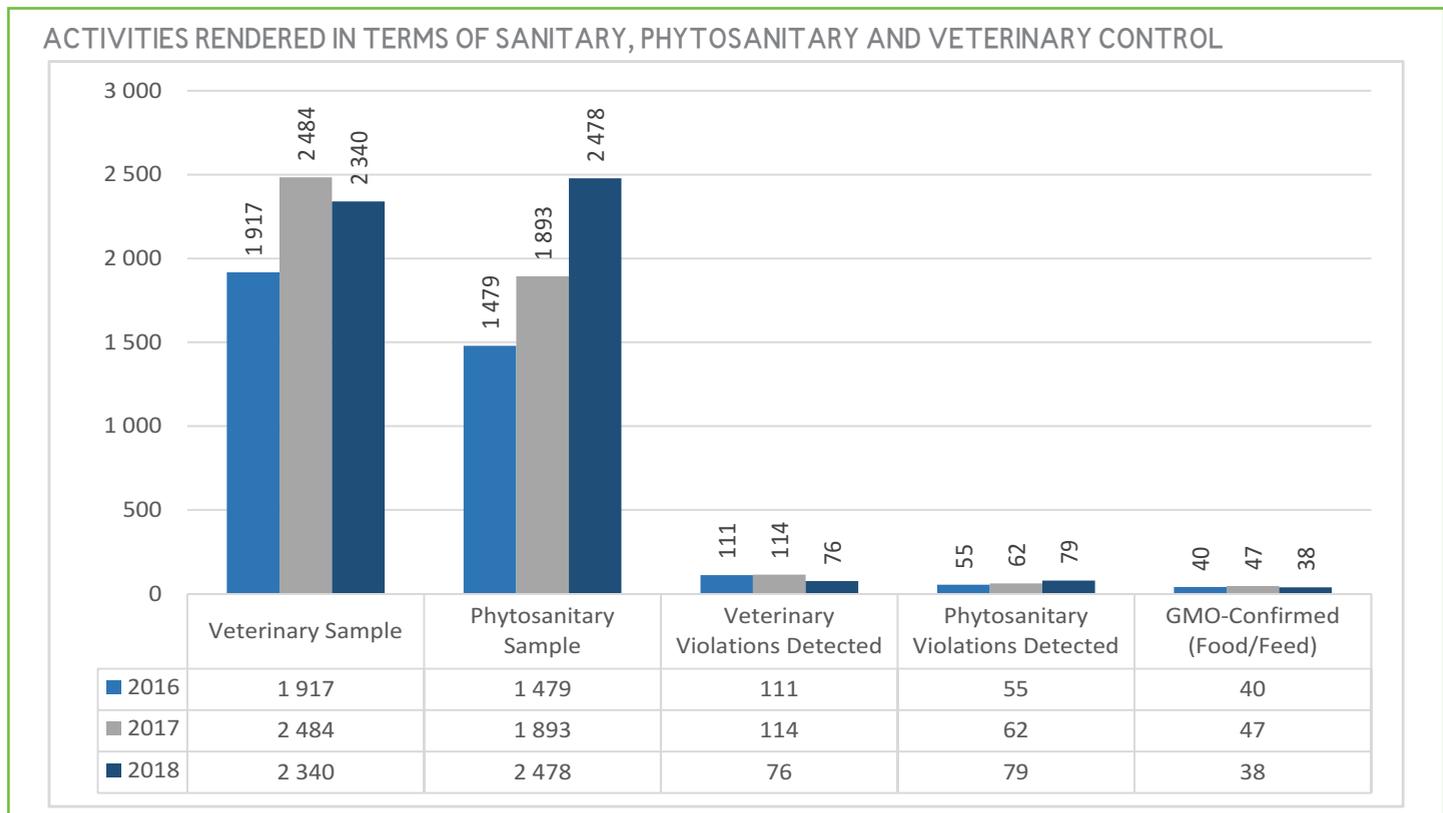
In the course of veterinary border-quarantine control, 2340 samples were taken for laboratory research purposes. Violations were identified in 76 consignments during veterinary border-quarantine control.

For phytosanitary border control and for the purposes of research of harmful organisms subject to quarantine, 2478 samples were sent to the laboratory during the phytosanitary inspection. Violations were detected in 79 consignments. For the purposes of research of live genetically modified organisms, 2556 samples were sent to the laboratory. The presence of live genetically

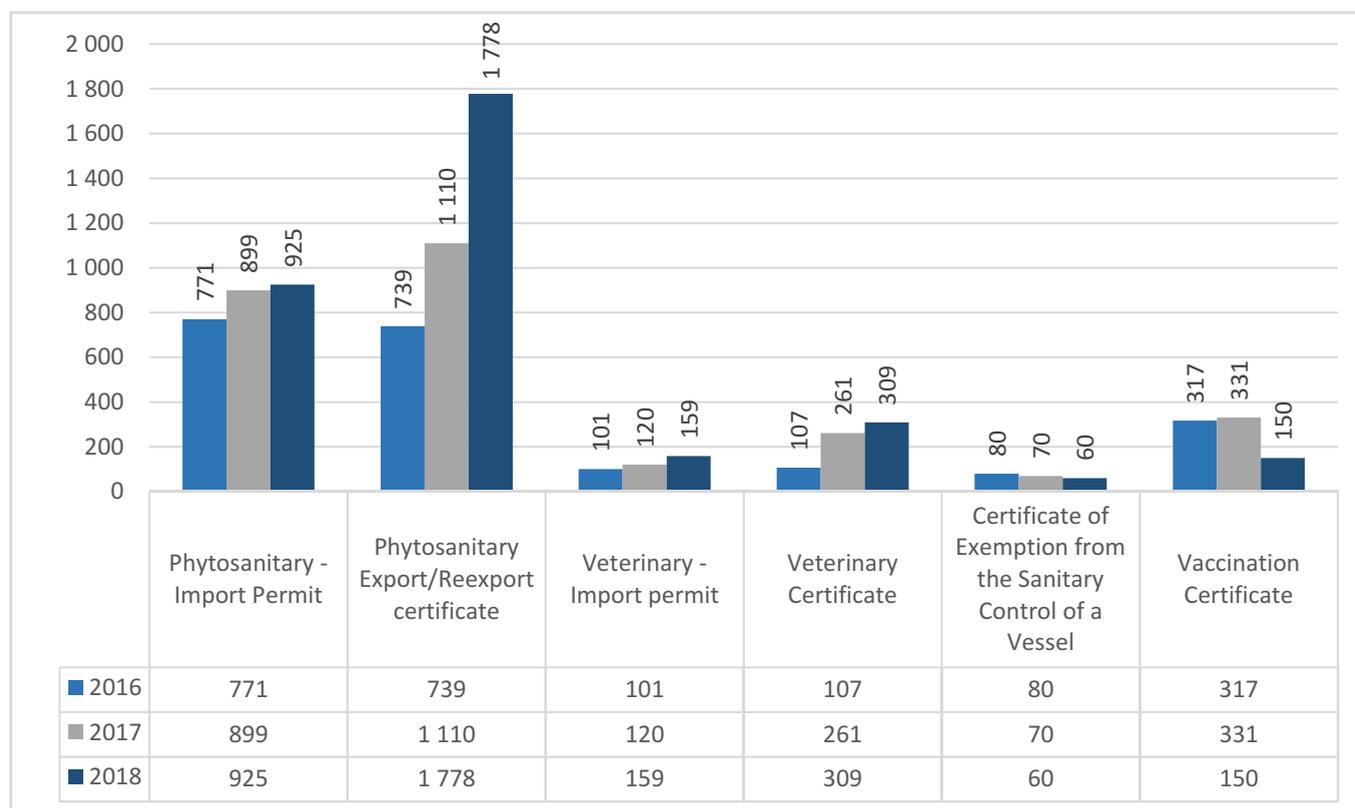
modified organisms was confirmed in 1 consignment. For research purposes whether food/feed contains genetically modified organisms, 846 samples were sent to the laboratory and as a result, it was confirmed that 38 consignments contained genetically modified organisms.



234 food samples of non-animal origin were subject to laboratory tests for heavy metals, while 177 food samples based on vegetable oil were subjected to laboratory tests to assess the content of trans-fats.



SANITARY, PHYTOSANITARY AND VETERINARY PERMITS AND CERTIFICATES



AMENDMENTS TO BE IMPLEMENTED IN THE LEGISLATIVE ACTS

In 2018, the Legal Issues Division has drafted 125 amendments to the legislative acts, from which 60 amendments were enacted.

IN TERMS OF CUSTOMS RISK MANAGEMENT

Offences revealed as a result of risk profiles and data protection:

- Offences related to customs declarations:
 - Increased value of declarations selected by risk profiles - 49,140,906 GEL;
 - Import duties pre-paid on the declarations selected by risk profiles - 111,270,168 GEL;
 - Number of offences identified while signing the customs declarations selected through customs risk profiles of ASYCUDA system - 752;
 - Revenues from the offences identified while signing the customs declarations selected through customs risk profiles of ASYCUDA - 1,040,315 GEL.

- Offenses related to border crossing:
 - Drugs and psychotropic substances - 74 facts;
 - Jewelry (precious stones and metals) - 30 facts;
 - Cigarettes - 83 facts;
 - Weapon - 2 facts.
- Differences revealed by the verification - 861,490 GEL;

The status of participant of the “Golden List” was awarded to 29 taxpayers.

IN TERMS OF CANINE SERVICE

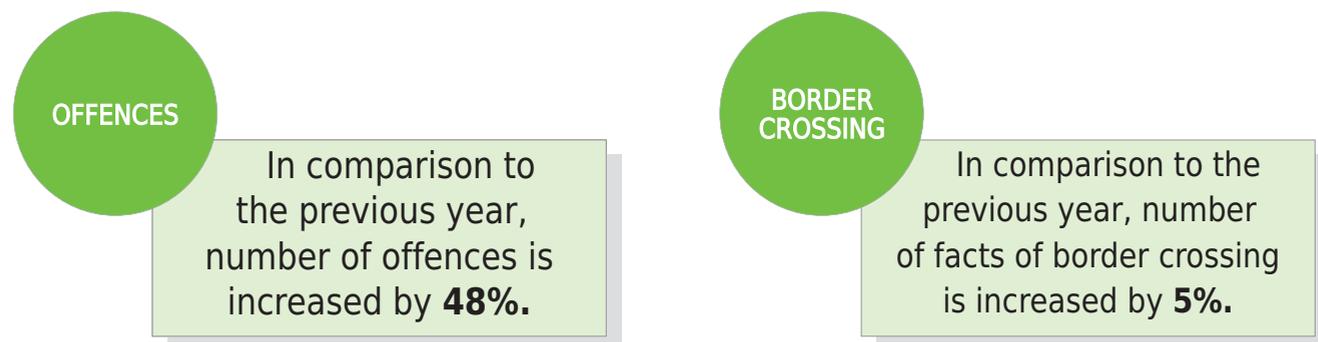
Canine officers have identified 35 violations with the help of the service dogs.

CHECKING AFTER THE CUSTOMS CLEARANCE OF GOODS

- 2118 declarations are going to be inspected in the blue corridor for the inspection, out of these:
 - 1178 declarations have been fully inspected;
 - 550 declarations are currently being inspected.
- Inspection of 1375 declarations were finalized that were selected before 2018 for the inspection in blue corridor
- According to the order 135 in-house/field inspections were scheduled, out of these:
 - 114 in-house/field inspections are completed;
 - 5 in-house/field inspections are underway;
 - 16 in-house/field inspections are suspended.
- 16 in-house/field inspections appointed according to the order before 2018 are completed.
- 136 acts were drawn up, out of which 94 acts were drawn up in order to make changes at a clearance institution. Accrued amount equals to 373,037 GEL, and the amount accrued by the interim act is 617,808 GEL.

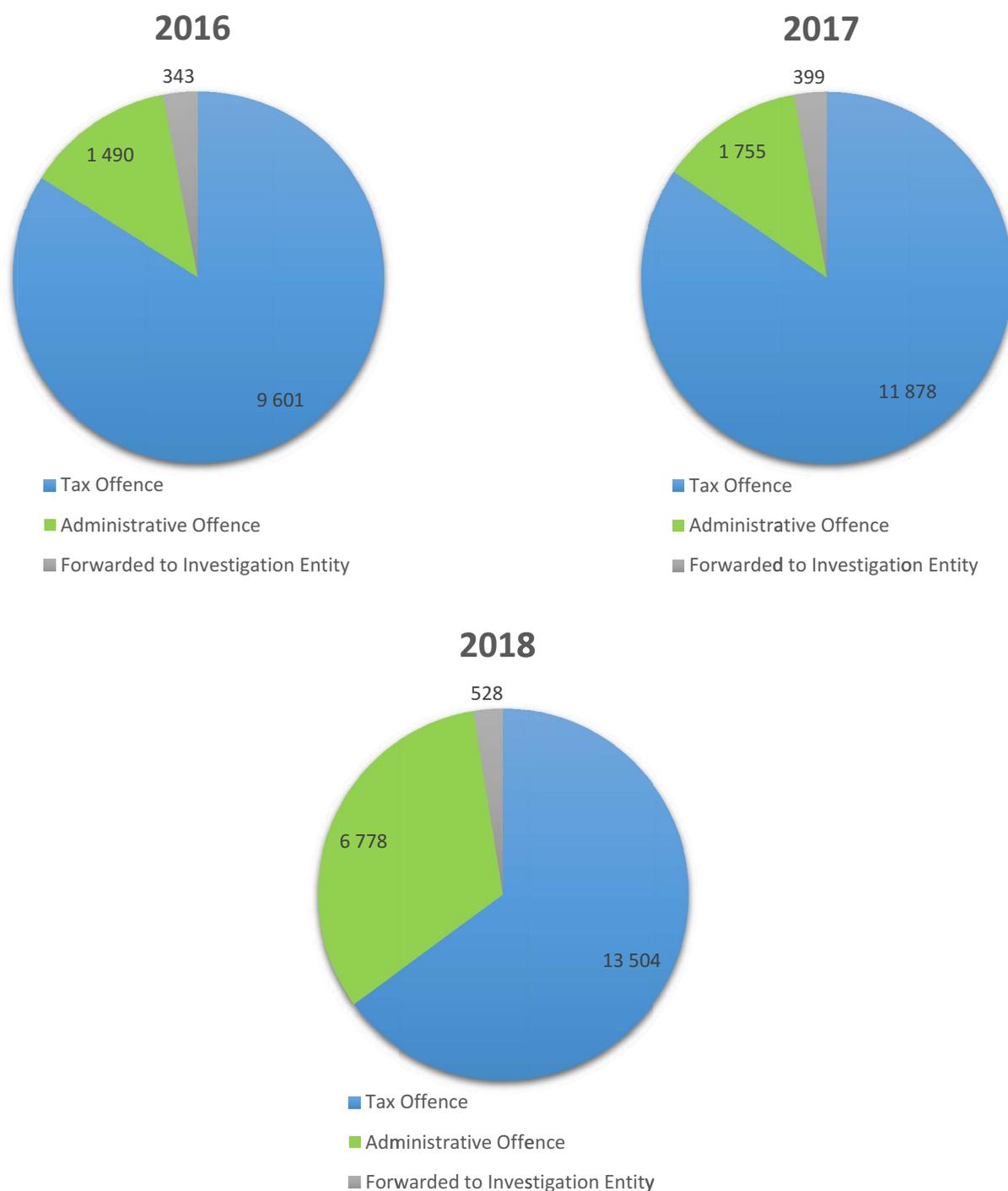
OFFENCES

In 2018, Customs Department has revealed - 20790 facts of offences. The amount charged on 13504 tax offenses amounted to 16,824,188 GEL, and the amount imposed on the 6778 facts of administrative offenses amounted to 1,454,518 GEL.



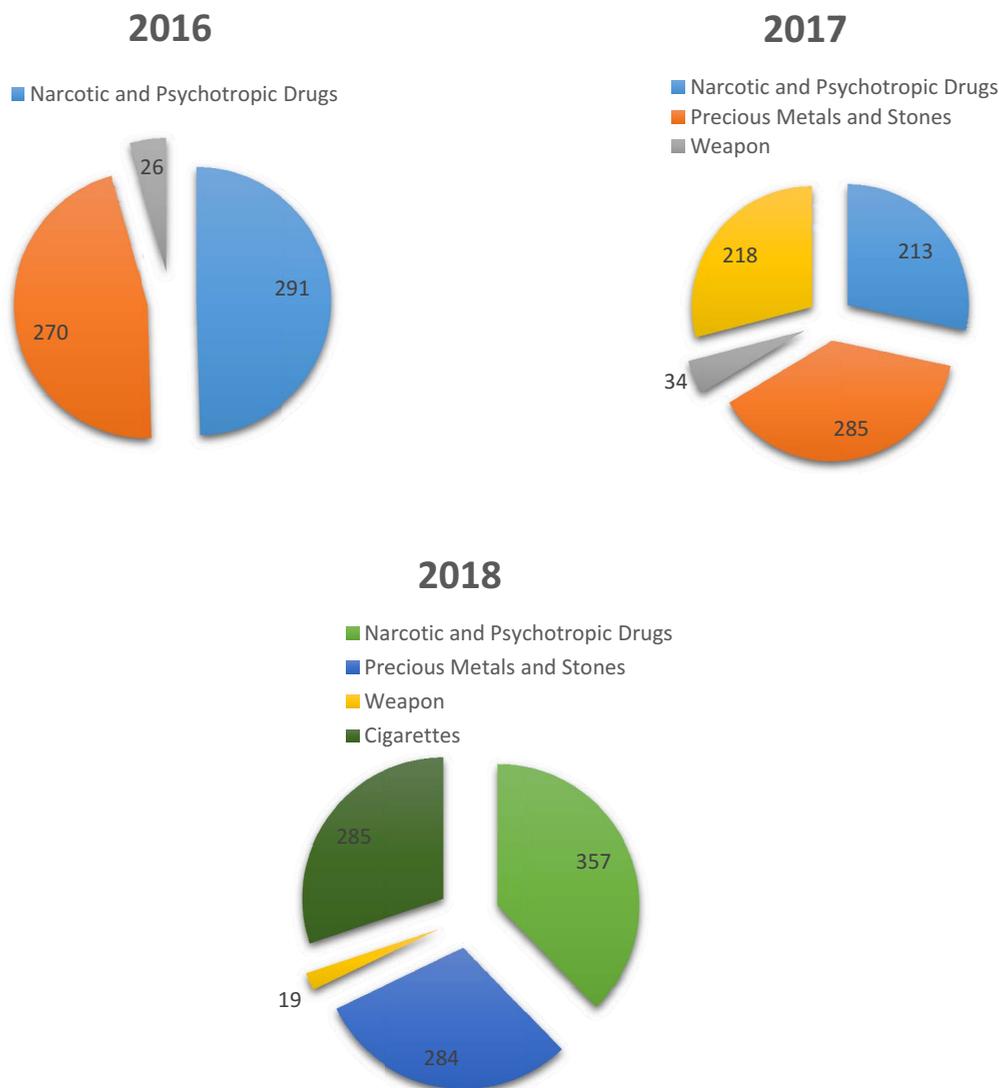
As a result of the scanning of vehicles 428 facts have been identified, amount accrued in favor of the budget is - 279,434.

OFFENSES REVEALED BY THE CUSTOMS DEPARTMENT



Furthermore, the given chart below, clarifies the number of offences related to illegal movement of narcotic and psychotropic substances, weapon, precious metals and cigarettes across the state border.

OFFENCES DETECTED AT THE CUSTOMS CROSSING POINTS (NARCOTIC AND PSYCHOTROPIC SUBSTANCES, WEAPON, PRECIOUS METALS AND STONES, WEAPON, CIGARETTE)



IMPORTANT OFFENSES DETECTED IN 2017

Within 2018, customs officers of the Customs Department detected a number of significant offenses.

Customs crossing point Tbilisi Airport and Free Industrial Zone of Tbilisi Technological Park:

- On 21 January, customs officers, based on processing of the preliminary information, have inspected the passenger, whose luggage contained 1.9 kg narcotic substances of Opium;
- On 28 March, customs officers, based on processing of the preliminary information, while inspecting the passenger, have detected 1 kg of narcotic substances of cocaine;

- On 15 October, customs officers, based on processing of the preliminary information, inspected the passenger and have detected 2 kg of narcotic substances of cocaine;
- In the months of October-November, customs officers, based on suspicion, as a result of passengers inspection, have detected totally up to 2 kg of heroin;
- On 30 November, customs officers, based on processing of the preliminary information, have inspected the passenger, whose luggage, in specially designed casing, contained 3,1 kg of narcotic substances of cocaine.

Case materials for further response, were transferred to the Central Criminal Police Department of the Ministry of Internal Affairs of Georgia.

Customs crossing point - Ninotsminda

- On 28 May, customs officers, based on suspicion, while inspecting the vehicle belonging to a citizen of Armenia, have detected undeclared gold items of 2,3 kg and silver scrap – 47,7 kg.

Case materials for further response, were transferred to the Investigation Service of the Ministry of Finance.

Customs crossing point - Vale

- On 30 June, customs officers, in the specifically arranged hiding place of the vehicle belonging to a citizen of Armenia, have detected 10 kg gold jewelry items, whose customs value amounted to 565 000 GEL.

Case materials for further response, were transferred to the Investigation Service of the Ministry of Finance.

Customs crossing point - Sadakhlo (Motorway)

- On 01 June, customs officers, based on suspicion, while inspecting the vehicle belonging to a citizen of Armenia, have detected undeclared gold items with total weight of 963,47 g. whose customs value amounted to 60 309,03 GEL.

Case materials for further response, were transferred to the Investigation Service of the Ministry of Finance.

- On 04 October, customs officers, based on suspicion, as a result of physical inspection of the Iranian citizens, have detected 2 kg of narcotic substances of Hashish.

Case materials for further response, were transferred to the Central Criminal Police Department of the Ministry of Internal Affairs of Georgia.

Customs crossing point - Sarpi

- On 30 April, while physical inspection of the citizen of Georgia conducted by the customs officer, 300 pills of psychotropic substance – Pseudoephedrin was detected;
- On 29 June, customs officer, based on suspicion and as a result of the vehicle inspection, has detected 450 000 capsules of peripherin containing the codeine phosphate;
- On 4 September, customs officer, based on suspicion and as a result of the vehicle inspection of the passenger, has detected the 21 495 ampoules of tramadol;
- On 7 November, customs officer, based on suspicion and as a result of the vehicle inspection has detected 21 tons of poppy seeds containing narcotic substances;
- On 23 November, customs officer, based on suspicion and as a result of the physical inspection of the citizen of Azerbaijan, has detected the 366 pills of Ecstasy.

Case materials for further response, were transferred to the Central Criminal Police Department of the Ministry of Internal Affairs of Georgia.

Customs crossing point - Kazbegi

- On 17 April, customs officer, based on suspicion and as a result of the vehicle inspection belonging to the citizen of Russian Federation, has detected the undeclared money of 230 000 USD (equivalent in national currency 555 956 GEL);
- On September 13, as a result of preliminary processed information as well as the risk analysis, customs officer has inspected the truck registered in the Republic of Azerbaijan and instead of declared hygiene napkins, an undeclared 876 990 boxes of cigarettes – CAVALLO - subordinate to excise marks have been detected.

Case materials for further response, were transferred to the Investigation Service of the Ministry of Finance.

Customs crossing point - Red Bridge

- On 11 April, customs officers, based on suspicion and as a result of detailed inspection of the passenger bus belonging to the citizen of Turkey, have detected an undeclared 2 pieces of golden bars (total weight 2,6 kg) and gold jewelry items with diamond gems (total weight 211,04 g.). General customs value of goods amounted to 319 545,28 GEL.

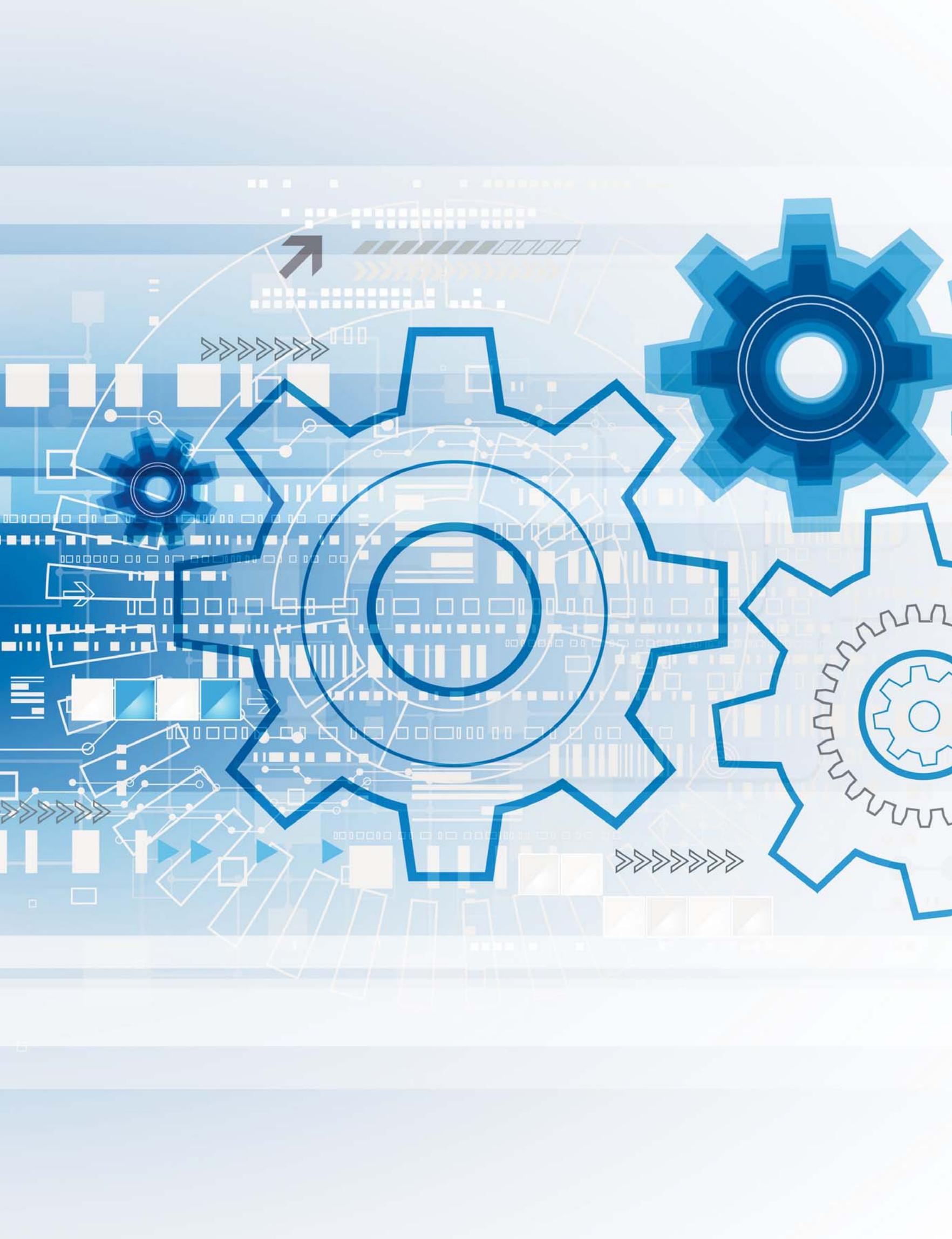
Case materials for further response, were transferred to the Investigation Service of the Ministry of Finance.

- On 30 September, customs officers, based on suspicion and as a result of detailed inspection of the passenger bus belonging to the citizen of Georgia, have detected an undeclared 16 101 000 Russian rubles (equivalent in national currency 639 885, 94 GEL).

Activities implemented within the frames of the Container Control Programme - joint project of the United Nations Office on Drugs and Crime (UNODC) and World Customs Organization (WCO)

As a result of analytical processing, risk identification and response by the interagency employees within the frames of the Container Control Programme, various offenses were detected and / or prevented, mostly related to import / export of narcotic substances as well as undeclared goods, including the following:

2018		
ACETIC ANHIDRID		15 000 kg
OPIUM		5 kg
HASHISH		10 kg
HEROIN		1.5 kg
COCAINE		4 kg
SUBOXINE		1 400 pills
Other	LSD	3 400 piece
	Psychotropic pills	8 200 pills
	Marihuana	250 gr
	Amphetamine	200 gr
	Bio (Synthetic Drug)	120 gr
	Fentanyl	35 gr
	Methadone	18 gr





SERVICE DEPARTMENT





GIORGI BUBUTEISHVILI
Head of the Service Department

Dear friends,

I am honored to present you a report on the activities carried out by the Service Department in 2018. Our Department aims to provide you with a simple, fast, reliable and maximally customer-oriented service, in order to ensure consumers to spend less time and energy to pay due taxes.

In 2018, numbers of measures have been implemented to improve and expand service channels, as well as various measures have been undertaken to introduce tax culture and raise the awareness.

In 2018, Service Department was dedicated to ensure the proposed services to be available for all customers.

Professional services and consultations rendered by the Service Department is the result of high qualification of the employees. I am pleased to represent the team for which the enhancement of capabilities of service delivery is significant.

Furthermore, effective cooperation and coordination with the customers should be highlighted, without which it would be impossible to implement the activities carried out by the Service Department.

For the purpose of availability of the taxpayer services as well as raising their awareness, various projects have been launched in 2018.

We all care for the welfare of our country as well as its better future and in this spirit we continue to fulfill our duties. I believe that 2019 will be the year of achievement of more success and good results.

- ❖ In 2018, number of visitors in service centers equaled to 662,857;
- ❖ In 2018, service centers received 277,373 electronic applications, 146,278 out of which were processed;
- ❖ In 2018, the call center received 315,400 calls regarding taxation and customs topics, procedures and the activities of the Revenue Service;
- ❖ For the purpose of remote registration of the taxpayers as the users' of the Revenue Service's web portal, 2202 procedures were performed for video activation and password replacement / restoration;
- ❖ According to the recorded request in the call-center, 455 normative acts / extracts from the normative acts were sent to the taxpayers through the email;
- ❖ In 2018, structural change of call center and expansion of infrastructural capacity was ensured. Introduction of new communication channels were planned, in particular, sms service and other remote services;
- ❖ Through the mobile service center – RS CAR – taxpayers have the opportunity, to receive timely various services in a convenient place without leaving their place of residence. The mobile service center provides services on a monthly basis at 30-39 different locations where there are no service centers and representations of the Revenue Service, including highlands. In 2018, RS CAR has served 9094 entrepreneurial entities;
- ❖ By the initiative of the Service Department, for the purpose of raising the awareness on tax legislation, in 2018 (in July, August, September and November), in the format of Door Open days, 36 meetings have been held. The aim of the meetings was to raise the awareness of the taxpayers regarding the significant issues of the tax legislation as well as the amendments to the Tax Code. Special attention was paid to the changes to the status of small entrepreneurs. All the issues have been considered, which was related to this amendment. Other significant changes in the legislation have been highlighted as well. These meetings were attended by up to 1650 listeners;
- ❖ On February 20th, 2018, within the frames of the project – “Pay Taxes for the Better Future” – meetings were commenced in the public schools. For this moment, totally 51 meetings have been held in 42 Tbilisi public schools. The first stage was completed on April 24th. Trainings were attended by 1400 students;
- ❖ In December 2018, within the frames of USAID project, Business Ombudsman of Georgia and the management of the Service Department conducted meetings in Batumi, Zugdidi and Kutaisi with the small and medium-sized entrepreneurs regarding the issues of mutual interests. The meetings were held in Q&A format;

- ❖ Within the frames of the informational campaign organized by the Office of State Minister of Georgia on Reconciliation and Civic Equality and Kvemo Kartli State Trustee Administration, presentations regarding the amendments to the Tax Code have been delivered in 4 administrative units;
- ❖ Taking into consideration the legislative amendments implemented in 2018, page for "Frequently Asked Questions" has been updated at the Revenue Service's website: www.rs.ge;
- ❖ For the purpose of consultations regarding the definition of tax legislation, in 2018 on the email (www.info@s.ge) 12773 letters have been received and reviewed, while in material form - 2395 letters;
- ❖ In 2018, 19,974,122.57 GEL has been refunded to the foreign taxpayers for goods purchased in Georgia (tax free);
- ❖ In 2018, for the transfer / refund of tax credits accumulated on the taxpayer's personal accounting card to offset other tax liabilities , and / or in case of misappropriation of the budget code with the wrong symbols, in order to correct the error the relevant documentation was prepared for 18 taxpayers, with the total amount of 1,974,969 GEL;
- ❖ In 2018, comparison of customs information of the taxpayers was ensured as well as importation of payment schedule data regarding the goods partially exempted from the import duties and placed under commodity operation of temporary import, into electronica data base was provided to 2002 taxpayers;
- ❖ In 2018, 423 information was processed and delivered to the relevant structural unit regarding the provision of the personal accounting card of the taxpayers placed under the insolvency / restructuring mode;
- ❖ In 2018, 369 times the public information was issued;
- ❖ In 2018, 3,935 times information with regards to the implemented commodity operations was prepared;
- ❖ In 2018, data of up to 70,000 persons were processed regarding the income received by the individual;
- ❖ In 2018, 1,935 custom-tax reports as well as analytical tables were prepared;
- ❖ In 2018, 549,846,658 GEL debt amount was written off from 11855 taxpayers in accordance with paragraph 37 of Article 309 while 22 administrative proceedings were carried out in accordance with paragraph 45 of Article 309;
- ❖ In 2018, 59,375 persons were inspected for the delays in submission of tax returns and calculations as well as non-disclosure of information; as a result, 13,268 protocols and orders were drafted regarding the imposition of sanctions with the total amount of 3,876,871 GEL;

- ❖ 878 taxpayers were inspected in 2018 due to the delay in VAT registration, based on which 597 protocols/orders were issued to sanction them, with the total amount of 1,454,158 GEL;
- ❖ In 2018, at the personal accounting card of the taxpayers 935 termination / liquidation declarations and 25656 late / adjusted declarations were reflected;
- ❖ In 2018, 7,139 reminders of various tax liabilities were sent to the entrepreneurs;
- ❖ 17,764 tax demands were publicly published;
- ❖ In 2018, for goods / services purchased under a grant , with request to credit VAT and refund it, 958 applications were examined and 37,928 VAT invoices are reflected on unified electronic database;
- ❖ Within 2018, for the purpose of prevention of tax violations 21608 acts on determining the term of elimination of tax offense have been developed by the district tax officers. With this act, the taxpayers are given the term for elimination of the tax violation - of 2 working days and within this period, taxpayer will not bear any responsibility for this violation. As the result of preventive measures, only 158 statements on tax offenses have been drawn, with the total amount of 16,900 GEL;
- ❖ In 2018, consultations by different channels of communications (including on spot visit, telephone and other) were provided to the newly registered 32,664 organizations;
- ❖ Within 2018, confirmation of the documents to write off for the expired and / or products unsuitable for further distribution (on-spot - 4469, automatically - 7264) was ensured in case of 11,733 taxpayers, that enabled them to write off balance, the wretched, spoiled goods and avoid excessive tax burden caused by the taxation of those products. Furthermore, in 2018, 557 applications were made regarding the goods subject to customs control;
- ❖ Within 2018, A certificate confirming the status of a fixed taxpayer was handed over to 2535 taxpayers and relevant consultations were delivered;
- ❖ Within 2018, requisites of relevant district officers and heads of the sector have been placed in the facilities of 82,615 taxpayers, helping taxpayers to timely contact district tax officer and get assistance, if necessary;
- ❖ In 2018, listing / certification of 197,987 taxpayers' facilities (data collection) have been ensured;
- ❖ In 2018, fully were written off inventory items of 121 taxpayers destroyed/missing in the result of natural disaster (fire, floods, and landslides) Total value of those items equaled to 10,587,561.77 GEL. This process is being continued in terms of the assistance of the victims;
- ❖ In order to organize gambling business and winning games, in 2018, totally 259 permits were operating, out of which 109 permits were issued in 2018 and upon permit owners' request, 43 permits were abolished;

- ❖ In 2018, for the permit fee payment verification purposes , 126 applications have been reviewed, while 593 applications requesting the proof of payment of gambling business fee have been presented and reviewed with total value of 127,397,519 GEL paid into the budget;
- ❖ In 2018, as a permit fee 64,285,000 GEL was paid into the budget;
- ❖ In the arrangement provisions, for the purpose of implementation of changes / promotional draws, for the arrangement of the new stage 1249 applications were presented and reviewed;
- ❖ 2550 protocols presented by the owners of the permits regarding the results of the promotional draws were considered;
- ❖ 154 protocols on the lottery results have been reviewed;
- ❖ In 2018, inspection of the permit conditions was ensured towards 336 permit owners and the fine amounted to 529,000 GEL;
- ❖ Due to the functioning without the proof on the payment of gambling fee, 5 statements of the offense have been drawn and the fine amounted to 2,221,700 GEL;
- ❖ In 2018, for the purpose of the use of special (preferential) regimes of taxation, various statuses have been granted to the entrepreneurs:
 - ◆ Microbusiness status - 4779 taxpayers
 - ◆ Small business status - 15665 taxpayers
 - ◆ Fixed taxpayer status -2722 taxpayers
 - ◆ Highland settlement enterprise status - 65 taxpayers
- ❖ In 2018, the permit of using the TAX FREE was granted to 248 persons at 796 trade facility;
- ❖ In 2018, in the state registry 5 models of cash registers were introduced;
- ❖ In 2018, there were 48,279 cash registers registered in total;
- ❖ In 2018, in accordance with Article 288 of the Tax Code of Georgia (violation of the activity rules by the micro/small business status holders), 67 tax violation statements have been drawn;
- ❖ In 2018, for the purpose of the exemption from import-related duties, the import goods of the 116 taxpayers have been granted the humanitarian aid status, while the import goods of 383 taxpayers – status of grant ;
- ❖ In 2018, 13 organizations were granted the status of charitable organization;
- ❖ In accordance with the International Agreement ratified by the Parliament of Georgia and enacted, with the purpose of using tax benefits, information regarding the 2500 project implementers were provided to the relevant registry;
- ❖ 19 new forms of electronic application were developed;

- ❖ The software logic was developed, through which taxpayers with small business status are automatically delivered preventive / warning notification for avoiding the compulsory cancellation of the status and the fines according to Article 288 of the Tax Code of Georgia;
- ❖ 1731 applications on requesting excisable and non-excisable stamps have been reviewed and confirmed; therefore, 1,119,750,880 stamps were issued and markings delivered;
- ❖ According to 124 requests, marking /sealing of excisable goods placed under temporary export regime and their sending to the manufacturer was organized;
- ❖ 48 applications regarding the return of unused stamps for excisable and non-excisable goods was confirmed; 702 amendments / changes in the registration database of the excisable/non-excisable goods was organized as well as the new users were registered;
- ❖ In 2018, 34 natural persons secured by property were granted the residency of Georgia;
- ❖ In 2018, between the Government of Georgia and the Governments of the other countries, 2001 certificates were issued in accordance with the agreements concluded on double taxation avoidance;
- ❖ In 2018, up to 300 taxpayers used personal tax advisors' service, who were receiving services related to utilization of the tax legislation and procedural issues at any time or place convenient for them (including non-working days), and also remotely;
- ❖ PRIVE-service beneficiaries have been provided with 27,290 recommendations (written material / electronic, telephone), 1469 various certificates and information;
- ❖ 130 meetings were held for PRIVE-service beneficiaries to update them on legislative amendments and also discuss tax and customs issues concerning them.



საქართველოს სტატისტიკის ეროვნული ბიუროსი

კალენდარი

კვირა	საბედრო	საბედრო	საბედრო	საბედრო	საბედრო	საბედრო
		1	2	3	4	5
	6	7	8	9	10	11
	12	13	14	15	16	17
	18	19	20	21	22	23
	24	25	26	27	28	29
	30	31				





**STRATEGY AND
REFORM OFFICE**





TSITSI DALAKISHVILI
Head of the Strategy and Reform Office

Welcome,

Let me summarize the one year activities of the Strategy and Reform Office.

The Office was formed at the end of 2017 in order to support the following two directions:

- In 2017 the Revenue Service was evaluated through the Tax Administration Diagnostic Assessment Tool (TADAT). For the purpose of elimination of the existing gaps, the three-year technical assistance project was developed by the Fiscal Affairs Department of the International Monetary Fund, which shall promote the improvement of administration, institutional strengthening and encouragement of voluntary compliance with tax legislation.
- Furthermore, in 2017, Revenue Service has developed four-year (2017-2020) strategy. The Strategy and Reform Office is responsible for the achieving, coordinating, planning and monitoring of implementation of these objectives.

The recommendations coming from the International Monetary Fund have been reflected in the Strategy of the Revenue Service; the tasks and the projects to be implemented have been grouped logically and their coordination falls under the responsibility of the Strategy and Reform Office.

“Georgia has the resilient history in terms of implementation of fiscal reforms. Since 2011, its tax revenue mobilization indicator is stable and its share to GDP equals to 25% or more”- 2018 Report of the International Monetary Fund mission.

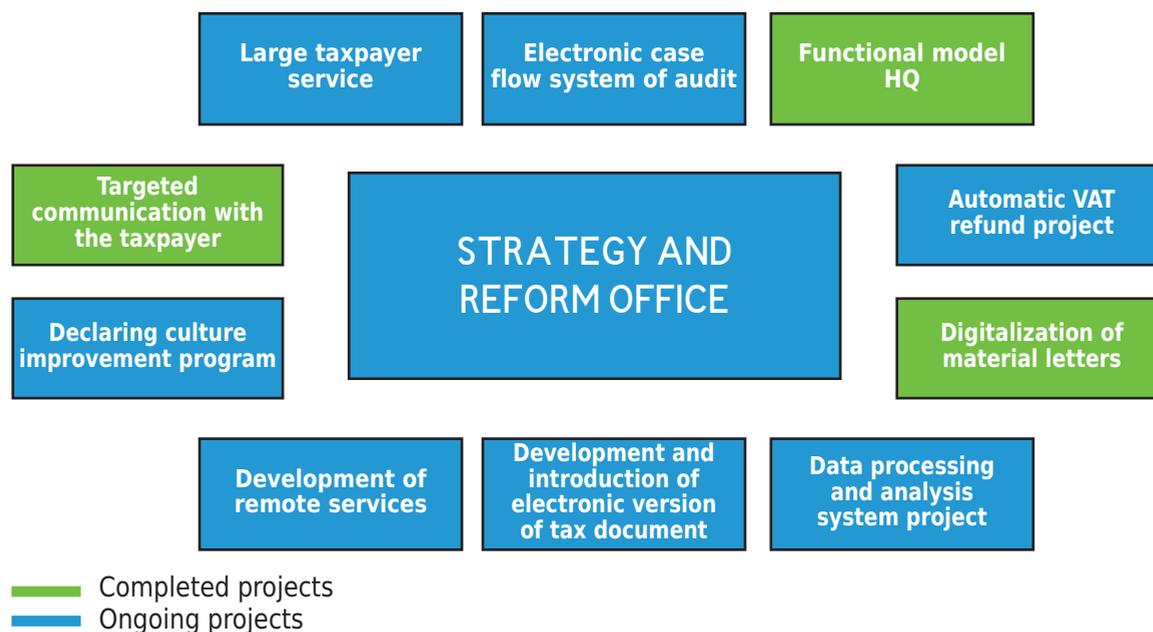
That is to say, the maintaining of positive dynamics and on the other hand, transformation of declared strategic goals to the objectives and projects, their further coordination and successful implementation is the main KPI of the success of the Office.

Strategy and Reform Office was formed at the end of 2017, when the Revenue Service was facing significant challenges. The Office actively got involved in the process of implementation of the objectives defined by the strategy of the Service as well as the commitments taken within the International Monetary Fund (IMF). In 2018, the Office coordinated the strategy and operation planning process, participated in the planning and management of the projects of strategic significance as well as ensured the monitoring of the fulfillment of the activities envisaged under activity and operation plans and provided periodic reports to the managing board.

By the initiative of the Strategy and Reform Office, in January 2018, the 2018 Action Plan of the Strategy of the Revenue Service was developed. Within the frames of the initiative, several meetings have been held, where departments have considered all the activities, which would facilitate achievement of the strategic objectives. For each activity of the action plan the responsible parties and engaged departments, terms and fulfillment indicators have been defined. According to the Order of the Director General of the Services the action plan was approved and monitoring over its implementation was conducted by the Strategy and Reform Office.

Within the frames of the structural reforms of the Revenue Service, which envisages transformation to the new, function-oriented organizational model, the Office, together with other departments, ensured differentiation of the head office and operational departments and their functionalities. In May of the current year, for the purpose of getting acquainted with a new functional model, the Office organized seminar, which was attended by the RS management and the heads of all departments. Within the seminar the functions of the head office and operational departments were considered in details, as well as, the issue of the distribution of the activities.

The team of the Office is actively engaged in all stages of the strategic projects management which covers planning, implementation and monitoring of the projects. Through the engagement of the Office, projects of strategic importance either completed or ongoing during 2018 are presented in the below diagrams.



In 2018, the Strategy and Reform Office actively participated in the meetings with the high-level representatives of the International Monetary Fund and the short-term meetings with the experts. Information was delivered to the missions regarding the activities implemented by the Office as well as the achievements and the further steps of the Service.

In 2018, the Strategy and Reform Office actively participated in the meetings with the high-level representatives of the International Monetary Fund and short-term experts. Information was delivered to the missions regarding the activities implemented by the Office as well as the achievements and the further steps to be made by the Revenue Service.

The Office has planned the project management training for those employees of various engaged in the implementation of the ongoing projects. Within the frames of the training, the participants were given the possibility to get familiar with the work concept and methodology; methods of project planning, organizing and control as well as the effective project monitoring and evaluation system .

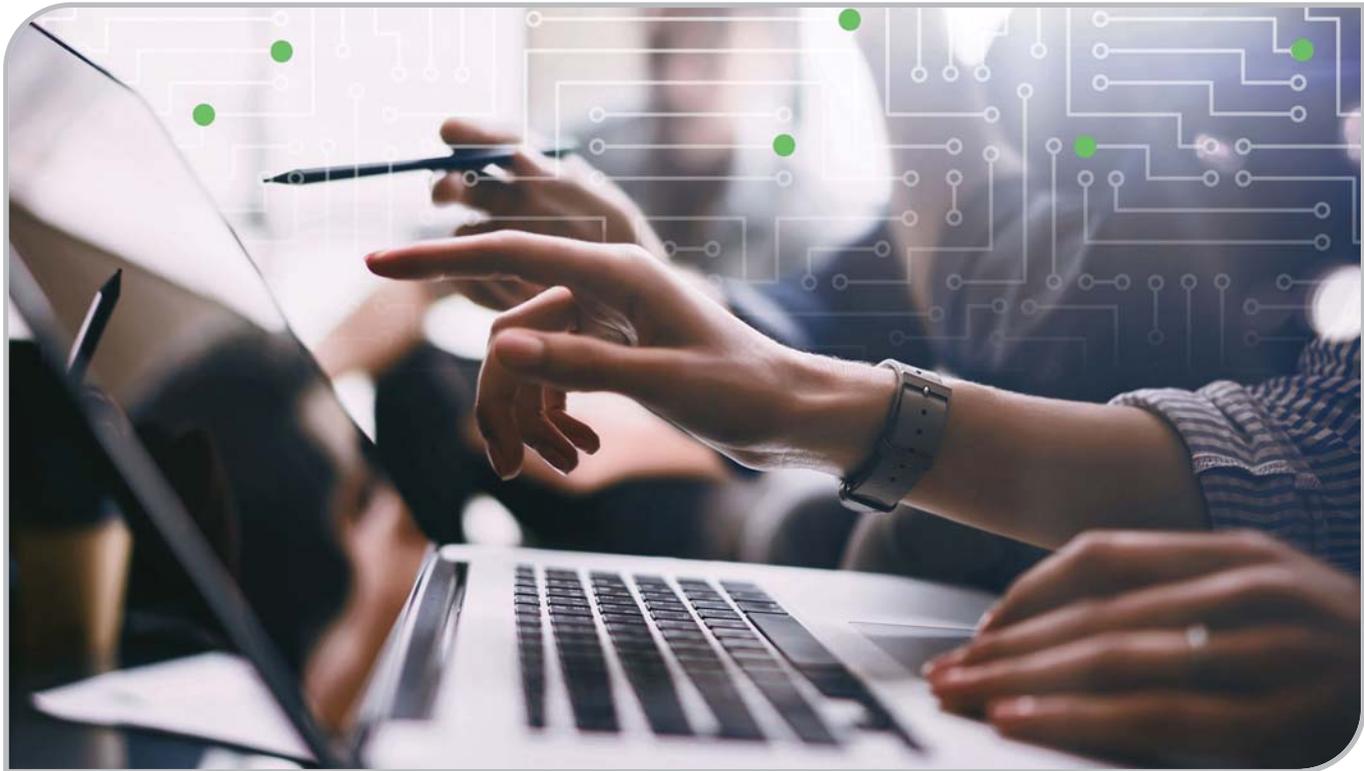
The Strategy and Reform Office, through the support of German Society for International Cooperation (GIZ), organizes strategic planning seminar, where the high and mid-level managers of all the departments of the Revenue Service are invited to take participation. The seminar is being conducted gradually and the last one will be completed in February 2019. Within the frames of the seminar already conducted in 2018, managers got familiar with the modern standards and approaches of strategic planning in the result of which action plan for 2019-2020 will be developed.

DIVISION FOR OPERATIONAL PLANNING AND MANAGEMENT INFORMATION SYSTEMS (MIS DIVISION)

Since May 2018, Division for Operational Planning and Management Information Systems was fully staffed and tasked to implement action plan. Development of Management Information Systems (MIS) is focused on Key Performance Indicators (KPI) both on operational and strategic levels.

Division for Operational Planning and Management Information systems collects and analyzes operational indicators on a monthly basis. This information further is reported to the top management of the Revenue Service. Operational indicators cover five main operational directions: audit, disputes, services, debt management and tax monitoring programs.

As a result of the meetings with structural units of the operational departments and detailed study of the relevant business processes of those departments, respective KPI's were developed for each operational department. For the operational purposes three types of indicators have been selected: quantitative, qualitative and timeliness index. In agreement with the Analytical Department and Department for Methodology, for each indicator marginal performances were determined. In the operational departments, directly with the quality controlling units, selection and quality criteria have been considered. MIS Division ensures



monitoring over implementation of the operational plans on a monthly basis. Based on the analysis of the results for 2018, the recommendations for 2019 operational plans have been developed.

Information Technology Center was delivered with MIS team requirements needed for MIS reporting, so that provision of raw data from operational departments is made automatically. It is planned to develop IT module for MIS.

In order to measure achievement of strategic objectives of the Revenue Service, MIS Division, based on strategic objectives of the Revenue Service and international practice, has developed strategic indicators. These indicators were developed together with the International Monetary Fund Expert, Department for Tax and Customs Methodology and Analytical Department. Strategic indicators have been divided into three groups taking into consideration the strategic objectives of the Revenue Service: institutional indicators, compliance indicators and service indicators.

Also the document, reviewing methodology of KPIs' determination and their further evaluation purposes was created.

Part of the strategic indicators can already be measured, measurement of another part of the indicators is planned for 2019, when the relevant database will be ready. To measure the rest of the indicators, it is necessary the consumer satisfaction survey to be conducted, which is scheduled for the end of 2019.





DEPARTMENT FOR
INTERNATIONAL RELATIONS





SAMSON URIDIA
Head of the Department
of International Relations

Dear citizens, our foreign friends, colleagues, ladies and gentlemen,

Yet another year has passed since the Department for International Relations under my supervision continues to be at your service. Within this period, international projects in the customs, tax and sanitary / phytosanitary border control field has been consistently implemented. This success, in addition, cover the projects related to infrastructure and technical assistance as well as coordination of the foreign relations of Revenue Service.

Together with the increase of the imposed functions and challenges, relations with the foreign partners become more informative and dynamic. This causes qualitative and quantitative changes. More and more foreign colleagues are getting familiar with the activities of the Service, and the information regarding the successful work of the Revenue Service is more and more heard. Within the frames of the various format meetings with the foreign colleagues, increasing number of employees of the Service are provided with possibility to get familiar with the best foreign experience. International indicators for the evaluation of the Service activities are getting better, which is the result of the joint efforts of each employee of the Revenue Service.

It is a great honor for me to continue working with my team. I am given the possibility, together with my colleagues to learn how to identify the problem and transform it to the challenge in order to achieve with the joint efforts, the desired

objective of the Service. It is clear that implementation of each project is interconnected and it cannot be fulfilled without the full involvement of other structural units of the service. Therefore, one of the most important priorities is the permanent, timely and flexible relations with the departments, at all management levels. I consider, that next year will be particularly interesting for our country. Now, as never before, our country is close to achieving European goals. The team of the Department of Foreign Relations of the Revenue Service has fully acknowledged the responsibility which we have on the way to European integration. We work every day to successfully fulfill our commitment under the Association Agreement and to approximate our standards in the field of customs, tax and sanitary / phytosanitary border control to European Union standards.

The last year was loaded with interesting challenges and innovations. I would like to emphasize the success achieved in the tax field. In 2018, Georgia became the full member of the Forum on Tax Administrations (FTA). This success is the outcome of the several years of hard work, consistent policies and the support of our foreign partners. The membership of the Forum on Tax Administration, on the one hand, gives us the opportunity to increase the awareness of the work in the international arena, and on the other hand, this is related to new challenges, which require tireless work. In terms of customs the most significant achievement is the accession of Georgia to conventions in transit field with the EU and commencement of the twinning project on supporting the launch of a new digital transit system, which is another step forward on the way to integration with the European Union. In terms of sanitary / phytosanitary border control, completion of construction of border inspection point, Red Bridge, which was implemented by the United Nations Development Programme as well as through the financial assistance of the European Union.

Finally, let me thank you, dear reader, for the time that you have spent on the introduction of this report.

INTERNATIONAL CUSTOMS, SANITARY / PHYTOSANITARY BORDER CONTROL COOPERATION DIVISION

INTERNATIONAL RATINGS

Doing Business

While working on the doing business questionnaire, various meetings have been held with the representatives of the private sector and the Ministry of Economy and Sustainable Development. Furthermore, with the support of the World Bank Regional Office in Tbilisi, the video conference was held with the experts of trade component between business borders. As a result of improved communication, compared with last year, in the abovementioned component, Georgia has advanced with the 19 positions in the rating and moved from the 62nd place to the 43rd place. In December 2018, for coordination of the activities directed towards the improvement of the position of Georgia in the international ratings and surveys, the target working group was formed in the Revenue Service so that the information received through participation in various surveys and gained experience to be shared and information regarding the achievements was more efficiently reflected in the international surveys.

BILATERAL COOPERATION

THE REPUBLIC OF TURKEY



AEO

In order to fulfill the first phase of the Authorized Economic Operator Action Plan concluded between Georgia and the Turkish side, on 7-8 May, 2018, in Ankara (Turkey), the Ministry of Customs and Trade of Turkey has hosted the delegation of the Revenue Service. Close cooperation in this field and sharing of experience is significant. It will serve as a foundation for the process of the development of the text of the Agreement on Mutual Recognition of the Authorized Economic Operators between Georgia and Turkey. This Agreement will facilitate the import procedures of goods from Georgia to Turkey for the exporter with the abovementioned status.

Exchange of information

With the Agreement signed between Georgia and the Republic of Turkey, which stipulates the joint management of customs crossing points, based on the principle of the joint management of the customs crossing points, preliminary exchange of electronic information in the current mode is ensured at the land customs checkpoints at the border of Georgia and the Republic of Turkey (“Sarpi”, “Kartsakhi” - “Childir-Aktash” and “Akhaltsike” - “Posop Turkgoz”). At this stage

negotiations are in progress with the Turkish side, in order to expand the volume of information to be shared (in particular, regarding the vehicles scanned through the X-ray inspection system as well as the customs control results). For the purpose of ensuring safety and security in the region, and at the same time, for successful implementation of the objective of promoting legal trade, the great importance is attached electronically receiving preliminary information, its processing as well as analysis and possibility of advance determination of risks.

Construction of the bridge over the territory of Sarpi customs crossing point

Due to the construction of the new facility at the Turkish side at Sarpi customs crossing point, construction of the pedestrian bridge at the river of Kibosh on the border of Turkey and Georgia became the agenda question. Thanks to the new bridge, crossing the border for natural persons will be simplified and their movement will become more safe and comfortable. Regarding this question, several meetings have been held at Sarpi customs crossing point. The construction of the bridge shall be completed in the first quarter of 2019.

THE ISLAMIC REPUBLIC OF AFGHANISTAN



Technical assistance to the Customs Department of Afghanistan

For the purpose of the technical assistance of the Customs Department of the Ministry of Finance, on 9-14 September, 2018, Kabul (the Islamic Republic of Afghanistan) was visited by the three-person delegation of the Revenue Service. The visit was aimed at sharing of the experience for the Customs Administration of Afghanistan as well as to assist in the development of customs border, customs clearance and infrastructure.

Working on cooperation and various directions of the technical assistance is progress.

On 17-21 September, the Revenue Service was visited by the 17-member delegation of the customs agency of Afghanistan, US Commercial Law Development Program (CLDP) and World Customs Organization. The visit was aimed at deepening existing cooperation between the Customs Department of Afghanistan and the Revenue Service.

Within the frames of the visit, the representatives of the World Trade Organization (WTO) have conducted the customs project management training.

HONG KONG



Free Trade Agreement between Georgia and Hong Kong

On 28 June, 2018, the Free Trade Agreement was concluded between Georgia and Hong Kong. The Agreement also covers the questions of preferential origin and customs cooperation. The aim of the agreement is to strengthen trade relations between Georgia and Hong Kong, promotion of trade on the border and ensuring the simplification of customs procedures.

PEOPLE'S REPUBLIC OF CHINA



Exchange of information in accordance with the Free Trade Agreement between Georgia and the People's Republic of China

On 27-28 September, 2018 the aim of the meeting between the Customs Administrations of Georgia and the People's Republic of China was formation of the annual plan for launching the electronic data exchange system and prescribing of the activities to be implemented. Introduction of the system scheduled in 2019 enables to simplify the primary examination procedures of the certificate of origin presented to the customs authority, for the benefit of free trade between Georgia and China as well as to abolish the practice of sending written requests for verification of various certificates, through electronic confirmation in real mode of the fact on verification the issuance and application of the certificate. Enabling of the system will simplify, for the legitimate economic operators, taking of the advantage of the tariff benefits, provided by the Free Trade Agreement.

Economic and technical cooperation

Within the frames of the economic and technical cooperation between the Government of Georgia and the Government of the People's Republic of China, the Government of China was presented project proposal on the "Equipping the Customs Crossing Points of Georgia with the X-ray Inspection Systems". Within the frames of the grant, transfer of 16 scanners is scheduled. The implementation of the project is scheduled for 2019 - 2022.

FEDERAL REPUBLIC OF GERMANY



Cooperation with German Customs Administration

Within the frames of the cooperation with the German Customs Administration, according to the 2018 Action Plan, several activities have been implemented:

On 2-13 May, 2018, the Revenue Service was visited by two German experts and one canine trainer.

Within the frames of the visit, on 3-4 May, at the Customs Department seminar for the individuals responsible for customs control and risks was conducted. Canine trainer has conducted practical exercises at the canine center regarding the modern methods of training dogs.

On June 4-12, mid-level managers of Customs Department visited Germany. Within the frames of the visit, the representatives of Georgian delegation visited German border control office. They got familiar with the working specifics of mobile working groups and at the central customs office got familiar with the customs control analysis and monitoring, risk management system.

Within the frames of the last activities envisaged by the 2018 action plan, three German experts and a dog handler, from 30 September to 10 October, visited the Revenue Service of the Ministry of Finance of Georgia.

The abovementioned technical assistance, aims further perfection of the customs control.

THE CZECH REPUBLIC



The assistance of the Czech Republic in the direction of canine service

In October-December 2018, within the frames of the project supported by the Czech Development Agency (CDA) – “Enhancing the Efficiency and Quality of Georgian Canine Service”, in the customs canine center of the Czech Republic, three canine trainers have passed ten-week trainings. For the canine trainers new dogs were bought.

On 2-6 December, the representatives of the project working group visited the Customs Administration of the Czech Republic. Within the frames of the visit, the certificate examinations and award ceremony was held for the canine trainers and newly trained dogs. Furthermore, at the meetings of the project working group, project further activities, challenges and the ways of their elimination were defined. Three newly trained dogs were transferred to the Customs Department of the Revenue Service.

SWISS CONFEDERATION



Institutional development with the support of Georgia-Swiss Business Association in terms of origin rules

Through the support of Georgia and Swiss Business Association the project is in progress. It is aimed at promotion of export of Georgian products to Switzerland and other European Free Trade Association countries as well as the development of skills on rules of origin for the representatives of the Customs Department and private sector. Within the frames of the project guidelines for the employees of the Revenue Service and the private sector will be developed and translated as well as awareness raising campaigns on the rules of origin will be conducted in various regions of Georgia.

COOPERATION WITH INTERNATIONAL / DONOR ORGANIZATIONS

EU Delegation to Georgia (EU)

DCFTA

Sanitary, phytosanitary and veterinary control

Through the assistance of the project on the Promotion of the Development of Red Bridge Border Crossing Point between Georgia and Azerbaijan, in 2017-2018 in the Division of Sanitary, Phytosanitary and Veterinary Control, the trainers were trained in terms of the procedures of veterinary, phytosanitary and non-animal food border control. Retrained trainers have trained veterinarians and phytosanitary who exercise the control over the border.

IN 2018 THE FOLLOWING TRAININGS WERE CONDUCTED:

1. Training of trainers:

- 29.01 – 02.02 training of trainers was organized on veterinary border control procedures. Number of the participants – 7.

2. Bilateral training:

- 27.03 – 28.03 – bilateral training was organized in Georgia together with the colleagues from Azerbaijan regarding the International Food Standards Codex Alimentarius. Training was conducted by the representative of the Food and Veterinary Service of Latvia. Number of the participants – 8 (from Georgia).
- 24.07 – 25.07 – bilateral training was held in Georgia together with the colleagues from Azerbaijan on Land and Water Veterinary Code (OIE). Training was conducted by the representative of the Food and Veterinary Service of Latvia. Number of the participants – 9 (from Georgia).
- 27.08 – 28.08 – bilateral training was held in Azerbaijan together with the colleagues from Azerbaijan on Border Control of Import of Plants, Plant Origin Products and Wooden Packaging Materials. Training was conducted by the representative of the Food and Veterinary Service of Latvia. Number of the participants – 6 (from Georgia).

3. Training: Veterinary

- In June and July of 2018, the trained trainers have conducted 4 trainings in Akhaltsikhe and Batumi regarding the veterinary border control procedures. Number of the participants – 25.
- On 13-14 December another training was held. Number of the participants – 6.

4. Training: Phytosanitary

- In June and July of 2018, the trained trainers have conducted 4 trainings in Akhaltsikhe and Batumi regarding the phytosanitary border control procedures. Number of the participants – 32.

5. Training: Non-animal Origin Food Control

- In 2018, trained trainers have conducted 5 trainings in Tbilisi, Batumi and Poti regarding the non-animal origin food control procedures. Number of the participants – 57.

Within the frames of the project, the budget for the trainings and working meetings consists of EUR 56,999.

These trainings are the obligation of the Revenue Service based on the European Neighborhood Programme for Agriculture and Rural Development – ENPARD II Agreement. In case of it's proper implementation, after the assessment of the expert mission, the budget of Georgia will be transferred from the European Union the EUR 500,000.

Furthermore, employee's training obligation is indicated in the 2018 National Action Plan on the implementation of the Deep and Comprehensive Free Trade Area Agreement.

INFRASTRUCTURE

RED BRIDGE

Within the frames of the project on the Promotion of the Development of Red Bridge Border Crossing Point between Georgia and Azerbaijan, the construction of the border crossing point Red Bridge was completed. In 2018, within the frames of the project, EUR 318,128 was spent on the construction as well as EUR 2, 000 on the equipment.

The crossing point was partly equipped through the financial support of the European Union as well, within the frames of the CIB III program and the cost of the equipment is 572,089 GEL.

Border crossing point Red Bridge was officially opened on 14 September 2018. The opening ceremony was attended by the representatives of the international organizations and customs committee of Azerbaijan.

According to the evaluation report of the mission representatives, the construction complies with the requirements of the EU regulations.

According to the 2018 National Action Plan, on the implementation of the Deep and Comprehensive Free Trade Area Agreement, the obligation of the Revenue Service is the completion of the construction of the border inspection point Red Bridge and its equipment.

SADAKHLO

Construction of the border inspection point Sadakhlo by the Revenue Service is in progress. The crossing point will be partly equipped with the financial assistance of the EU within the frames of the CIB III program.

In 2018, the first phase of the construction of the border inspection point will be finalized. Within the frames of the CIB III program, ongoing through the financial assistance of the European Union, part of the equipment is already procured the cost of which is 456,691 GEL.

In accordance with the 2018 National Action Plan on the implementation of the Deep and Comprehensive Free Trade Area Agreement, completion of the first phase of the border inspection point Sadakhlo is under the responsibility of the Revenue Service.

SARPI / ADLIA

At the end of 2017, Internal and external repair works of border inspection point Sarpi were finalized in accordance with the recommendations of the experts of the European Union. The equipment was procured within the frames of CIB II program (478,291 GEL).

On 5 March, 2018, the border inspection point was officially opened by the Ministry of Finance of Georgia. Within the frames of the evaluation mission of the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) it was highlighted that the point was in compliance with the international standards.

ELABORATION OF THE LEGISLATION REGULATING THE CUSTOMS SPHERE CLOSE TO THE EU CUSTOMS CODE

Through the support of the German Society for International Cooperation (GIZ), internal working group meetings of the Ministry of Finance were held and as a result first document of customs legislation was drafted. This draft was delivered to the European Commission and in particular, to the Directorate-General Taxation and Customs Union, to get further comments from their side. The draft version of the Customs Code was published on the website of the Legislative Herald of Georgia. The document was also published at the website of the Ministry of Finance of Georgia. In November, several meetings have been held for informing the Business Association of Georgia, Business Ombudsman and other stakeholders. Currently, the Government of Georgia has sent the document to the Parliament of Georgia. In parallel, work is underway on the subordinate acts to be developed in accordance with the new Customs Code.

RULES OF ORIGIN OF GOODS

Rules of origin of goods - replacement of First Protocol of the Association Agreement between Georgia and the EU Member States

In accordance with the paragraph 2 of the Article 38 of the First Protocol of the Association Agreement and based on the Decree of the EU and Georgian Customs Subcommittee N1 / 2018 (20 March, 2018) envisaged by the Article 74 of the Agreement the abovementioned amendment was made and the protocol text was formulated with a new edition by a reference to the Regional Convention on Pan-Euro-Mediterranean Preferential Rules of Origin. As a result of the enactment of this Decree, the geographical area of the raw materials / semi-fabricated goods to be used to grant the status of origin to the products produced in Georgia, as well as the finished products market produced in Georgia. The cumulative expansion currently includes Georgia, the European Union and European Free Trade Area countries (Switzerland, Liechtenstein, Norway, and Iceland). For the same purpose, necessary amendments were made to the Free Trade Agreement between Georgia and Turkey and the work is underway in order to introduce similar provisions with Georgia and Ukraine, as well as Georgia and the Republic of Moldova.

Execution of the advance passenger information and passenger name records system

The obligation of the implementation of the advance passenger information and passenger name records system (API / PNR) is envisaged by the Action Plan of the Association Agreement between Georgia and the European Union. In order to facilitate the implementation of the system:

- On 17-19 April, with the support of the OSCE and the Revenue Service of the Ministry of Finance of Georgia, the seminar was held on the API / PNR issues where the employees of the Revenue Service as well as the representatives of the relevant state agencies and private airline companies participated.
- On 19 September, through the support of the International Organization for Migration (IOM), the meeting was held with the employees of the Revenue Service, the airline companies and foreign experts, where API / PNR system working issues have been discussed.

For the purpose of implementation of the system, the Ministry of Finance of Georgia, according to the Order №213 of the Minister of Finance of Georgia on the Approval of the Regulation on the Transportation and Declaring of Goods at the Customs Territory of Georgia dated 1 July, 2018, the regulations approved by the Order №290 of the Ministry of Finance of Georgia dated 26 July, 2012 was added the 11 Article. The implementation of this project will improve the customs control techniques.

Border measures related to intellectual property

In accordance with the obligations under the Deep and Comprehensive Free Trade Area Agreement, in 2017 amendments were made to the Law of Georgia on the Border Measures Related to Intellectual Property. According to these amendments, the Georgian legislation came in line with the EU Regulation N: 608/2013 and the relevant standards on protection of intellectual property existing in the EU countries were introduced. Therefore, on 5-7 June 2018, in Tbilisi, the World Customs Organization organized national working meeting regarding the protection of the intellectual property rights at borders. Training was held by the technical expert of the World Customs Organization on counterfeiting and fraud issues, Ms. Sandra Veins and invited expert, Mr. Daniel Kazunori. Within the frames of the training, the following issues have been considered: the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), legislative model on intellectual property of the World Customs Organization, examples of intellectual property rights violations and new tendencies, application to be intended for the protection of intellectual property at the Ex-officio borders, submission of the warranty, destruction of goods and small cargo, risk management, etc. The training was also attended by the representatives of the intellectual property rights holders, who introduced to the participants the methods of identification of fraudulent goods. 25 employees of the Revenue Service participated in the training.

EU PROJECTS

EU Twinning Project - NCTS

Since March 2018, the EU technical assistance twinning project was launched for the accession to the Common Transit Convention (CTC) and Single Administrative Document (SAD) as well as implementation of the New Computerized Transit System (NCTS). This project enables, that through the document, which serves as a guarantee, and which is issued by the Customs Administration of Georgia, to carry the goods in the EU and The European Free Trade Association (EFTA) countries

(Iceland, Norway, Liechtenstein, and Switzerland) as well as in the Republic of Turkey, Serbia and Macedonia. This project is composed of the three components: 1. Development of legislative framework; 2. Study-adaptation of the information technology system; 3. Development of human and institutional resources of service and rising of the awareness. Finland is the leading country, and the partners are- Poland and Latvia. On 6 June 2018, in Tbilisi, the first meeting of the project management committee was held, where the action plan for the 6 months was considered and approved. Since 11 June 2018, implementation of the activities scheduled within the frames of the project was launched. Furthermore, on 20 September of the current year, the second meeting of the committee was held, where the outcomes of the implemented activities have been summarized and the working plan for further 6 months have been prescribed. In parallel, the work is underway towards all three components of the project; in particular, the invited experts commenced to study the situation concerning the development of the legislative framework, information technology infrastructure and capacity building. Meetings are held with the representatives and management of the customs, law, information technology, human resources management and development departments. Experts delivered presentations regarding the Common Transit Convention (CTC), New Computerized Transit System (NCTS) and relevant information technology infrastructure. The experts are getting familiar with the current situation and together with the representatives of the Revenues Service, consider the necessary changes for introduction and implementation of the system in the Service.

On 26-27 September 2018, in Kiev (Ukraine), the Directorate-General Taxation and Customs Union has organized the seminar regarding the Common Transit Convention (CTC) for the associated member states of the European Union. Presentations were delivered regarding the New Computerized Transit System (NCTS). Discussions were held concerning the implementation of the project. The Revenue Service has presented the report regarding the project implementation and achieved progress.

EU-ACT Project

Within the frames of the EU Action against Drugs and Organized Crime, since 26 February to 3 March 2018, in Tbilisi trans-regional seminar was held which was dedicated to the joint investigative groups and controlled delivery. Representatives from 13 countries and international experts participated in the seminar. The main part of the training was dedicated to international operations and exercises dedicated to controlled delivery. This seminar was attended by the three representatives of the Customs Department.

On 17-19 July, within the frames of the EU-ACT, in Tbilisi the seminar was held, regarding the raising of the awareness on the new Psychoactive Substances (NPS). The seminar was attended by the four representatives of the Revenue Service.

Within the frames of the project, since 30 July, to 3 August, the Revenue Service was visited by the customs risk expert, Greg Kitsler. During the visit, the expert studied in details basic and supporting sources of information by the Risk Division as well as their analysis methods, provided

recommendation regarding the additional sources which shall ensure effective identification of the risks. During the visit, the expert visited customs clearance zone Tbilisi and Tbilisi International Airport. Furthermore, Greg Kitsler conducted meetings at the Central Office of the Customs Department as well.

GPS seals and controlled delivery

With the initiative of the Customs Department, work is launched to introduce the mobile groups and the controlled delivery through the so-called GPS seals. The readiness regarding the procurement of the seals as well as the assistance in the relevant trainings expressed the EU Action against Drugs and Organized Crime (EU-ACT) project. Negotiations are going with the Government of China, in order to partially gain financial assistance through the grant allocated within the 2019-2022 years for the software of the GPS seals.

The World Bank was interested in participating in the project, which implies the use of the transit corridor in the direction of the system.

WORLD CUSTOMS ORGANIZATION (WCO)

The International Convention on the Simplification and Harmonization of Customs procedures (Kyoto Convention)

The International Convention on the Simplification and Harmonization of Customs procedures in the customs international community is considered to be the most authoritative document for regulating customs legal relations. It represents the harmonious basis of the Customs Code existing on the customs territory of the 112 Contracting Parties. The Convention sets out the standards of comprehensive customs procedures, which promotes the legitimate trade and at the same time, ensures the implementation of customs control for the protection of customs revenues and public interests.

Accession to the Convention promotes the fulfillment of the obligation of Georgia envisaged by the subparagraph of the paragraph 1 of the Article 67 of the Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Georgia, of the other part.

After completion of the review of all the necessary domestic procedures, in July 2018, the Parliament of Georgia ratified the Convention, and after which on 25 October 2018, the Government of Georgia, by signing of the Prime Minister, issued the Decree on joining the Convention.

On 8 November 2018, in Brussels, the Decree on the accession was provided to the head office of the World Customs Organization by the Ambassador Extraordinary and Plenipotentiary of Georgia to the European Union, Ms. Natalia Sabanadze to the Secretary General of the World Customs Organization (WCO), Mr. Kunio Mikuriya.

The joint project of the World Customs Organization and the United Nations Office on Drugs and Crime - Container Control Program

Within the frames of the Container Control Program, in 2018, significant activities have been carried out. The activities of the divisions were presented to the heads of the Customs Administrations of Bulgaria, Moldova, Azerbaijan and Armenia.

Furthermore, in order to share experience, the employees of the divisions of Afghanistan, Sri Lanka and Pakistan existing within the frames of the Container Control Program conducted business visit to the Georgian divisions.

The relevant experts invited by the World Customs Organization, conducted 2-week practical training for the air cargo control unit. The unit, with the full composition, conducted study tour in Brussels (February) and Kyiv (December) airports, where together with the local customs officers, took part in goods and passenger control.

In 2018, within the frames of the program, the summary seminar of the training on strategic cargo control (three stages of the training took place in 2017) was carried out in Georgia, where the participants of the program from Ukraine and Georgia as well as the program participants from Georgia and relevant employees of the Customs Department took part.

Within 2018, at different times, the employees of Tbilisi, Poti and Air Cargo Divisions, for experience sharing and development of joint control mechanisms conducted business 7 business trips in Odessa and Kiev.

In September 2018, in Odessa, the first regional meeting was held at the level of head officials. At this meeting, the head officials of the Customs Administrations of Georgia, Ukraine, Moldova, Azerbaijan, Bulgaria, Romania, Turkey as well as the different law enforcement bodies engaged in the activities of the unit took part.

On 20-21 December, 2018, in Kakheti (Kvareli Lake) the final meeting was conducted where the employees of all the units took part and the results of the year, existing problems and further plans were considered.

In 2018, within the frames of Container Control Program the units, operating in Georgia have identified the following facts of violations:

- **17,540,000** cigarettes
- **10** kg. Hashish
- **15** tons of acetic anhydride (precursor)
- **4** kg. Opium
- **3** kg. Cocaine
- **3,400** pieces of LSD
- They have identified and detained **2** wanted persons

2 facts of falsification of the identification number of light motor vehicles, one fact of identification of counterfeit goods and one fact of falsification of the sign of the place of origin (made in Georgia).

VIRTUAL RAILWAY GROUP OF THE WORLD CUSTOMS ORGANIZATION

In summer 2018, under the auspices of the World Customs Organization, a virtual working group of customs-railway cooperation was created and the Advisor of the International Customs, Sanitary-Phytosanitary Border Control Cooperation Division of the International Department was selected as a facilitator.

The virtual railway group of the World Customs Organization is aimed at collection and analysis of information from the participating Customs Administrations for potential improvement of the customs procedures for railway transportation. Within the frames of the group the questionnaires were sent and the situation was analyzed in terms of electronic exchange of information between the railway and customs, in particular, towards the data elements.

In November 2018, within the frames of the Permanent Technical Committee of the World Customs Organization (WCO), the group has delivered information to the attendees regarding the main challenges. Later, in Baku, at the Regional Seminar on Transit the issues related to the promotion of railway transit were considered.

WCO Leadership and Management program

Since 21 January to 2 March 2018, 74th Internship Program for French-speaking Employees of the European region of the World Customs Organization was carried out. This program was carried out on two stages: at the first stage the internship was conducted in Brussels (Belgium), at the Central Office of the World Customs Organization; at the second stage the participants continued the internship in Seoul (Korea), in the Customs Administration of Korea.

INTERNATIONAL ORGANIZATION FOR MIGRATION (IOM)

Sustaining Border Management and Migration Governance in Georgia (SBMMG)

Through the financial assistance of the EU and implementation of the International Organization for Migration (IOM), at the Revenue Service of the Ministry of Finance, the project is launched – Sustaining Border Management and Migration Governance in Georgia. The main beneficiaries of the project are the Ministry of Internal Affairs of Georgia and the Revenue Service. Within the frames of this project, the Customs Department of the Revenue Service was transferred the modern equipment of 218.000 USD, in particular:

- Shoulder Mount Cameras – 40 units;
- Set of tools for detecting hidden goods – 3 units;
- Narcotics Analyzer – 4 units.

Combating Illegal Trade on Narcotic Drugs, Psychotropic Substances and Precursors

Through the support of the International Organization for Migration (IOM) and cooperation with the Ministry of Finance of Poland, in 2018 (23-27 April, 21-25 May, 28 May – 1 June) in Tbilisi, in Orkhevi Educational Center, 3 trainings have been held, within the frames of which up to 55

customs officers have been trained. During the training, participants have studied the techniques for inspection of the light vehicle as well as got familiar in the practical environment with the body language detection methods and other activities conducted for the purpose of detection of narcotic substances at the customs crossing points. The third stage of the training was dedicated to the training of trainers, within the frames of which up to 10 participants selected from the previous trainings got familiar with the training preparation methodology, the rules for preparation the necessary training materials, introduction, methods for working with the groups, etc. Relevant training guidelines were developed and the Customs Department was provided with the materials necessary for conducting the trainings.

With the support of the International Organization for Migration (IOM) and with the participation of the representatives of the Customs Service of Italy, on 3-7 September and 1-5 October 2018, in Tbilisi, in Orkhevi Educational Center and the Academy of the Ministry of Finance, body language trainings were held. Up to 31 employees of the Revenue Service participated in the trainings; they got familiar with following issues: inspection and observation technique, selecting passengers, nonverbal communication, basic emotions and mimic, etc. On 1-5 October the training was dedicated to the ToT, within the frames of which 11 employees of the Service studied the rules for preparation the lecture, teaching theory, public speaking skills, body language and nonverbal communication, evaluation methods, etc. Relevant learning guidelines were developed and the Customs Department was delivered the materials necessary for conducting the trainings.

CENTRAL ASIA REGIONAL ECONOMIC COOPERATION PROGRAM (CAREC)

Cooperation with Asian Development Bank (ADB) within the frames of the Central Asia Regional Economic Cooperation Program (CAREC)

The pilot project of the Asian Development Bank (ADB) and Central Asia Regional Economic Cooperation Program (CAREC) the Advanced Transit System – CATS and Customs Information Common Exchange – ICE is ongoing. The pilot project is aimed at the development of the common transit system and information exchange mechanism among Georgia, Azerbaijan and the Republic of Kazakhstan (work on the draft agreement is underway).

CAREC Integrated Trade Agenda 2030 – CI project of the Asian Development Bank (ADB) Central Asia Regional Economic Cooperation Program (CAREC). The project is aimed at promotion of trade between CAREC countries and ensuring the fulfillment of the obligations envisaged by the Trade Promotion Agreement of the World Customs Organization.

On 27-28 June 2018, in the city of Bangkok (Thailand), the meeting of the high officials of the countries of the Central Asia Regional Economic Cooperation Program (CAREC) of the Asian Development Bank (ADB) was held.

At the abovementioned meeting the progress of implementation of the CAREC long-term strategy (CAREC 2030) as well as the issues related to a number of areas in the strategy were considered, including the transport, energy, trade, customs procedures, promotion of trade, food safety. The participants of the meeting discussed the achievements and developments which were implemented in the abovementioned fields. Furthermore, at the meeting the progress related to the formulation of the CAREC Integrated Trade Agenda (CITA) document was considered.

On 29-31 October 2018, in the city of Bangkok (Thailand), the Central Asia Regional Economic Cooperation Program (CAREC) of the Asian Development Bank (ADB) has organized the working meeting and the forum was conducted on the condition of the implementation of the World Trade Organization Trade Promotion Agreement by Member States. The Revenue Service has delivered presentations as well as the report on the status of fulfillment of Trade Promotion Agreement and the experience of the free transit movement envisaged by the Article 11 of the Agreement.

On 4-6 September 2018, in the city of Ashgabat (the Republic of Turkmenistan), the joint meeting the Central Asia Regional Economic Cooperation Program (CAREC) of the Asian Development Bank (ADB), Customs Cooperation Council (CCC) and CAREC Federation of Carrier and Forwarder Associations (CFCFA). At the meeting the progress of implementation of the long-term strategy - CAREC 2030 as well as the issues related to a number of areas in the strategy were considered, including the transport, energy, trade, customs procedures, promotion of trade, etc. The participants of the meeting considered the last achievements and the developments in these fields. Furthermore, at the meeting the issues related to the formulation of the CAREC Integrated Trade Agenda (CITA) document was considered. In October 2018, consideration of the issues related to the meeting of the AREC national contact points and conducting of the 17th Ministers Conference is scheduled.

Modernization of SPS system for simplification of trade - CAREC

Through the financial assistance of the Asian Development Bank (ADB) for the CAREC countries the technical assistance project - Modernization of SPS System for Simplification of Trade. Within the frames of this project, according to the Order of the Director General of the Revenue Service, national working groups have been introduced in three directions: plant health, animal health and food safety.

The representatives of the Ministry of Environment Protection and Agriculture, the National Food Agency and the Revenue Service will work in the groups.

GUAM

(Georgia, Ukraine, Azerbaijan and Moldova) Managing Committee of the Project on Promotion of Trade and Transportation

Within the frames of the GUAM Project on Promotion of Trade and Transportation, the protocol was developed between the Customs Administrations of Guam Member States on the Interaction in the Fight against Customs Offenses towards the Goods Transported by Air Transport across the State Borders of the GUAM Member States, which was signed on 5 October 2018, in Chisinau, at the meeting of the Prime Ministers of the GUAM Member States.

USA EXBS

The US Embassy EXBS program represents one of the important donors of the WCO-UNODC Container Control Program, through which for those units operating in Georgia several study tours have been organized (in the US, Jordan, Bulgaria). In Tbilisi and Batumi trainings have been conducted regarding the strategic cargo control issues, the relevant equipment was procured and Cargo Targeting System (CTS) was introduced. EXBS program actively continues the assistance of the units. For this purpose, on 30 November 2018, the new Head of the Program, Ms. Rosie Petrov visited Poti division. The visit was aimed at introduction of the activities of the division and consideration of joint further plans.

JMOC

In Georgia, through the invitation of the Export Control and Related Border Security (EXBS) Program and the United States Coast Guard, on 16-20 April 2018, the visit was held in the US for the managers of the Joint Operation Maritime Centre (JMOC) in Supsa. The aim of the visit was the raising of the awareness regarding the effective operation and coordinated cooperation between its agencies.

USAID G4G

Authorized Economic Operator Program

According to the Association action plan, the Revenue Service continues work in terms of implementation of the authorized economic operator program. Through the support of the USAID G4G program, the changes package was developed which is aimed at ensuring amendments to the Order №290-ბნ of the Minister of Finance of Georgia (on the Approval of the Instructions regarding the Cargo Movement and Clearance at the Customs Territory of Georgia) dated 26 July 2012 and as a result the authorized economic operator program will be introduced.

DEVELOPMENT OF THE NEW RULES OF ELECTRICITY IMPORT-EXPORT AND RELEVANT CUSTOMS PROCEDURES

In accordance with the obligations under the Association Agreement and the Protocol on the Accession to the European Energy Community, the Revenue Service, together with the Georgian state electro system representatives and through the support of the USAID G4G program continues to study the best practices of the EU countries for the purpose of the introduction of relevant systems for cross-border electricity trade and development of relevant customs procedures. Therefore, on 16-17 July, 2018, the employees of the Revenue Service conducted working visit to Belgrade, Serbia. In the nearest future, conducting of the relevant study tour is scheduled in Poland.

WORLD BANK IFC

Development of a Custom Value Guidebook

For the purpose of promotion of the customs procedures and movement of cargo at border, the Revenue Service, through the support of the experts of the International Finance Corporation (IFC) has developed the guidebook for identification of the customs value. On 12-16 June 2018, through the engagement of the foreign experts, the compliance of the guidebook with the World Customs Organization and the relevant EU standards and requirements was considered. This document will promote the increase of the procedural transparency and the efficiency of the activities of the employees engaged in the customs value. In the future, the development of the additional part of the guidebook and planning of the potential working meetings is considered.

Harmonized System Convention on Classification of Goods

On 19-30 November 2018, through the support of the International Finance Corporation (IFC) the trainings were held, where the employees of the Revenue Service got familiar with eth amendments and peculiarities of 2017 edition of the Harmonized System Convention. Furthermore, other significant issues have been discussed. Enactment of the 2017 edition of the HS Convention represents the obligation of Georgia as well as the Convention member states, which is directed towards simplification of the international trade and promotion of clearance procedures through harmonization of the production classification rules. These rules represent the foundation of the national commodity nomenclature of foreign economic activities.

National Trade Promotion Committee

Amendment Protocol of the Marrakesh Agreement (Decision of 27 November, 2014) which is the founding instrument of the World Trade Organization envisages the formation of the national trade promotion committees by the member states. For these purposes, the working group was established in the Revenue Service, which has developed relevant draft normative materials. The draft was sent to all the relevant states, interested organizations and individuals. Consultations regarding the composition of the committee as well as the issues concerning its Regulations are underway.

eTIR Project

In April 2018, trilateral memorandum was signed between the Revenue Service, the International Road Transport Union (IRU) and Georgian International Road Carriers Association (GIRCA), which is aimed at introduction of additional IT instruments in IT systems for TIR risk management.

The Revenue Service has signed the main principles of the eTIR project and thus, officially confirmed the implementation of the TIR computerization project. This project implies electronic

exchange of TIR information among Georgia, Ukraine, Azerbaijan and Kazakhstan. Within the frames of the project, the IRU and the United Nations Economic Commission for Europe (UNECE) will ensure technical assistance for the Revenue Service.

Within the frames of the project, in June 2018, in Geneva, in the TIR secretariat of the United Nations Economic Commission for Europe, and in September, in Baku, the working meeting of the project participating parties have been held. From Georgian side, the main part of the IT works is completed. Electronic exchange of TIR information shall start as soon as another project participant will be technically ready for utilization of the eTIR system.

INTERNATIONAL TAX COOPERATION DIVISION

INTERNATIONAL RATINGS

Doing Business Rating (DB 2019)

As a result of the reforms conducted in the tax field, in the taxpaying component factors influencing the rating has been improved (in profit, the total share of taxes has decreased from 16.4% to 9.9%; reduction of time spent on preparation of documentation for declaration, filling of declarations and paying of taxes from 260 hours to 220 hours) and thus, improvement of the tax payment component from the 22nd place to the 16th place.

It should be highlighted that within 2018 the Revenue Service, through the coordination of the Department of International Relations has conducted huge analytical work in terms of processing and filling the questionnaire. Furthermore, targeted communication was ensured with the business sector representatives and the World Bank Group, which has significantly facilitated the achieved progress.

INTERNATIONAL RESEARCH - ISORA

The Revenue Service is engaged in the new project of Intra-European Organization of Tax Administration (IOTA) – the International Survey on Revenue Administration, which represents the joint product of CIAT, IMF, OECD, and IOTA and is aimed at introduction of Tax Administrations Information Platform. Existence of such information database shall facilitate obtaining of information of various countries regarding the existing tax system, administration practice, challenges and innovative methods. Within the frames of the ISORA project, the first questionnaire has been filled in 2016 and as a result the database for 2014-2015 years has been developed. In the

framework of the project, the countries are sent the questionnaire once in every two year, which covers the following fields:

1. Budget of the administration;
2. Human resources management;
3. Tax administration / e-service;
4. Audit;
5. Selection of taxpayers for the audit;
6. Disputes;
7. Debt management.

BILATERAL COOPERATION



In June 2016, Georgia has joined in the inclusive platform for the project on Base Erosion and Profit Shifting (BEPS). As a result of its membership, the commitment was taken to introduce in practice, from BPES 15 actions, 4 actions, which are the part of minimal package. 4 mandatory actions are the evaluation of harmful tax practices and their neutralization, exchange of tax rulings, automatic county-by-country reporting and introduction of effective dispute resolution mechanisms (MAP).

Therefore, at the end of 2018, the Revenue Service has commenced negotiations with the tax administration of Italy regarding the implementation of mutual agreement procedures (MAP) in Georgia which is envisaged by the action 14 of the BEPS project. MAP is one of the effective dispute resolution mechanisms, the introduction of which is mandatory for Georgia in accordance with the membership of inclusive framework. Italy has many years of experience in terms of implementation of MAP and APA. Therefore, sharing recommendations and practice from experience partner in the implementation process is significant for Georgia. Furthermore, project enables the Revenue Service to ensure partnership links with the tax administration of Italy.



In 2018, with the initiative of the Revenue Service, the US was asked to enact additional protocol of the 1988 Convention on Mutual Administrative Assistance in Tax Matters between the two countries, in order to enable exchange of information and cooperation in the tax issues between the US and Georgian tax agencies. Therefore, the Georgian side has implemented the relevant procedures, so that through the exchange of diplomatic notes, the additional protocol of the Convention to be enacted between the two countries, which envisaged cooperation in tax issues.

As a result of the exchange of these notes, from the end of 2018, the parties have reached an agreement and the Convention was enacted between Georgia and the USA since 1 June 2011, upon the accession of Georgia to the additional protocol of the Convention.

BELGIUM

The Revenue Service in terms of tax debt management is engaged in the tax administration forum - Peer to Peer Advise project. Within the frames of the project, the Service is assisted by the tax administration debt management group of Belgium. The Revenue Service was visited by the representative of the tax administration of Belgium, who got familiar on-spot with the existing situation and has shared the Belgian experience to the employees. In the framework of the project, trainings are scheduled by the Belgian experts as well as introduction of their approaches. Strengthening of tax debt management is especially significant in the background, that the Service has approved in 2018 the tax debt management strategy, which is aimed at reduction of accumulated debt and its further prevention.

GERMANY

The long-term technical assistance program with the Federal Ministry of Finance of Germany and Central Tax Service - AEOI Pilot Project has commenced in November 2017 and has entered in the active phase in the current year. The program is fully financed by the Government of Germany and it is executed by the Georgian representation of the German Society for International Cooperation (GIZ). Project is administrated by the Secretariat of the Global Forum on Transparency and Exchange of Information.

The program is aimed at ensuring technical support for Georgia in the implementation of the Common Reporting Standard for automatic exchange of financial information developed by the Organization for Economic Co-operation and Development (OECD) and G20, which shall last till the end of 2020.

Due to the scope of the issue, the cooperation is a multi-diverse and covers the following issues in terms of the technical assistance for Georgia:

- **Refinement of legislative and normative base;**
- **Training and raising of qualification of the employees of the Revenue Service;**
- **Training of the representatives of the financial sector of Georgia and conducting consultations regarding the scheduled amendments;**
- **Development / acquiring of relevant procedures and technical support in accordance with the international standard on confidentiality and data protection security;**
- **Installation / acquiring of IT infrastructure and software.**

BILATERAL MEMORANDUMS

Agreements on the exchange of information. Negotiations are underway with the Republic of Kyrgyzstan and the Republic of Azerbaijan concerning the signing of the agreement regarding the exchange of information on the tax issues.

Visit of Foreign Delegations

For the purpose of sharing the information regarding the conducted reforms and experience, within the year the Revenue Service was visited by the tax administrations of Armenia, Saudi Arabia, Kyrgyzstan, Ukraine, Azerbaijan, and Sierra Leone.

International Meetings Held in Tbilisi

High level political meeting for the member states of Europe and Central Asia - International Tax Cooperation Challenges: Fight against Tax Evasion and Profit Shifting.

On 17-18 July 2018, in Tbilisi high level political meeting was held concerning the important issues of the agenda of international tax cooperation: International Tax Cooperation Challenges: Fight against Tax Evasion and Profit Shifting.

The meeting was attended by more than 70 representatives of 20 countries of the Europe and Central Asia. At the meeting there were invited the Oms of the countries, as well as heads of the Ministry of Finance, Tax Administration and National Banks. The meeting was organized by the Organization for Economic Co-operation and Development (OECD), Global Forum on Transparency and Exchange of Information (Global Forum) and the financial assistance was ensured by the German Society for International Cooperation (GIZ).

The participants of the meeting considered the issue of introduction of automatic common reporting standard, as well as their experience and challenges in the process of the implementation of the issues foreseen by the BEPS project.

Furthermore, the significance of the regional cooperation and experience sharing was highlighted for the effectiveness of combating tax evasion and concealment.

On 24-26 April 2018, the Revenue Service has hosted the working meeting under the auspices of the IOTA, on the following topic: The Latest Possibilities of Taxpayer Service and Future Trends. 53 representatives of the member tax administrations have participated in the meeting. Furthermore, on 23-24 May 2018, the Revenue Service has hosted the 112th meeting of the Executive Council in Tbilisi.

COOPERATION WITH INTERNATIONAL AND DONOR ORGANIZATIONS

IOTA

The Revenue Service is the member of the Intra-European Organization of Tax Administration (hereinafter - IOTA) and actively participates in the working meetings and trainings under its auspices, hosts annually IOTA events, actively engages in any new initiative of IOTA. The active engagement of the Service in the activities of the organization as well as created positive image, has significantly conditioned in 2018 at the General Assembly held in Bratislava, selection of the Revenue Service as the member of the IOTA Executive Council, for the second time in a row, for the term of one year (2018-2019). In addition, the Revenue Service is presented in several managing groups formed under the auspices of IOTA.

Forum on Tax Administrations (FTA)

Georgia became the member of the Forum on Tax Administration. FTA is the OECD Forum of TAX Administrations, which was created in 2002 and consists of up to 50 OECD and non-OECD member states tax administration, including the G20 state administrations. This is the unique forum of the Heads of Tax Administrations, the aim and vision of which is the improvement of the efficiency, fairness, transparency and efficient use of resources, through communication, considerations and by giving the possibility of action.

Forum gives the possibility to the heads of the tax agencies, to consider the trends, develop new ideas, share best experiences and practices related to the various issues and deal with the existing challenges with the joint efforts. Please, see: <http://www.oecd.org/tax/forum-on-tax-administration/>

IMF

Since 2012 to 2018, in the Revenue Service, within the frames of annual technical assistance project, for the purpose of assistance of the tax administration reforms, the experts of the Fiscal Affairs Department of the International Monetary Fund were working.

In 2017, the Agreement was signed between the Revenue Service and the Fiscal Affairs Department of the International Monetary Fund; according to this Agreement, the revenue mobilization technical assistance three-year project was launched, which is financially supported by the IMF. Within the frames of the project, in 2017-2020, the resident advisor of the International Monetary Fund began working in the Revenue Service.

In 2018, through the technical assistance program, in the Revenue Service working visit was held by the short-term advisors of the International Monetary Fund, so that the activities conducted by the local advisor to be strengthened in specialized areas.

Belt and Road tax Initiative (BRITACOM)

Belt and Road tax Initiative (BRITACOM) will be the working platform between the tax administrations, which is aimed at filling the existing tax mechanisms as well as the action areas of the international organizations, in order to facilitate the cooperation of the member states, introduction of common tax practice and development of the opportunities of the tax administrations. The latter implies the cooperation of the educational institutions existing at the tax administrations as well as organizing short-term and long-term training activities.

Project of Tax Inspectors Without Borders (OECD TIWB)

The project - Tax Inspectors without Borders (TIWB) envisages the practical assistance of the employees of the Division of the Taxation of International Controlled Operations of the Audit Department in the process of selection of companies to be inspected as well as the in the process of inspection. Within the frames of the project, the expert, together with the employees of the Division of the Taxation of International Controlled Operations, will consider the part of the cases, on which the tax inspection is planned and / or ongoing.

Within the frames of the project, the seminars will be conducted regarding the significant issues of the international controlled operations which are attended by the employees of the Audit, Analytical and Methodology Departments of the Revenue Service.

GIZ Sector Training (TOT)

The aim of the project is to train up to 15 employees of the Revenue Service for the inspection of specific sectors, such as: inspection of high income individuals, qualification as a permanent establishment of operating units of the international companies and inspection of financial sector. Within the frames of the project, two missions have been conducted and the experts, within the two and a half weeks were considering training related specific issues, as well as the practical cases and were sharing gained experience. The auditors got acquainted with the methods of mathematical analysis of the information obtained after the audit. In addition, within the frames of the project, the visit is scheduled in the Tax Administration of Germany where the employees will receive training on the issues of their interest and will be delivered certificates.

GIZ Institutional Strengthening

Through the support of GIZ, the Revenue Service has launched the project related to the strategic planning, which is ensured by the assistance of the PMO experts. Within the frames of the project, the Revenue Service will develop the 2019-2020 strategic plan and evaluation mechanisms. Furthermore, more than 50 managers of the Service will be trained.

BEPS

Georgia has joined the BEPS inclusive platform, through which has undertaken the obligation for introduction of minimal standard. Therefore, the Revenue Service and the Ministry of Finance of Georgia are presented in the OECD 1st, 6th, 10th and 11th working groups and are participating in the working meetings.

The Department of International Relations of the Revenue Service is actively engaged in the working meetings related to BEPS country-by-country reporting (CBC). At this stage, the exchange of the first CBC reports is commenced and refinement of the process is ongoing. According to the identified necessities, relevant amendments will be made to the TOR document. The internal legislation framework should be prepared in order to be able to obtain CBC reports. Preparation of the legislation is planned in spring 2019.

Peer Review Group (PRG) of the Global Forum on Transparency and Exchange of Information (Global Forum) of the Organization for Economic Co-operation and Development (OECD)

In 2011, Georgia has joined and became a member of the Global Forum on Transparency and Exchange of Information. In 2014, Georgia was selected for the 5 years term as a member of the Peer Review Group of the Global Forum. This group comprises of the Ministries of Finance and the representatives of Tax Administrations of 30 countries and ensures consideration of the legislation of transparency and exchange of information of more than 130 states as well as evaluation of its practical aspects to the international standards. Within this period, Georgia has participated in preparation and consideration of the reports of more than 60 countries and in 2018, the employee of the Revenue Service was the evaluator expert of Luxembourg. In addition, several employees of the Service received the qualification of the Global Forum evaluation expert.

The Working Group of the Automatic Exchange of Information (AEOI)

Since 2015, the Revenue Service is actively engaged in the working group of the automatic exchange of information of the Global Forum. Therefore, within 2018, the Revenue Service actively continued working in the AEOI group and was participating in the frames of the group mandate, evaluation of the protection of confidentiality of the Global Forum member states and discussion of other important issues. The Revenue Service is actively involved in the OECD 10th working group activities as an AEOI group member and participates in the exchange of information based on the requirement, as well as the development of the procedures for the implementation and effective introduction of global standard by the states.

Within 2018, the Revenue Service was actively engaged in the activities of this group and participated in the evaluation of the confidentiality and protection of data security up to 100 states, as well as in the process of monitoring the introduction of the common reporting standards of the automatic exchange of information by the states.

Good Governance Fund

The new GGF project was launched in the Revenue Service, which is implemented by the PWC (PricewaterhouseCoopers) through the financial assistance of the UK Good Governance Fund. The project has assisted the Ministry of Finance and the Revenue Service regarding the issues of introduction of the new income tax (so-called Estonian model).

As you know, from the reporting period of 2017 for the taxpayers successfully was introduced and is operating the new model for income tax. First of all, it should be highlighted that this model, in the process of tax inspection, represents the novelty for the auditors of the Audit Department. Therefore, the inspection specifics, data analysis and the approaches for identification of the issues are changed. Thus, sharing of the experience of Estonian practice will be a step forward in this regard. Furthermore, program has significantly assisted the Service in terms of big data processing and money laundering / gambling business regulations, which was derived from the latest recommendations of the Financial Action Task Force (FATF). This will help the Service to properly plan the necessary legislative amendments in this regard.

CEF

The Memorandum is signed between the Dutch Ministry of Finance and the Ministry of Finance of Georgia, within the frames of which in Slovenia, in the advanced training center, the employees of the Revenue Service are taking part in the current trainings and seminars. It should be noted, that since January 2018, in Slovenia, in the events organized by the CEF, through the financial assistance of Dutch side, for the purpose of participating in various working meetings, 15 employees conducted business trip. The main part of the working meetings was dedicated to the data analysis and specifics of tax audits.

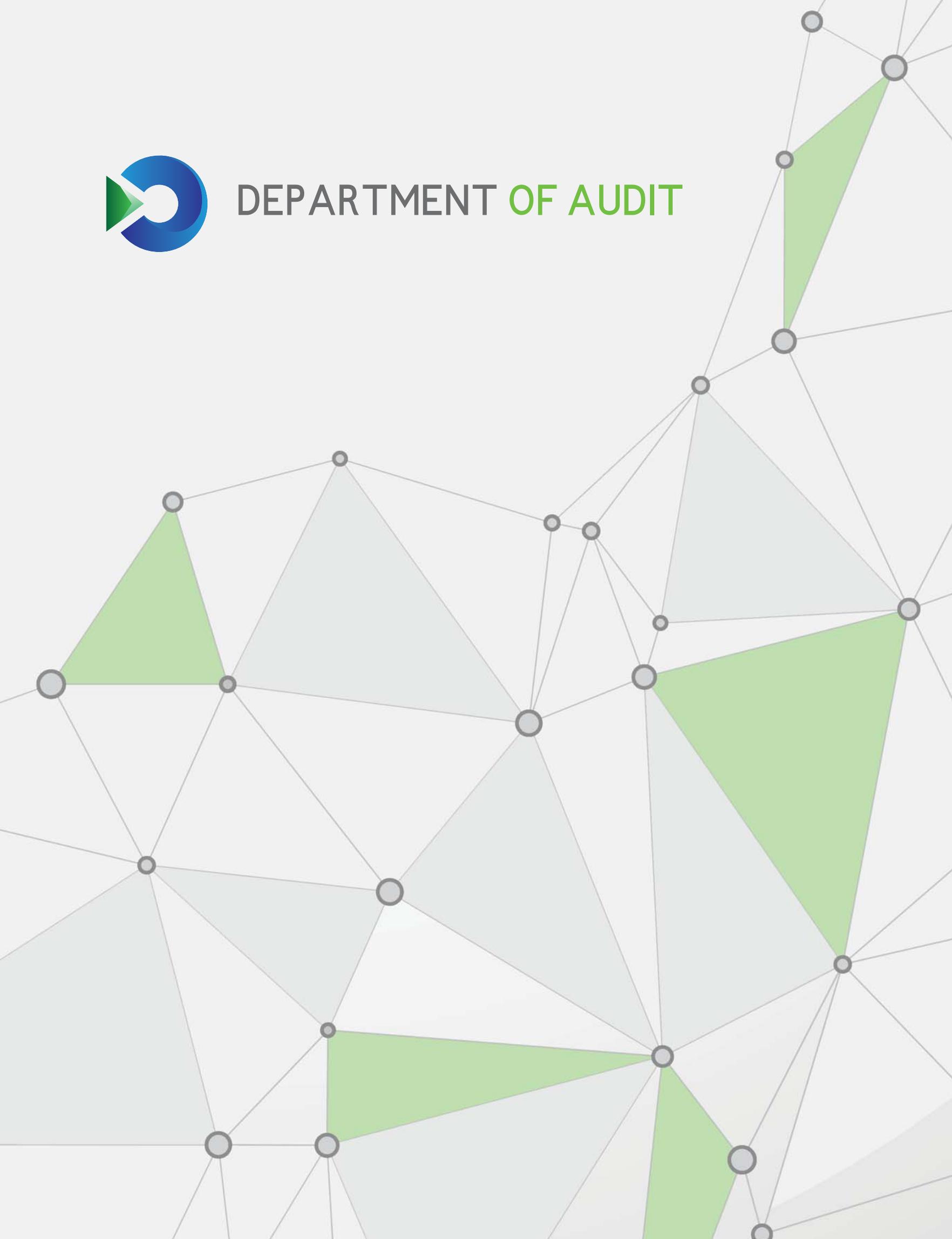
USAID-G4G

In the Revenue Service the USAID G4G project is in progress. Within the frames of the project the creation of so-called cartoon videos is envisaged; in addition, in terms of sharing experiences on behavioristic theories, working is in progress with the experts, who have experience in this regard in terms of cooperation with the Revenue Service of the USA. Furthermore, within the frames of the project, the regular dialogues are held on the different topical issues with the representatives of the private sector.





DEPARTMENT OF AUDIT





PAATA KILADZE
Head of the Department of Audit

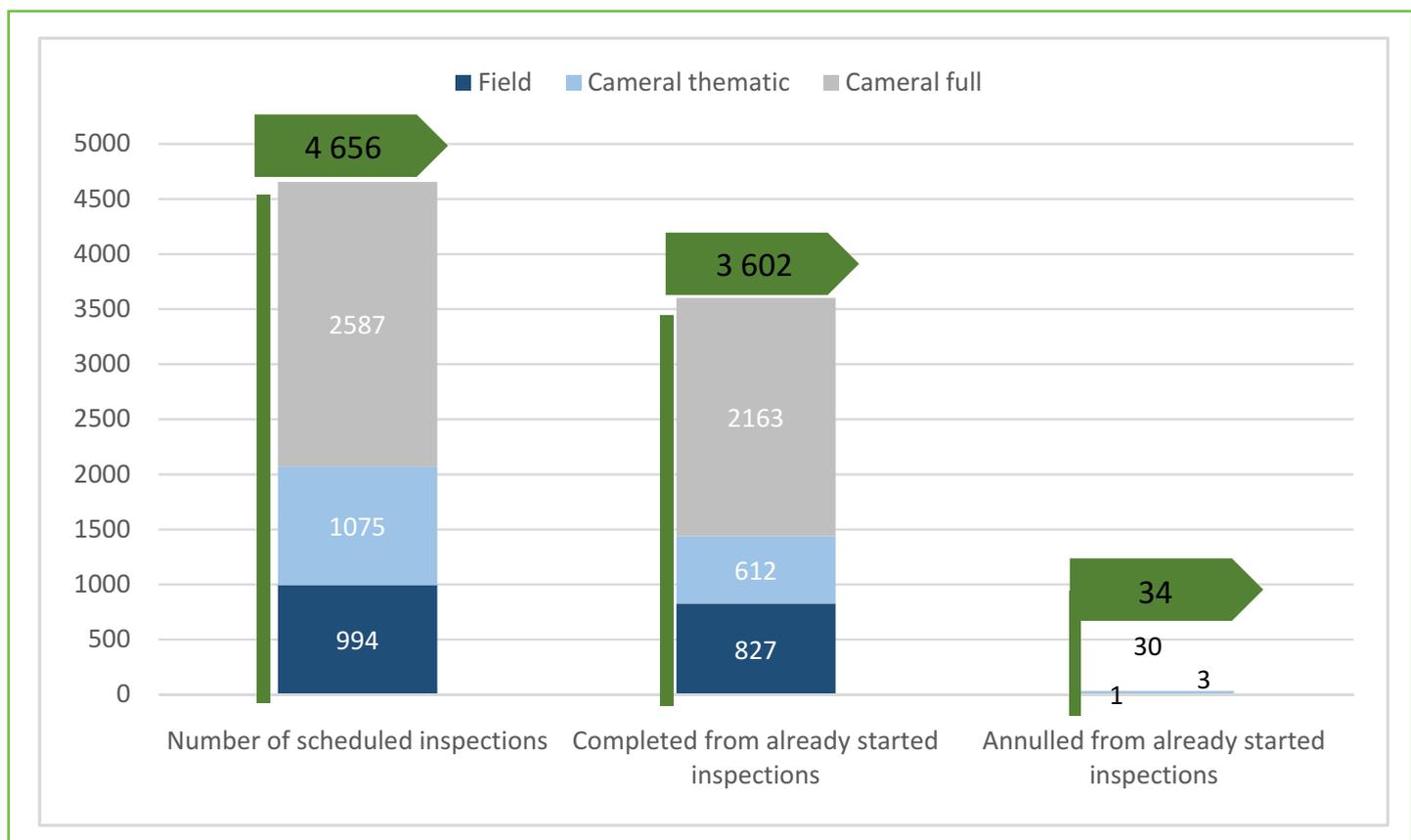
Welcome, friends! I am pleased to have the opportunity to present the report on the activities carried out during the year. 2018 was another successful year for the Department of Audit. There were many challenges and novelties. I am glad that I represent the team, the priority of which is and further will be, in the tax inspection process, the protection of the legal rights of the taxpayers as well as the state interests and more engagement of the taxpayers from commencement of the tax inspection until the end of the process. Responding to the tax risks revealed at the stage of pre-audit analysis, conducting tax inspection in effective and intensive timeframes. Major contribution to the implementation of the mission of the Department of Audit is ensured by the team of professionals, who work selflessly for the improvement of the activities. They are distinguished with professionalism, teamwork, honesty and innovation. We are all united to care for the prosperity and better future of our country and we continue to fulfill our duties with this spirit.

I am sure that 2019 will be the year of more remarkable success and achievement of worthy results.

COMPLETED TAX AUDITS

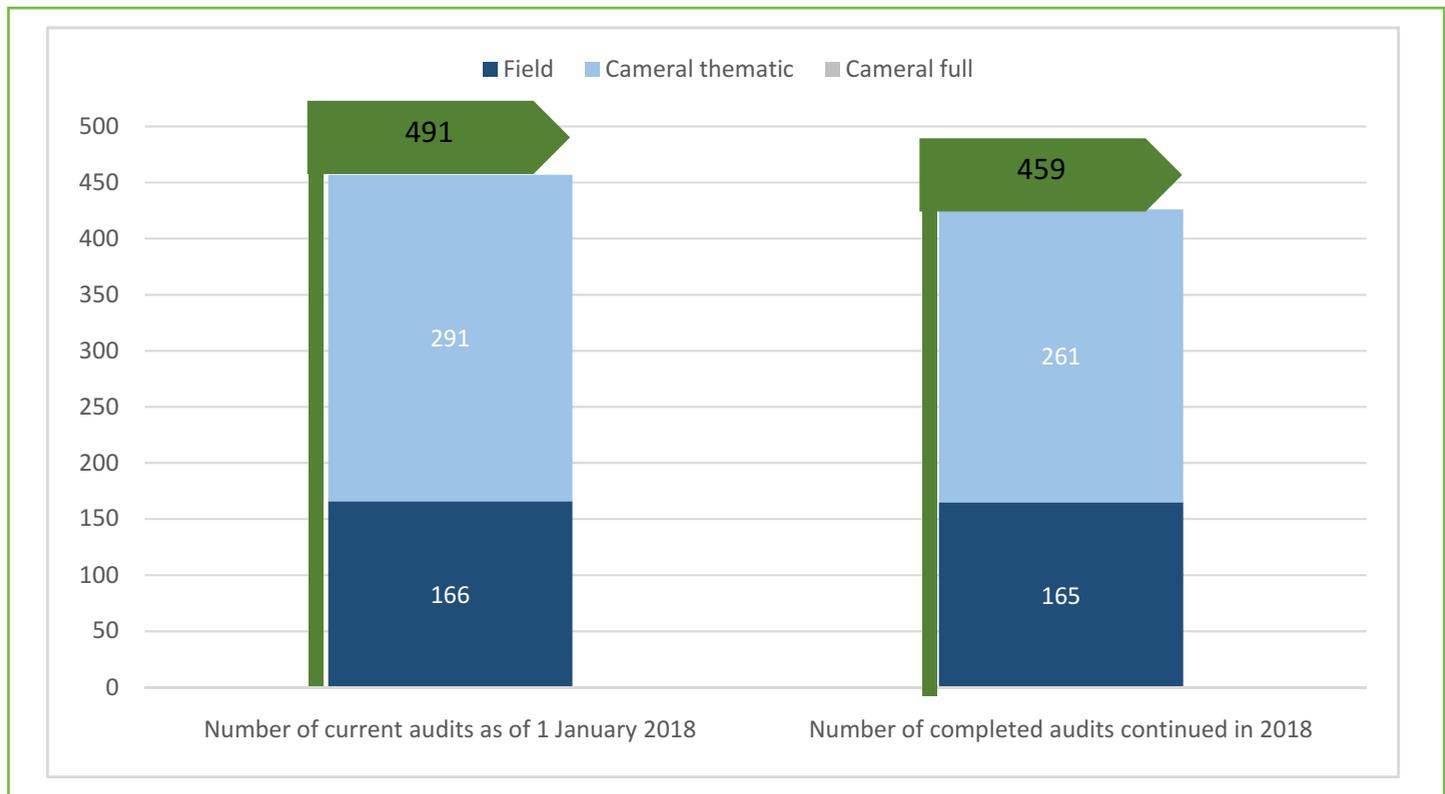
- Within 2018, totally 4,656 tax inspections have been scheduled in the Department of Audit. Including: field audit - 994, full cameral audit - 1,075; thematic audit - 2,587.
- In 2018, 4,061 tax audits were completed (field audit - 992; cameral audit - 873; thematic - 2,196).
- Including, from the inspections begun in 2018, 3,602 inspections were completed (field audit - 827; cameral audit - 612; cameral thematic - 2,163).

Number of scheduled audits in 2018				Number of completed audits begun in 2018				Annulled inspections begun in 2018			
Total	Field	Cameral		Total	Field full	Cameral		Total	Cameral		
		Full	Thematic				Thematic		Field	Full	Thematic
4,656	994	1,075	2,587	3,602	827	612	2,163	34	1	3	30



- From the inspections began before 2018, in 2018, 459 tax audits (field audit - 165; cameral audit - 261; thematic audit - 33) have been completed.

Number of current audits as of 1 January 2018				Number of completed audits continued in 2018			
Total	Field	Cameral		Total	Field	Cameral	
		Full	Thematic			Full	Thematic
491	166	291	34	459	165	261	33



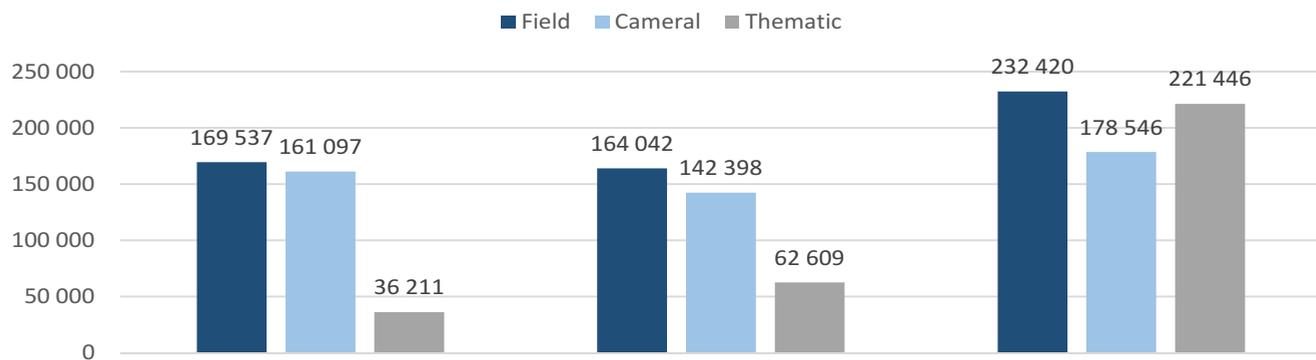
COMPARISON WITH THE PREVIOUS YEARS IN TERMS OF COMPLETED AUDITS

- In 2016, the Department of Audit has completed 3,545 tax audits (field - 1,076; cameral - 859; thematic - 1,610);
- In 2017, 3,774 tax audits have been completed (field - 1,194; cameral - 625; thematic - 1,955);
- In 2018, 4,061 tax audits have been completed (field - 992; cameral - 873; thematic - 2,196);

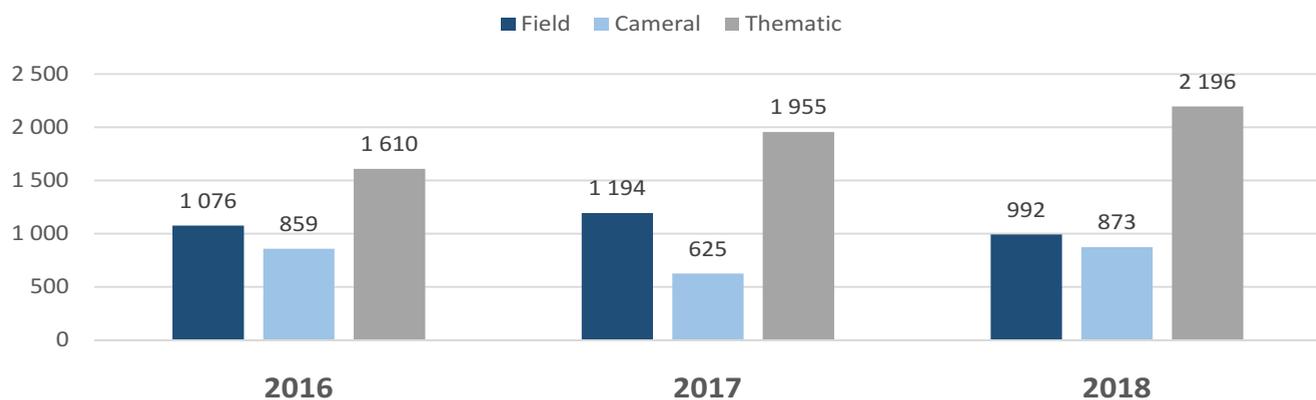
In 2016, from the above mentioned, 12 inspections are completed by the transfer pricing; in 2017 there are completed 16 inspections; in 2018, 14 inspections are completed.

Inspection	2016		2017		2018	
	Number	Amount	Number	Amount	Number	Amount
Field	1 076	169 537	1 194	164 042	992	232 420
Cameral	859	161 097	625	142 398	873	178 546
Thematic	1 610	36 211	1 955	62 609	2 196	221 446
Total	3 545	366 845	3 774	369 049	4 061	632 412
Transfer pricing	12	3 692	16	2 154	14	135 199

Additional accrued amounts - million GEL



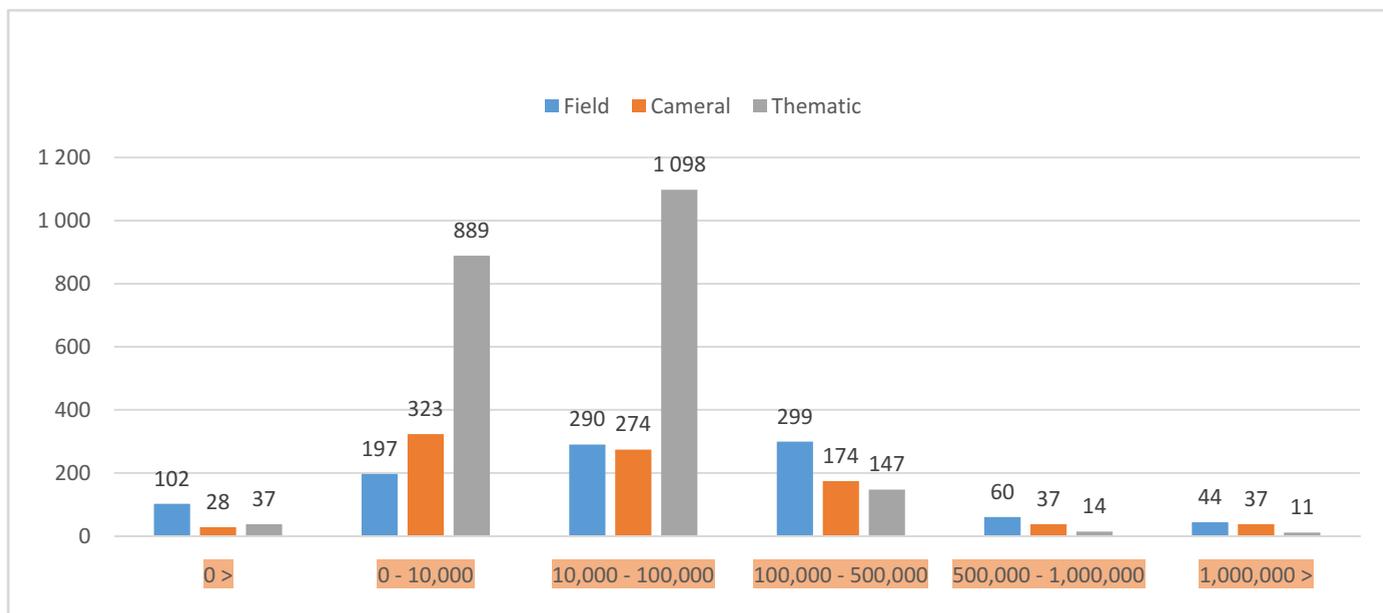
Completed inspections



From completed 4,061 inspections, the amount were not accrued or decreased to 464 taxpayers

Total	0>	0-10,000	10,000 - 100,000	100,000 - 500,000	500,000 - 1,000,000	1,000,000 >
Field Audits						
992	102	197	290	299	60	44
100%	10.3%	19.9%	29.2%	30.1%	6.1%	4.4%
Cameral Audits						
873	28	323	274	174	37	37
100%	3.2%	37.1%	31.4%	19.9%	4.2%	4.2%
Thematic Audits						
2,196	37	889	1,098	147	14	11
100%	1.7%	40.5%	50%	6.7%	0.6%	0.5%
Total						
4,061	167	1409	1,662	620	111	92
100%	4.1%	34.7%	40.9%	15.3%	2.7%	2.3%

COMPLETED INSPECTIONS IN TERMS OF ACCRUED AMOUNTS

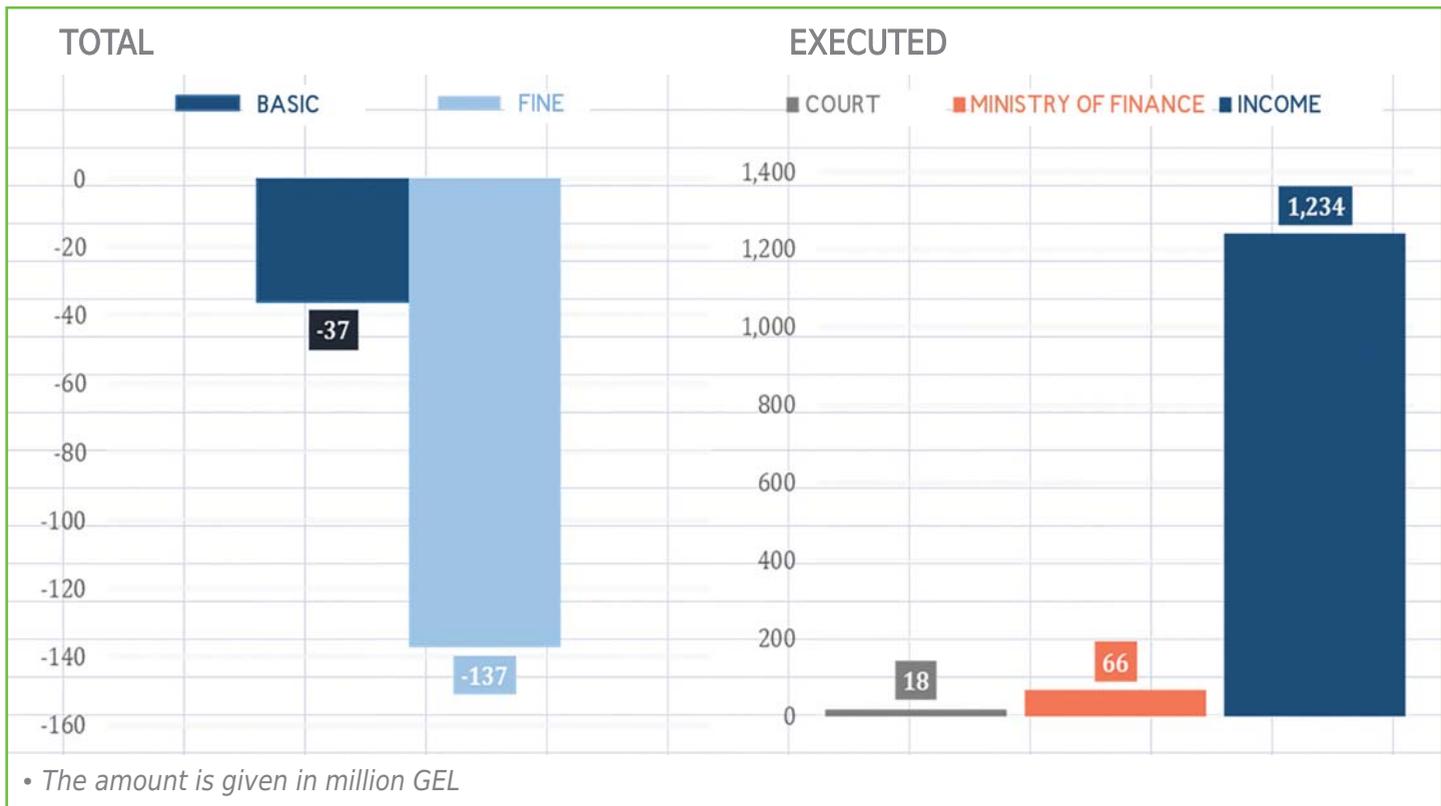


RESULT OF DECISION OF THE DISPUTE RESOLUTION BODY

In 2018, by the Department of Audit, 1,326 decisions received from the dispute resolution bodies are executed, on the funds accrued by the tax inspection acts in various years:

- 1,239 decisions of the Dispute Resolution Board of the Revenue Service;
- 68 decisions of the Dispute Resolution Board of the Ministry of Finance of Georgia;
- 19 court decisions.

From the amounts accrued from the tax audit acts drawn up in 2018 and before 2018 (main - 189 million GEL; fine - 245 million GEL; total - 434 million GEL), totally 174 million GEL was decreased (main - 37 million GEL; fine - 137 million GEL).



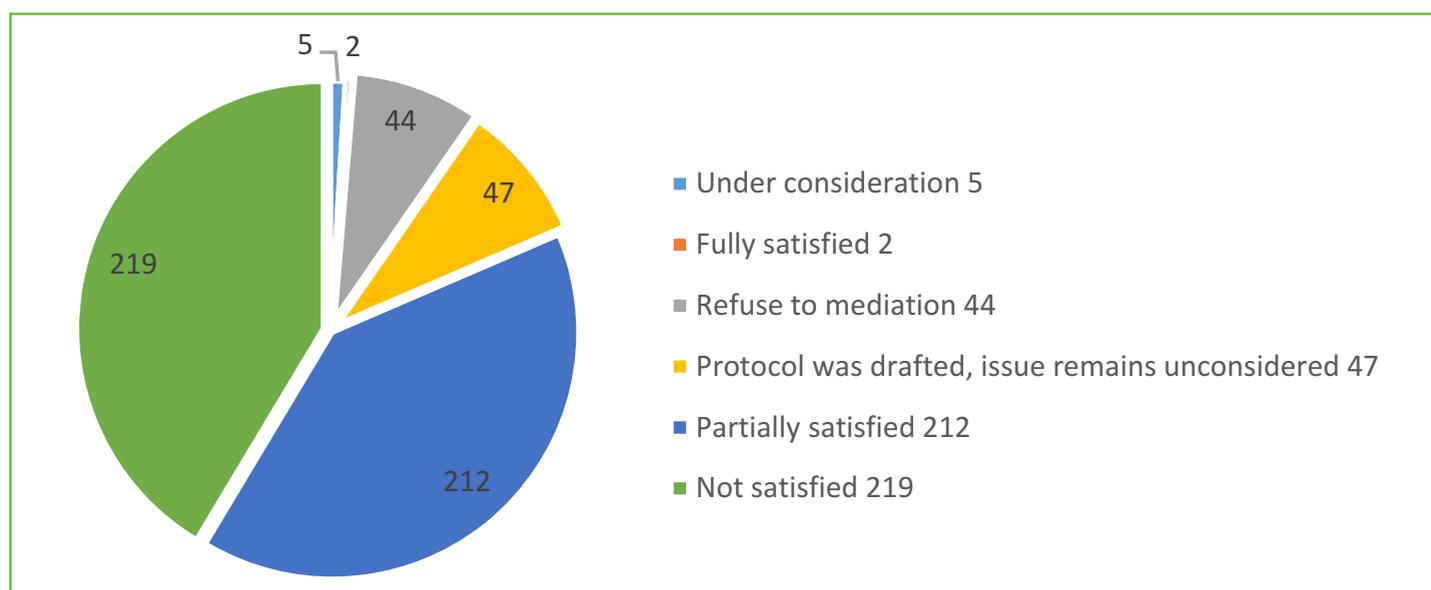
MONITORING DIVISION

In 2018, by the Monitoring Division of the Department of Audit, ongoing control procedures for 205 taxpayers were completed. From this, inventory of commodity material values - 102; control purchasing / offering - 56; monitoring - 5; examination - 10; desk inventory - 21; timing - 2; inventory of main assets - 9; selective inventory - 0; the accrued funds amounted to 12,542 GEL.

N	Measure	Number	Accrued Amount
1	Examination	10	
2	Inventory of commodity material values	102	12,542
3	Monitoring	5	
4	Timing	2	
5	Control purchasing / offering	56	
6	Desk inventory	21	
7	Selective inventory	0	

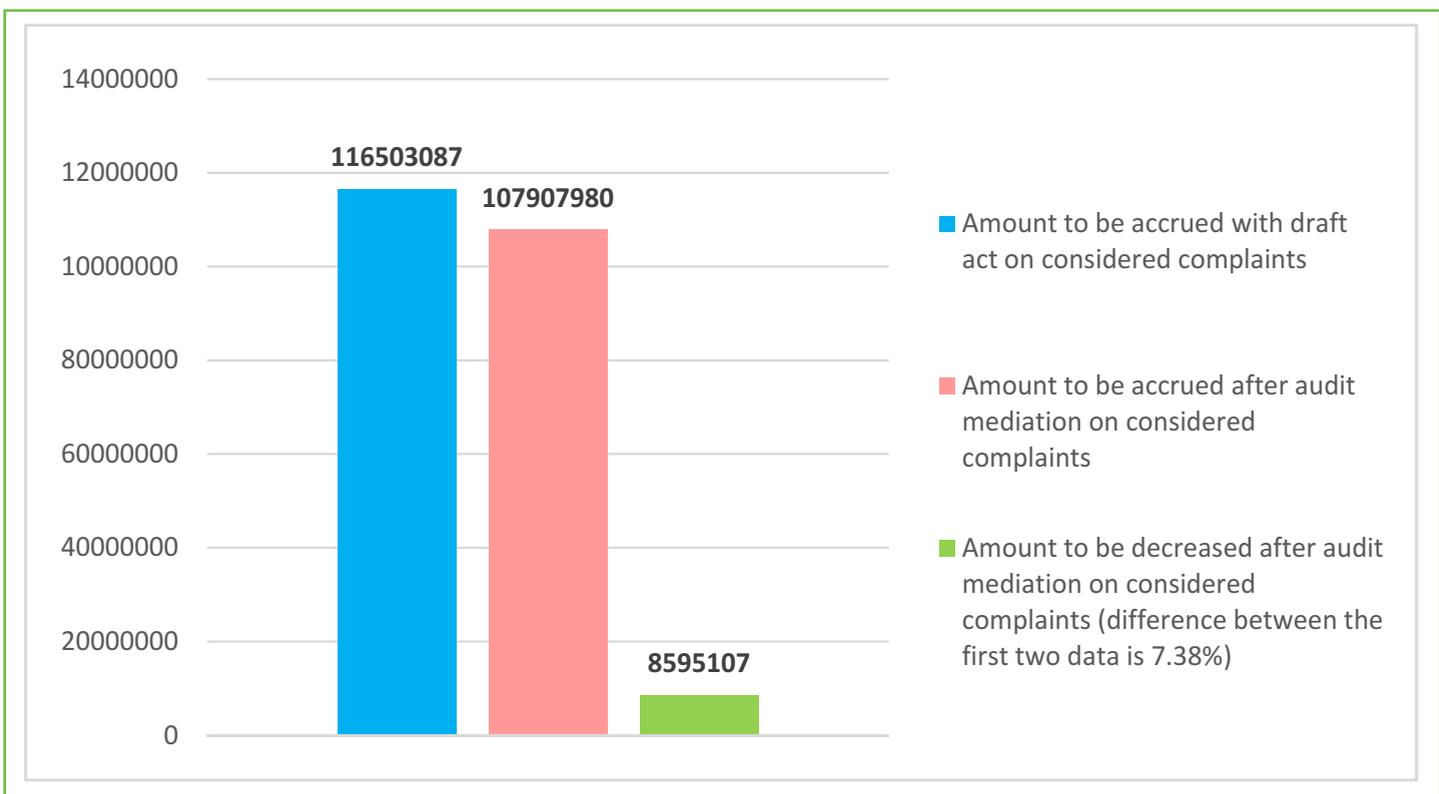
MEDIATION DIVISION

Within 2018, in the Department of Audit, on the draft tax audit acts 529 complaints have been received, including:





OVERALL RESULT ON THE CONSIDERATION OF THE COMPLAINTS OF THE TAXPAYERS



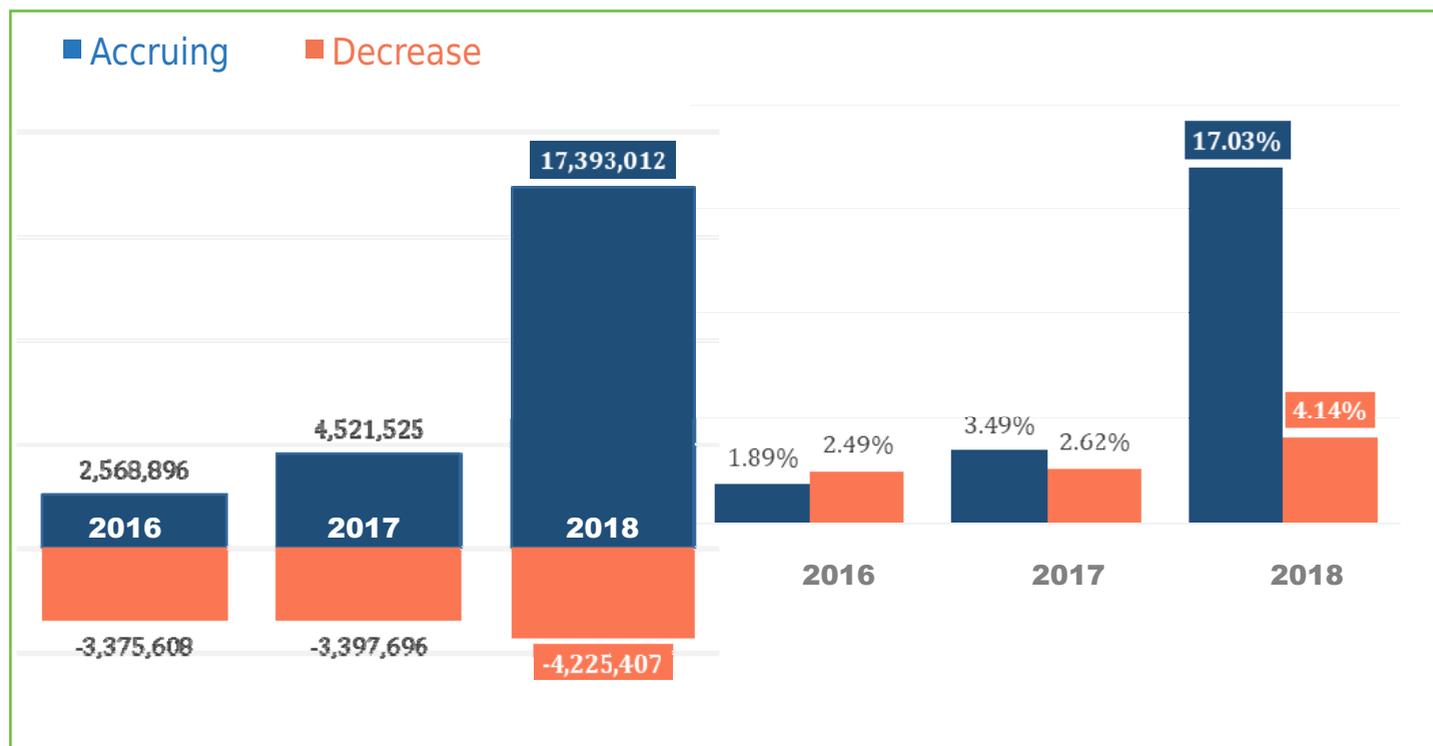
QUALITY CONTROL DIVISION

Within 2018, 878 assignments have been received in the Quality Control Division of the Department of Audit; quality control of 844 draft acts have been ensured; in some cases, the amounts accrued under the current draft tax audit acts in the Department of Audit, has changed under the recommendation of the Quality Control Division. Based on the quality control, the additionally accrued amount in favor of the budget totaled to 17,393,012 GEL, as for he decreased amount totaled to **4,225,407 GEL**.

Within the years of 2016, 2017, 2018 the comparative analysis of additionally accrued / decreased amount based on quality control according to the draft acts, in respect of the accrued sum, looks as follows:

Year	Number of draft acts subject to quality control	Sum of the accrued funds with draft acts subject to quality control	Number of drafts where the accrued funds have been changed	Additionally accrued amounts as a result of quality control	Reductions as a result of quality control	Percentage rate with the sum accrued with the draft acts	
						Additionally accrued amount	Additionally decreased amount
2016	1,190	135,730,666	394	2,568,896	-3,375,608	1.89%	2.49%
2017	1,158	129,701,594	460	4,521,525	-3,397,696	3.49%	2.62%
2018	844	102,132,977	353	17,393,012	-4,225,407	17.03%	4.14%

In particular, it was revealed, that in 2018, the percentage rate of the additionally accrued / decreased amount as a result of quality control, with respect to total sum accrued with the relevant acts (main sum + fine) is increased:



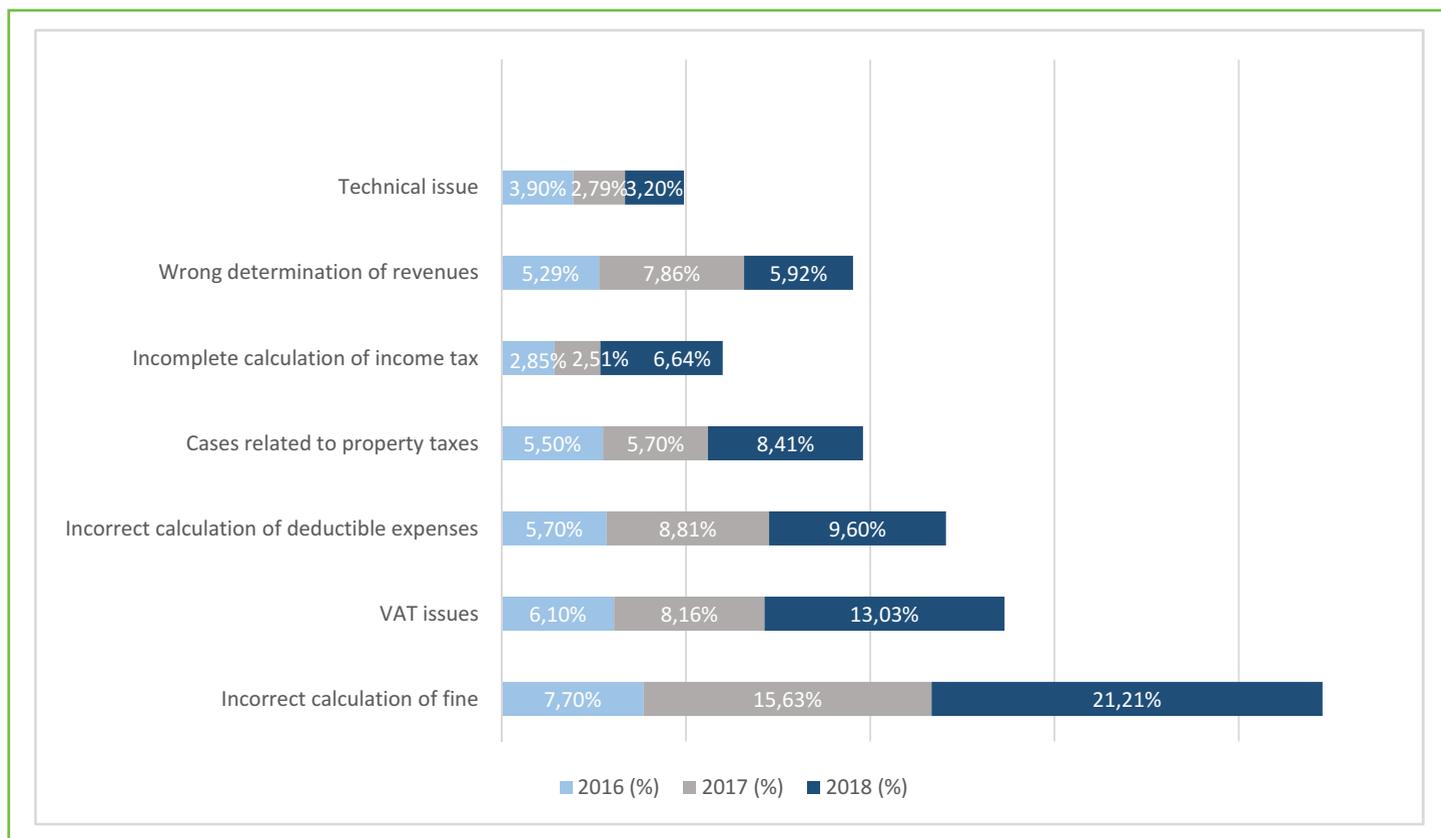
One of the priorities of the Quality Control Division is raising of the quality of draft acts. For this purpose, the repetitive errors discovered in the previous periods in the draft tax audit acts under the quality control is processed in the Division and therefore, repetitive content assessments are

ensured. Work is ongoing on their analysis and the ways of elimination. With respect to these issues, for the purpose of preparation of relevant situational guideline, the Tax and Customs Methodology Department will be informed.

Within 2018, statistical data of inaccuracies revealed more intensively, in particular, percentage ratio of the number of particular inaccuracies with the total number of completed accounts in relation to the data of previous years, gives the following picture

N	Theme	2016	2017	2018
1	Incorrect calculation of fine	7,70 %	15,63 %	21,21 %
2	VAT issues	6,10 %	8,16 %	13,03 %
3	Incorrect calculation of deductible expenses	5,70 %	8,81 %	9,60 %
4	Cases related to property taxes	5,50 %	5,70 %	8,41 %
5	Incomplete calculation of income tax	2,85 %	2,51 %	6,64 %
6	Wrong determination of revenues	5,29 %	7,86 %	5,92 %
7	Technical issue	3,90 %	2,79 %	3,20 %

The percentage indicators of the abovementioned sensitive topics within 2016, 2017 and 2018 with respect to the completed (accordingly 1190, 1158 and 844) accounts, graphically looks as follows:



In 2018, the numbers of incorrect calculation of fine, VAT issues, deductible expenses and other issues have significantly increased.

TRANSFER PRICING UNIT

In 2018, by International Controlled Operations Assessment Unit (transfer pricing), through the assistance of the organizations such as Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), World Bank Group and IFC, the employees of the Unit were participating in the seminars and working meetings conducted under the auspices of OECD and IOTA. The employees of the Unit are actively involved in the working groups of OECD. For the management of the Revenue Service periodically the relevant reports are developed and information is delivered.

Participation of the employees of the Unit in the various working groups of BEPS events should be highlighted.

The employees of the International Controlled Operations Assessment Unit participated in the meetings where the gained theoretical knowledge and practical experience is significant for introduction of the best practice in Georgia.

April: OECD 6th working group meeting. The main issue of the meeting was correlation between the financial transactions and transaction pricing as well as the approaches of the assessment of intangible assets of high value, profit split method and new guidelines for internal group service.

May: The working meeting was held in Vienna (Austria) regarding the topic: “Use of Market Principle: Transfer Pricing Comparable Data Retrieval”. The Platform for Collaboration on Tax (PCT), which is the joint initiative of the International Monetary Fund, Organization for Economic Co-operation and Development (OECD), United Nations and World Bank Group - has published the instrument, which represents practical manual for the developing countries, in order to better protect the tax base.

July: In the Multilateral Tax Center of Ankara, the working meeting was held on the topic - Base Erosion and Profit Shifting” (BEPS). The invited experts from Canada, Spain and Organization for Economic Co-operation and Development shared experience regarding the tax audit of multinational companies in terms of transfer pricing.



November: OECD 6th and 11th working group meetings. The key issue of the meeting was correlation of financial transactions and transfer pricing, as well as approaches of the assessment of intangible assets of high value, profit split method and new guidelines for internal group service. Aggressive tax planning issues were considered as well.

December: The working meeting was held in Ankara regarding the topic - training of trainers on challenges of BEPS and transfer pricing. The invited experts, according to the cases in practice, have shared experience regarding the ways of solving the problems raised while audit of multinational enterprises.

At the end of November 2018, the Revenue Service has ensured the one-year rights to access the Amadeus database, which has contributed to the improvement of the quality of tax audits.

In 2018, in the International Controlled Operations Assessment Unit totally, 16 inspections were scheduled and from this, 14 inspections have been completed. The accrued amount totaled to **134,164,240** GEL.



2. TAX DECLARATIONS CONTROL AND TAXPAYER REQUEST PROCESSING DIVISION

From the July 2018, **3,598** taxpayers were refunded **510,477,785** GEL (including the VAT amount **497,971,517** GEL was refunded to **1,222** taxpayers);

From July 2018 (considered by the Department of Audit) **1,714** taxpayers were refunded **284,002,561** GEL (including the VAT amount **280,626,853** GEL was refunded to **590** taxpayers).

Received applications (number)	Received applications (amount)	Including VAT (number)	Including VAT (amount)	Under consideration (VAT part)	
		Without automatic refund			
7 106	739 040 301	2 390	625 724 842	29	1 471 766

Automatic refund (number)	Automatic refund (amount)	Positive decisions (number)	Positive decisions (amount)	Including VAT + tax free (number)	Including VAT + tax free (amount)
233	50 572 999	3 462	465 806 739	1 100	454 934 810

Refunded total (number, treasury data)	Refunded total (amount, treasury data)	Refunded total including VAT (number, treasury data)	Refunded total including VAT (amount, treasury data)
3 598	3 598 510 477 785	1 222	497 971 517

From the July 2018, 3,598 taxpayers were refunded 510,477,785 GEL (including the VAT amount 497,971,517 GEL was refunded to 1,222 taxpayers)

From July 2018 (considered by the Department of Audit) 1,714 taxpayers were refunded 284,002,561 GEL (including the VAT amount 280,626,853 GEL was refunded to 590 taxpayers).

ACTIVITIES IMPLEMENTED WITHIN 2018:

1. The structural units of the Department of Audit were added the Tax Declarations Control and Taxpayer Request Processing Division;
2. For the purpose of fill the existing vacant posts in the structural units of the Department of Audit, as a result of announce competition and interview, 58 employees were transferred from various departments to the Department of Audit;
3. As a result of the competition announced in the Department of Audit, 71 interns were received and at the expense of the internal resources of the Department of Audit are passing trainings in the Academy of the Ministry of Finance. Currently, in the Department of Audit 79 interns are enrolled;
4. The list of training issues was developed and the survey was conducted among the auditors for identification of the needs of the trainings;
5. Priority directions were defined, according to which, it was scheduled and started to conduct trainings;
6. In 2018, in the Academy of the Ministry of Finance 53 employees of the Department of Audit have passed trainings.

WHAT IS PLANNED IN THE NEAREST FUTURE:

- Increase of the number of auditors with 50 staff positions;
- Monitoring of the approved audit process regulations;
- Development of classifiers of factual circumstances (which causes the offense);
- Passing all the full tax inspection acts to the Quality Division;
- Introduction / monitoring of the "audit page" tab on the website of the taxpayer;
- Introduction of electronic system of audit process management;
- Strengthening of auditing training system in cooperation with the HR;
- Strengthening the role of Trans Pricing Department;
- Development of methodology on indirect inspection while tax inspection;
- Introduction of tax audit process guidelines;
- Engagement in the project on the assistance in the implementation of institutional reforms in Georgia (GGF) (with sharing of the experience Estonia).





INFORMATION
TECHNOLOGY CENTER





NODAR KAKRIASHVILI

Head of the Information Technology Center

I am pleased to present the 2018 report of the Information Technology Center of the Revenue Service.

Since every year in the digital world is full of different challenges and expectations, we, too, with our team, are trying to move on to the chosen vector, which the Revenue Service has presented to the population as a strategic plan.

Each project which was implemented by our team in 2018, in some extent is the response on the one hand, of modern technologies and on the other hand, the clear demand of the Service, that the tax and customs business processes require permanent refinement and perfection. In this process, great contribution is attached to the information technologies, innovation oriented approaches and changes.

We, together with our whole team, try to provide customers with projects and tasks of high quality and in timely manner, so that the business mission is reached timely and not to violate project term, quality and budget balance.

In conclusion, it can be said, that 2018 to some extent, was the transition year, since in the background of the limited resources of our Center and increased business requests, the IT projects have been increased, which were introduced by the outsource companies or their introduction is ongoing in the Revenue Service (e.g. Microsoft CRM, Microsoft ShearPoint - Intranet). Furthermore, it is noteworthy that cooperation is ongoing with the universities, in order to take advantage of Blockchain technologies and its successful use in customs and tax sphere.

TAXPAYER-ORIENTED PROJECTS:

- **AUTOMATIC REFUND OF THE OVERPAID VAT**

New project for the automatic refund of the overpaid value added tax (VAT), based on which the refund of the overpaid amount as a result of submission of the VAT declaration by the VAT payer should be ensured automatically;

- **NEW TAX DOCUMENT**

The unified document is a document certifying realization as well as transportation. The new form integrates the following: tax invoices (incl. advance payment), special tax invoices, special tax invoices for oil products, the commodity margin (incl. wood).

- **APPLICATION VIEW FROM SMS LINK**

On each registered application the SMS notification is sent, which contains the additional new link, through which the taxpayer has the opportunity, with Smart Phone and without authorization, view the registered as well as the response considered by the Service;

- **ELECTRONIC APPLICATION FORMS**

Modification of the "smart application form" registration / record system was ensured and as a result the taxpayers have the opportunity to submit from the taxpayer portal to the various Ministries (Ministry of Economy and Sustainable Development of Georgia and Ministry of Agriculture of Georgia) as well as receive pre-set application forms;

- **SENDING NOTIFICATIONS ACCORDING TO TARGET GROUPS**

As a result of implemented project, taxpayers have the opportunity to receive only the information which is the most relevant and falls under their interest;



- **ACTIVITY REGISTRY**

New function (activity registry) was added to the website - eservice.rs.ge; in particular, the main customer has the opportunity to see the activities - the so-called log-s (authorization), which was implemented towards this profile;

- **GENERAL INFORMATION**

“General Information” of the website - eservice.rs.ge was added the new functions, in particular, in the tab "general information" following data have been placed: regarding the vehicles, storage area registry, natural resources licenses, purchased items at auction;

Furthermore, at the website - <https://eservices.rs.ge>, now it is possible to register with the “guest” status and view different modules;

- **CUSTOMS**

In order to improve customs processes and effectively use modern technologies, the system was created (currently - the pilot version), which enables to integrate the certificates of origin in the Blockchain system. At the same time, work is ongoing with the People’s Republic of China for the exchange of the certificates of origin (not with Blockchain system);

- **DELEGATION OF THE APPLICATION REGISTRATION FOR THE BANKING SYSTEM REGARDING THE REQUEST FOR THE SMALL BUSINESS STATUS**

Furthermore, the important projects were implemented to improve the efficiency and control mechanisms of internal business processes, for example:

- ❖ The system for raising the declaring culture;
- ❖ Seizure recording module;
- ❖ Vehicle entry / exit registration port;
- ❖ Cash withdrawal system;

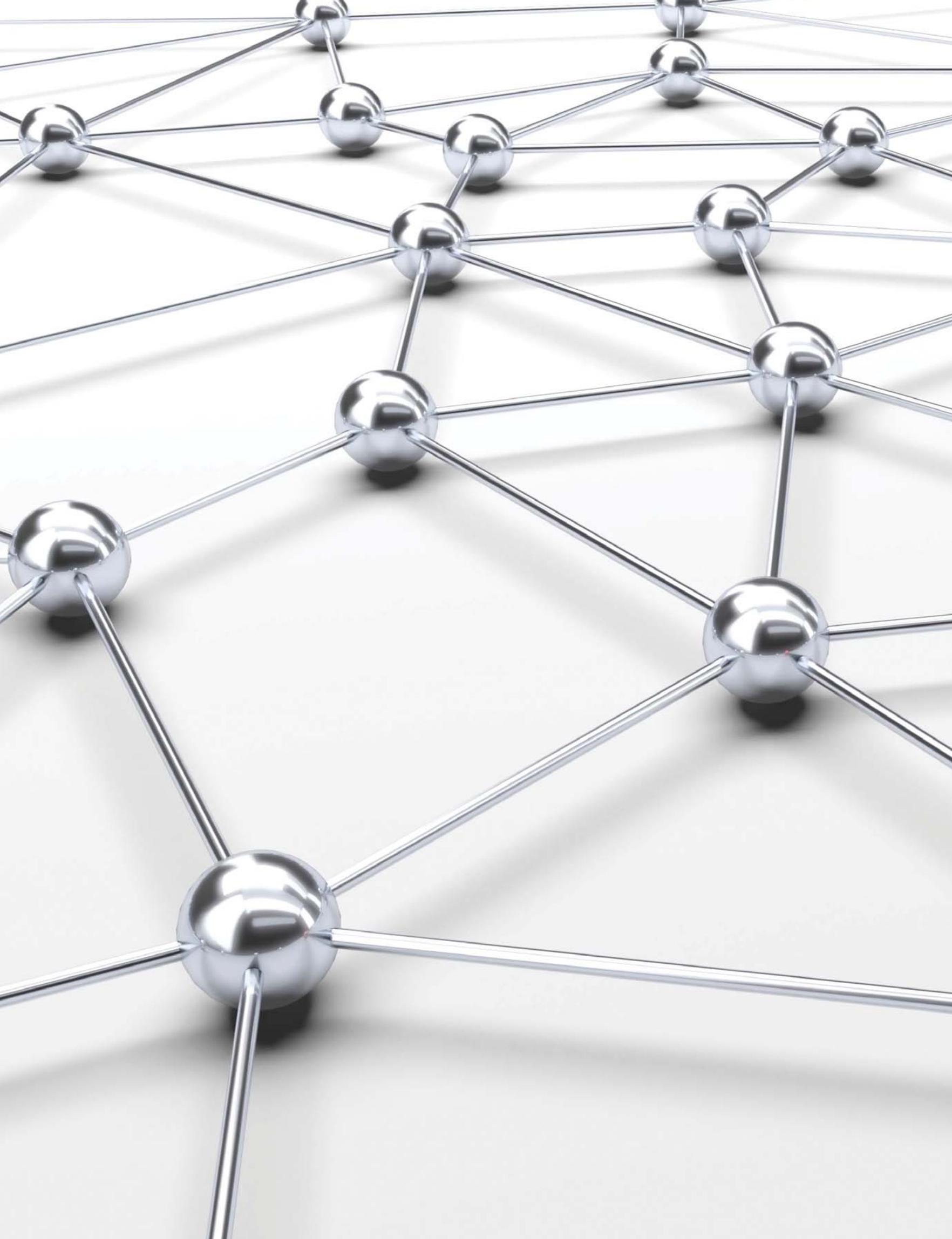


- ❖ Lottery tax accounting system;
- ❖ Single database for grants registration;
- ❖ Module of seizure of goods subject to excise marking;
- ❖ Module of return of excise amounts on vehicles;
- ❖ Simplified module for exchange of information between agencies;
- ❖ Module of write-off of commodity-material values for the expired and / or unsuitable for further delivery.

Amendments and improvements of the functional were ensured in the existing software, such as: tax disputes registration module; document archive registration module; analytical reporting module; granting small business status module; module of assigning a fixed taxpayer status; custom expertise registration module; module for reporting offenses; customs form 222; mailing registration module; module for reporting phytosanitary acts.

Important projects are implemented in the customs area for the support and integration of digital transport corridors. Georgia in cooperation with friendly countries, is actively working for engagement in eTIR and NCTS systems.







**ANALYTICAL
DEPARTMENT**





GIORGI PATARIDZE
Head of Analytical Department

Consolidated budget for 2018 in terms of taxes was executed excessively, which is the result of effective work and correctly planned priorities of the Revenue Service.

Establishment of a fair tax administration system and maximum encouragement of voluntary compliance still remains our main goal. Building tax culture among taxpayers and for this searching for new, effective ways for taxpayers encouragement will definitely continue in the future.

At the same time, it is necessary to identify and manage the risks in the effective manner, which impede or threaten the achievement of the set objectives. To ensure this, it is planned to refine the process of transformation of constantly increasing data of the Revenue Service and materials accumulating in various formats, with modern technical and technological approaches to an analytical information, as well as development of the information-analytical databases and its successful use in terms of tax risks management.

In 2018, the amount of taxes administered by the tax authority totals to **10,966,316,175** GEL, from where:

- ◆ 10,506,316,175 GEL is mobilized on budget account, which in the part of the taxes, exceeds the **adjusted** forecast indicator of the consolidated budget revenues of Georgia in 2018 - 10,500,000,000 GEL by 6,316,175 GEL;
- ◆ From other taxes - taxes paid in excess or by mistake, **460,000,000.0** GEL is allocated on the refund sub-account for excessively paid amounts transferred from actually paid funds.

Comparison of funds mobilized in the budget in 2018 in relation to the "adjusted plan" of 2018				
Period	Plan and budget revenues			
	Plan	Performance	Comparison	
<i>I quarter</i>	2,449,929,700	2,449,931,108	1,408	0.00%
<i>II quarter</i>	2,575,832,300	2,575,833,470	1,170	0.00%
<i>III quarter</i>	2,671,462,300	2,671,463,630	1,330	0.00%
<i>IV quarter</i>	2,802,775,700	2,809,087,967	6,312,267	0.23%
Total 2018	10,500,000,000	10,506,316,175	6,316,175	0.06%

Furthermore, in comparison to 2017, the amount mobilized in the budget in 2018 was raised with 727 million GEL.

Comparison of funds mobilized in the budget in 2018 with the same indicator of the last year				
Period	Funds mobilized in the budget			
	2017	2018	Comparison 2018 / 2017	
<i>I quarter</i>	2,376,419,023	2,449,931,108	73,512,084	3.09%
<i>II quarter</i>	2,371,788,314	2,575,833,470	204,045,155	8.60%
<i>III quarter</i>	2,457,239,190	2,671,463,630	214,224,440	8.72%
<i>IV quarter</i>	2,573,501,802	2,809,087,967	235,586,165	9.15%
Total 12 months	9,778,948,329	10,506,316,175	727,367,845	7.44%



In 2018, from the other taxes - taxes paid in excess or by mistake, in actually transferred funds on the refund sub-account of the excessively paid amount, compared to the same indicator of 2017, the amount with more than 105,5 million GEL is mobilized:

Dynamics of funds mobilized on the reserve sub-accounts				
Period	Funds mobilized in the budget			
	2017	2018	Comparison 2018 / 2017	
<i>I quarter</i>	95,000,000	90,000,000	-5,000,000	-5.3%
<i>II quarter</i>	45,000,000	175,000,000	130,000,000	288.9%
<i>III quarter</i>	3,500,000	50,000,000	46,500,000	1328.6%
<i>IV quarter</i>	211,000,000	145,000,000	-66,000,000	-31.3%
Total 12 months	354,500,000	460,000,000	105,500,000	29.8%

From the funds mobilized on refund sub-account in 2018, compared to 2017, more than 296 million GEL has returned.

Comparison of the returns from the refund sub-accounts according to the quarters				
Period	Funds returned from the refund sub-account			
	2017	2018	Comparison 2018 / 2017	
<i>I quarter</i>	59,907,209	105,708,433	45,801,224	76%
<i>II quarter</i>	46,826,876	120,766,991	73,940,115	158%
<i>III quarter</i>	40,864,641	71,097,959	30,233,318	74%
<i>IV quarter</i>	77,319,696	223,574,137	146,254,441	189%
Total 12 months	224,918,422	521,147,520	296,229,098	132%

Concerning the draft amendments to the Tax Code of Georgia and normative acts, within the competences, the comments and suggestions have been developed gradually, encouraging further simplification and improvement of tax administration process.

To improve tax returns and ensure their automatic control the coordinated work of structural units was implemented in terms of VAT, profit (distributed), income, withholding, excise taxes, and in case of individuals the property tax as well.

Regarding the refund of the tax credits, in the automatic software logic of the "taxpayer request" the evaluation criteria of the taxpayers have been changed, in the result of which tax refund process became even more simple and available for taxpayers..

Regarding the automatic VAT refund concept and its implementation, the final reconciliation of the procedures was made and as a result project should start operating in 2019.

WITHIN THE FRAMES OF THIS PROJECT FOLLOWING ACTIVITIES HAVE BEEN CONDUCTED:

1. Software for the **logical model of automatic VAT refund risks** is completed and moved to the testing phase;
2. Software for the **logical model of validation of VAT returns** is being finalized, based on which the segmentation of risks and their distribution to the relevant modules was ensured;
3. **Segmentation module in terms of the size of the taxpayer** has been divided into two parts: automatic counting and program accounting. The first part of the module is in the testing mode;
4. Selection of the "**white list**" **module** criteria is completed and currently creation of the software module is starting;
5. Work is ongoing regarding the refinement of the criteria of the **registration and automatic VAT refund refusal module**;
6. **Software module for the registration of the processes for the automatic VAT refund** is completed, based on which the calculation form (green card) for the VAT credits was developed – currently, for its refinement the comments are being taken into consideration and then, the processes will be launched in the testing mode;
7. **Methodology** for the administration of the registration of automatic VAT refund processes is developed.

Work has been started on determination of liquidation procedures for those under the liquidation, as well as the on the tax registration, identification of the unregistered taxpayers and timely declaration program.

By sharing experiences of various countries and based on the statistical information existing within the country, in 2018, the concept was developed regarding the alternative approach for determination of tax loss, which will be reflected in practice in the following years.

In terms of development of analytical databases, creation of the data processing and analysis system was scheduled.

THE IMPLEMENTATION OF THE PROJECT INCLUDES EIGHT MAIN COMPONENTS:

- 1. Determination of project supervisory board, implementation and working groups;**
- 2. Determination of material-technical base;**
- 3. Description and analysis of basic business processes;**
- 4. Distribution of work topics according to the business processes;**
- 5. Data quality analysis, adjustment of the forms to be applied if necessary / adding validation instruments;**
- 6. Development of the concept of data warehouse architecture;**
- 7. Data transformation and arrangement of warehouse model;**
- 8. Transformation / development of In-Memory BI model.**

From the abovementioned components data processing and analysis system project, groups engaged in project implementation as well as the project action plan have been approved.

For the purpose of determination the material-technical base, at the first stage, the analysis of the existing storage capacity (speed, sustainability) was ensured by the working group, and based on those analyses the necessity of transferring the storage to modern technology (in-memory) was decided.

THE COMPOSITION OF THE BI PROJECT IMPLEMENTATION TEAM WAS DETERMINED

Methodology required for the implementation of works and identification of business requirements was developed. The form of requirements for acquisition of business processes and methodology of development process has been developed. The methodology for incident registration and management systems, source code version control and communication tools have been developed. Project objectives, approximate budget and performance terms have been determined.

Within 2018, in terms of tax risks management, 3,286 tax audits were scheduled, including: 2,412 desk audit (260 - comprehensive, 2 152 - single issue) and 874 field inspections (314 - comprehensive field, 560 - planned).

To carry out current control procedures 396 activities have been conducted (inventory of inventory items - 379, time study - 17).

Within 12 months of 2018, liquidation process started with 561 subjects; as for the process of reorganization it was observed in 263 organizations.

As a result of studying 111 facilities, a tax audit for liquidation was appointed.

The registering body was notified in writing regarding the completion of tax audit for liquidation and / or liquidation process of 260 subjects.

With the competent authorities of foreign states, for verification of various information 13 letters has been sent and 9 responses have been prepared and sent to the requesting competent authorities of the foreign states.

For general statistical analysis of taxpayers the periodic processing of the registration base was carried out.

Within 2018, information concerning the VAT turnover was processed monthly, in respect of taxpayers, and years as well.

The following statistical information was processed in daily mode:

1. Transfer of information to the personal accounting card of the taxpayer about the amounts transferred to the budget by the taxpayer;
2. Information on the control of the commodity waybills and the offenses revealed in the result;
3. Information regarding current control procedures (inventory, inspection, time study, test purchase, cash registers’ control) where the data concerning the taxpayers and identified offences are defined;
4. Comparative analysis of the amounts mobilized in the budget and plan parameters was carried out in continuous regime.

In 2018, in terms of tax debt management policy, totally - 4,334 schedules are made, with the amount of 105,825,090 GEL; including, with provision - 373 schedules, with the amount of - 79,396,919 GEL, and without provision (up to 50,000 GEL) - 3,961 schedules, with the amount of - 26,428,171 GEL

Schedules		Number	Amount
2018		4,334	105,825,090
Total with provisions		373	79,396,919
Including	Bank guarantee	12	8,128,887
	Insurance guarantee	5	640,075
	Property / liability	356	70,627,957
Without provision		3,961	26,428,171

3,582 orders have been issued regarding the seizure of the property; as for the cancellation of the seizure of the property - 4,682 orders have been issued; 85,023,000 GEL is covered.

Period	Issuance of order on seizure of property		Abolition of the order on seizure of property	
	Number	Amount	Number	Amount
January	153	3,488,484	210	12,814,000
February	49	1,077,235	205	2,090,000
March	177	3,149,197	164	4,166,000
April	181	2,731,364	275	2,027,000
May	460	64,688,656	341	3,516,000
June	244	5,237,688	290	4,137,000
July	253	3,418,707	284	1,638,000
August	453	33,970,994	285	14,326,000
September	437	29,660,042	1,690	16,659,000
October	381	85,370,426	362	11,086,000
November	1	1,102,017	165	2,030,000
December	793	58,550,256	411	10,534,000
Total	3,582	292,445,066	4,682	85,023,000

Property seizure materials of 180 taxpayers with the tax debts have been sent to the National Bureau of Enforcement. Debt amount totals to 30,367,330 GEL.

Reviewed electronic applications - 5,392;

Including:

Regarding the schedule - 4,824;

Regarding the seizure - 568.

Reviewed correspondence in material form - 6,194;

Including:

Incoming document - 4,027;

Internal document - 1,596;

Legal act - 571.

Since the 1st of January, to 31 December, 2018, in order to fulfill the tax agreements 43,556,943.51 GEL is paid to the budget.

In 2018, in order to reduce the amount of tax debts and interests, 2,226 applications are presented totally concerning the conclusion of the tax agreement.

Currently 745 applications are under consideration. Taking into consideration the conditions proposed by the taxpayers, conclusion of the tax agreement was not recommended in 1,151 cases. 95 applications were presented through the violation of the Rule for Conclusion of Tax Agreement approved by the Government of Georgia; Taxpayers were informed concerning the defects identified.

In accordance with the Rule for Conclusion of Tax Agreement, for the further procedures 337 applications have been sent to the Ministry of Finance. From the abovementioned, 333 Decrees are issued concerning the conclusion of the agreement.

In 2018, for the purpose of the reduction of the debts, totally 361 tax agreement acts have been concluded. Instead of the existing debt of 101,275,682.51 GEL, the amount payable based on the agreement was determined as 48,183,730.33 GEL.

Including: 39 tax agreements have been **canceled**, instead of totally existing debt - 5,647,134.27 GEL, the amount to be paid in accordance with the tax agreement totaled - 2,418,527.42 GEL.

Completed - 261 tax agreements and as a result, the existing debt - 66,520,153.98 GEL, was reduced to 28,138,318.89 GEL.

Current - 61 tax agreements. In case of the fulfillment of the provisions by the taxpayers envisaged by the tax agreement, total debt - 29,108,394.26 GEL will be reduced to - 17,626,857.02 GEL.

Within the frames of identification of the tax evasion, in terms of temporary debt management, amendments were made to the Director General's Decree №13446 on the approval of guidelines on the ``Rule of Production of Personal Accounting Cards of the Taxpayers`` dated 18 May 2016, , based on which, for the purpose of reflection of the temporary debt obligations on the personal accounting cards of the taxpayers, relevant software module was created. In case of making the abovementioned decision by the Head / Deputy Head of the Tax Authority, it will be given the possibility to distinguish cases of those taxpayers from the total number of high debt taxpayers, towards whom, for the given period of time, every possible enforcement measure was applied in accordance with the tax legislation, and which does not fully ensure the payment of tax debts/the fees administrated by tax authority.

The abovementioned amendment will facilitate the planning and implementation of the timely and effective measures of the tax authority.

In connection with the Alter Ago taxpayer the draft amendments to the Tax Code of Georgia was sent to the Ministry of Finance. According to the draft legislation, Article 246 of the Tax Code of Georgia is being changed, which regulates the issues related to the Alter Ago taxpayers. The aim of the development of these changes is the correction of the defects in the above-mentioned article and clear identification of the procedures for defining the Alter Ago taxpayer. With the existing regulation, court disputes regarding the Alter Ago taxpayer last long-term being impeding both to business, since it requires time and financial resources, and tax authority, since taxes cannot be administered in a timely manner. Practice shows that it is necessary to put the dispute regarding the Alter Ago taxpayer in tight / special reasonable timeframe. In accordance with the mentioned draft legislation, legal proceedings for recognition of a Alter Ago taxpayer will be conducted in accordance with the rules envisaged by the Administrative Procedure Code of Georgia and thus, the accompanying changes are being made in the Administrative Procedure Code of Georgia.

For the purpose of levying tax on a third person the Order №152 was approved on Tax Administration regarding the Amendments to the Order №996 of the Minister of Finance dated 31 December 2010 and the relevant program was created for the purpose of sending a "tax request to third parties".

The abovementioned amendment is aimed at ensuring compliance of the legislative acts to the law, which will result in improved tax administration. Namely:

Tax authority shall present a tax request to a taxpayer if there is one of the following grounds:

- a) assessment of tax, the computation of which is the obligation of tax authority;**
- b) the decision of tax authority on assessing tax and/or imposing a sanction or statement on tax offence ;**
- c) the decision on levying tax on a third person under Article 240 of the Tax Code of Georgia.**

Statistical information of cases implemented in the direction of evasion of payments:

Nº	Content	From February 8 to December 2018
1	Incoming correspondence	3598
2	Outgoing correspondence	2133
3	Consent regarding the seized property realization / lease	137
4	False ownership	37
5	Insolvency cases	31
6	Lien / mortgage	12
7	"Tax demand" on the third person	16
8	Sending the third person to seizure	7
9	Cases sent to risks	12
10	Cases sent to investigation	2
11	Request of information from registration agencies	1076
12	Request for information from the taxpayer about receivables	405
13	Request for information from the taxpayer on money transactions on cash and bank accounts	119
14	Other	297

Within 12 months of 2018, in terms of tax debt management, totally **196 855** mortgage / lien registration have been ensured with the amount of - **1,427,603,214** GEL.

Month	Number	Amount
January	11 318	176,797,164
February	9 667	90,679,820
March	11 829	132,600,606
April	21 617	116,423,165
May	23 657	102,781,372
June	14 352	138,972,223
July	19 269	111,108,995
August	12 870	106,145,994
September	17 431	95,746,985
October	13 813	131,742,201
November	2	154,532
December	41030	224,450,157
Total sum	196 855	1,427,603,214

Totally cancellation of **188,535** mortgage / lien was ensured with the amount of **1,352,683,194** GEL.

Month	Number	Amount
January	15 253	161,065,685
February	11 727	76,764,249
March	14 682	105,610,872
April	20 586	189,761,628
May	17 663	97,438,015
June	14 917	89,848,597
July	16 251	82,718,836
August	14 660	84,405,578
September	18 298	196,026,797
October	15 962	94,799,547
November	6 384	49,070,364
December	22 152	125,173,026
Total sum	188 535	1,352,683,194

Totally **94 772** collection orders have been submitted to the bank accounts, with the amount of **965,169,972** GEL.

Month	Number	Amount
January	6 905	75,037,667
February	5 294	58,331,842
March	6 258	62,865,990
April	11 525	94,556,687
May	10 017	71,468,641
June	7 126	75,223,363
July	9 435	69,544,305
August	5 906	104,952,756
September	8 863	65,508,523
October	6 987	93,139,813
November	10	3,358,863
December	16 446	191,181,522
Total sum	94 772	965,169,972

Within 2018, the amount of debt recovered from collection orders exceeds 600 million GEL. Through collection orders totally **600,185,931** GEL was received. Including:

Month	Amount
January	49,753,212
February	40,060,310
March	44,315,068
April	55,298,496
May	54,432,409
June	56,643,037
July	56,172,406
August	41,685,786
September	55,222,191
October	58,494,401
November	9,422,591
December	78,686,024
Total sum	600,185,931

Totally **2,819,683** GEL was received from realization of ax mortgages / liens and / or seizure property

Reviewed electronic applications: 18 111

Including:

Regarding the mortgage / lien: 12 787

Regarding the collection orders: 5 324

Reviewed correspondence in material form: 3 903

Including:

Incoming document: 2 254

Internal document: 1 426

Legal act: 223





PUBLIC RELATIONS AND MARKETING DEPARTMENT





KHATIA MOISTSRAPISHVILI
Head of Public Relations and
Marketing Department

I have to summarize another year full of significant achievements and interesting innovations... For the first time, since 2012, probably it will be very difficult to me to be focused on the work. This time I am writing a farewell letter and I am trying to find the main word that will express my whole emotions ...

Thank You!

Thanks to one of the distinctive structures of my country - the Revenue Service of the Ministry of Finance and its professional team for the years together as well as the restless and dedicated work.

Within these years, I have received many examples of civil responsibility and heroism, yes, the heroism. Believe me, it is very difficult, in the most difficult circumstances, often due to the climatic conditions, to stand on the customs border of Georgia and steadfastly protect the economic security of your country. There is 21st century on the calendar and economic security is one of the main challenges of modern society and this is ensured both inside the country as well as on its borders, by the great team of professionals of the Revenue Service: customs officers, auditors, monitoring and service officers, specialists and managers.

Goodbye my friends, however, I remain a loyal and reliable friend of the Revenue Service and its team.

MISSION

Through using the latest channels of communication maximum availability of information to the public; ensuring transparency and publicity of the agency;

VISION

Initiation and implementation of the projects focused on the development of the agency; maintaining confidence and ensuring high standard of communication between business sector and our service.

VALUES

Timely informing of taxpayers on topical and interesting issues; fast, coordinated and effective communication with various media representatives; high social responsibility;

In the 2018 report of the Public Relations and Marketing Department all the activities organized, performed and broadcasted by the Department are reflected. Through the engagement of the Public Relations and Marketing Department various educational, cognitive, social and information campaigns have been successfully implemented.

❖ 26 JANUARY IS THE INTERNATIONAL CUSTOMS DAY

In 2018, the Revenue Service of the Ministry of Finance, together with the 182 countries of the World Customs Organization, celebrated the International Customs Day. The event was held with a slogan - Secure Business Environment for Economic Development. At the event dedicated to the International Customs Day, for the high professionalism, hard work and loyalty, 17 employees of the Revenue Service of the Ministry of Finance, including the employee of the Customs Department tragically deceased on 22 December,

2017, were granted the Certificates of Honor of the World Customs Organization. The event dedicated to the International Customs Day was opened and welcome speech was delivered by the Ministry of Finance, Mamuka Bakhtadze. This event was actively covered by media.





✓ On 5 March 2018, in the customs clearance zone Batumi of the Customs Department, the opening ceremony of the border inspection point was held. The border inspection point was equipped through the support of the EU, within the frames of the comprehensive institution building program. The border inspection point was opened by the Minister of Finance of Georgia, Mamuka Bakhtadze.



✓ The similar border inspection point was opened at the customs crossing point - Red Bridge, which is placed at 6.5 thousand square meters. The border inspection point was opened by the Head of the Revenue Service of Georgia, Mikheil Dundua.

At the same day, in the Radisson Blu Iveria Hotel the final conference for the completion of the project regarding the improvement of standards for sanitary, veterinary and phytosanitary control was held. The conference was attended by the Minister of Finance of Georgia, Ivane Machavariani, Director General of the Revenue Service, Mikheil Dundua. In addition, the conference was attended by the Deputy Chairman of Azerbaijan Customs State Committee, Javad Gasimova, EU ambassador to Azerbaijan, Kestutis Jankauskas, the Head of Cooperation and Aid Program Section of the Delegation of the European Union to Georgia, Vincent Rey, UNDP Resident Representative in Georgia, Niels Scott, UNDP Resident Representative in Azerbaijan, Ghulam Isaczai.



This event was covered by various media.



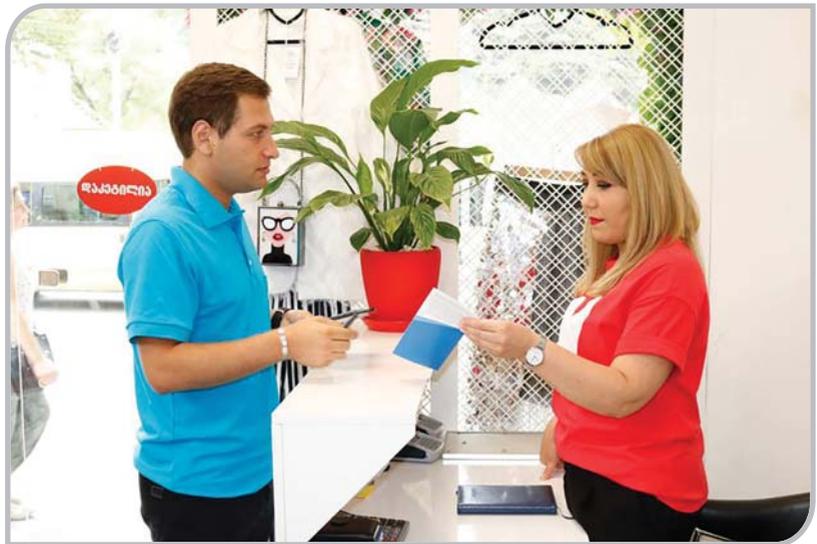
❖ PRESENTATION OF A NEW DRAFT CUSTOMS CODE



On 10 September, in the customs clearance zone Poti, presentation of a new Draft Customs Code was held. The Minister of Finance, Ivane Machavariani, has delivered information envisaged by the new Draft Customs Code to the representatives of the business sector. It should be highlighted, that after the enactment of the Customs Code, Georgia will be the first country in the region, which together with the customs infrastructure, as well as with the customs legislation will fully respond to the requirements envisaged by the European standards and will significantly contribute to the development of the international trade.

❖ INFORMATION CAMPAIGN - REGARDING THE PREFERENTIAL TAX RULES

For the purpose of promotion of small entrepreneurs, the representatives of the Revenue Service of the Ministry of Finance held the open door days regarding the new preferential tax regime. Furthermore, for the small entrepreneurs, the information roadmap was prepared and printed, which the district tax officers of the Revenue Service have presented in the consultation form to the taxpayers throughout Georgia. Various media has covered this event.



❖ REMINDER CAMPAIGN

Reminder campaign regarding the submission of property tax declaration and the terms and conditions of payment of taxes by the individuals was actively conducted. An electronic banner was prepared and placed on Facebook page. Furthermore, at the website of the Revenue Service www.rs.ge the electronic roadmap was uploaded for the individuals regarding own income and searching for the information on property.



This campaign was broadcasted by the media.





✓ For the purpose of informing the taxpayers, at the Revenue Service website and Facebook page the monthly updated schedule of the mobile service center – RS CAR – is constantly published.

❖ COGNITIVE CAMPAIGN AND COOPERATION WITH HIGHER EDUCATION INSTITUTIONS



✓ By the Public Relations and Marketing Department of the Revenue Service, educational project was implemented for the students of the higher education institutions of Georgia. Within the frames of the project at 5 customs crossing points, 4 customs clearance zones and 7 civil service centers 20 educational tours were conducted. Approximately 700 students from 26 higher education institutions were engaged in the project.

The Revenue Service of the Ministry of Finance will be further actively involved as a partner of the similar projects.



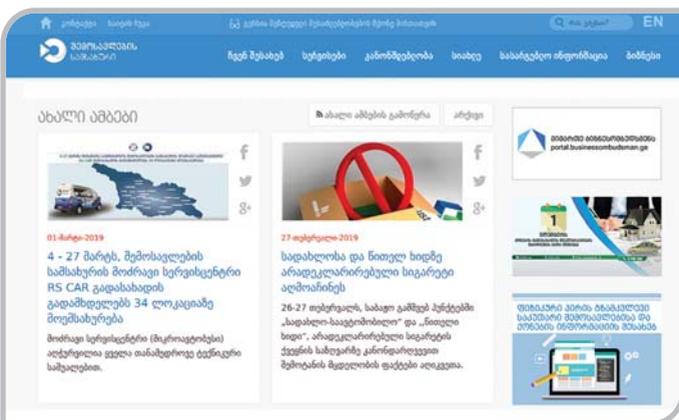
✓ The customs clearance zone Tbilisi was visited by the students from X-XI classes of the “ERUDITI” school. The employees of the Customs Department, within the frames of the cognitive-educational tour, have presented extensive presentation regarding the clearance procedures of goods to the older classmates.



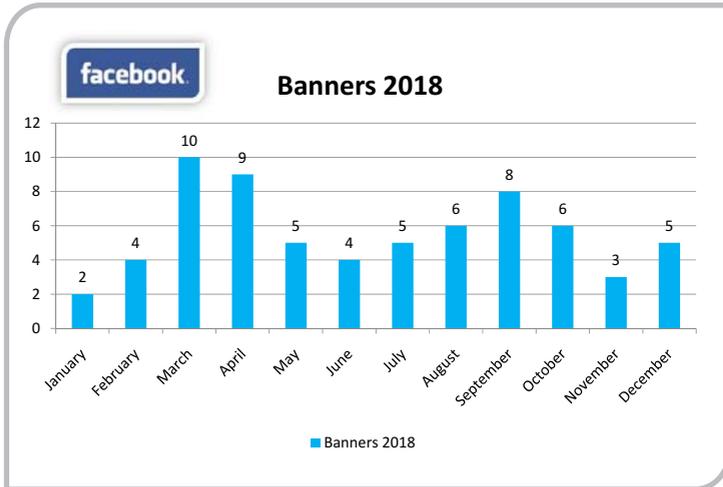
- ✓ Within the frames of the intellectual business Olympiad, which was organized by the Business Academy of Georgia, the Revenue Service, as the best partner of the year, was given the memorable certificate.



- ✓ In order to better inform national minorities, the Department actively cooperates with the newspapers in Azerbaijani and Armenian languages. Within 2018, 60 information articles have been published.



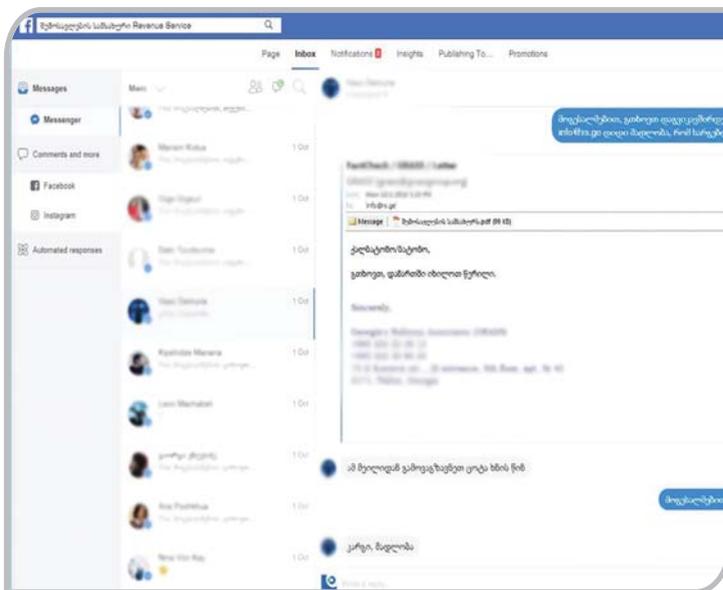
- ✓ For the prevention of offenses and preventive measures, public is constantly being informed regarding the cases of timely detection of tax and customs offenses at the territory of Georgia. Within 2018, 448 press releases were published.



✓ At the Facebook page of the Revenue Service, various information / thematic banners are constantly placed. Within 2018, 67 information banners have been prepared and placed.



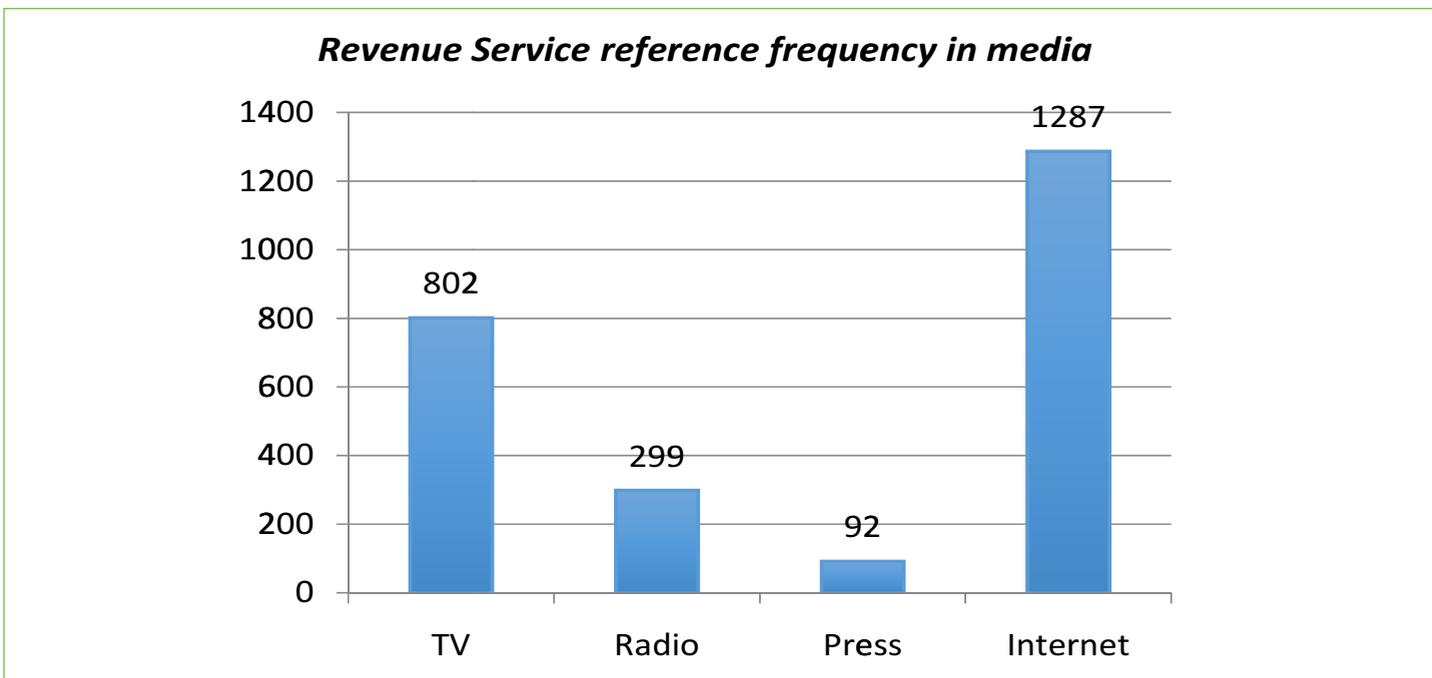
✓ According to the data of 2018, the Facebook page of the Revenue Service of the Ministry of Finance had **37 971** users.



✓ In parallel with the official Facebook page of the Revenue Service, Facebook Messenger offers to the customers the additional communication opportunities. This function is actively used by our Department and at the incoming questions within the competence the responses are prepared on behalf of the Service.



- ✓ 01.01.2018 - 31.12.2018 quantitative index of information coverage by the media of the Revenues Service of the Ministry of Finance (media interview/news release/TV stories).



❖ INTERAGENCY COOPERATION



The Revenue Service closely cooperates with various state agencies. As a result of operative cooperation with the Ministry of Internal Affairs and the Investigation Service of the Ministry of Finance the facts of importing the drugs as well as undeclared gold were revealed and prevented.



❖ PROMOTION OF HEALTHY LIFESTYLE

- ✓ By the initiative of the Revenue Service, for the purpose of introduction of the healthy lifestyle as well as the development of team building skills, sports activities are constantly held. The football team of the Revenue Service has won the 2018-2019 Business Champions League.



- ✓ On 9 November, the amateur tournament was held kart racing. A photo album depicting the competition was placed on Facebook page.



❖ PUBLIC RESPONSIBILITY

- ✓ The Revenue Service, together with the beneficiaries of the Social enterprise "Babale", has implemented the social project. Within the frames of the project the procured Easter and New Year gifts were made by the children with disabilities.
- ✓ Furthermore, within the frames of the social project, sweets were bought, which was made by the St. Nino's Mothers Monastery Nuns.
- ✓ Within the frames of the project - Donate Blood Save Life, the employees of the Revenue Service participated in blood donating event. On the world blood donor day, for regular support of blood safety and selfless donation, the Revenue Service has been awarded with a certificate of gratitude.



- ✓ Within 2018, brand management and image care of the Revenue Service was actively ensured. By the Public Relations and Marketing Department of the Revenue Service various corporate items have been prepared.



- ❖ Development of digital technologies has radically changed and refined even more the traditional forms of public relations. Therefore, even more information channels and instruments have appeared which has promoted social media communication into a more expensive platform. Public Relations and Marketing Department effectively uses these capabilities and delivers significant information to the society / media in 24 / 7 regarding the processes ongoing in the agency. The Facebook page of the Revenue Service gives a possibility of instant communications with the taxpayers. In real time they can ask questions about interesting topics as well as receive responses. Ensuring the right emphasis, providing instant messages to the public, preventing crisis situations, active involvement in social projects, increasing the awareness for voluntary implementation of customs / tax liabilities remain as a priority task for each member of our Department.



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საქართველოს პოლიცია

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HYUNDAI AUTO GEORGIA WWW.HYUNDAI.GE



TAX MONITORING DEPARTMENT





GIORGI NATROSHVILI
Acting Head of the
Tax Monitoring Department

Ladies and gentlemen, distinguished colleagues,

I am honored to present the report of the activities carried out by the Tax Monitoring Department of Revenue Service in 2018. Despite a number of difficulties, 2018 was successful by all means.

Our work is based on the universally recognized values and principles, such as: fairness, professionalism, independence, transparency, publicity and more.

Tax Monitoring Department ensures systemic tax control, through the implementation of the current control procedures provided by the Tax Code of Georgia, as well as identification of the cases of transportation / supply of goods without commodity waybills on the territory of Georgia and the facts of administrative offenses envisaged by the Code of Administrative Offenses of Georgia.

The main principle of the work of our team is to detect and prevent tax and administrative misconduct at the earliest stage for the purpose of prevention. Furthermore, we strive to find out the causes of the offenses and to put more efforts in prevention, in order to raise tax culture and enhance fulfillment of tax liabilities by the taxpayers. For the effective fulfillment of this objectives, in Tax Monitoring Department, a division of “filing compliance” was created in the beginning of 2018. The main aim of division is to raise awareness of taxpayers, which must improve indicator of timely filing as well as the voluntary compliance with tax liabilities.

At the same time, I would like to thank each employee of the Tax Monitoring Department, for the dignified contribution to the activities of the Department. I'm sure that 2019 will be very successful and important year for the state development as well as the welfare of the country.

Good luck!

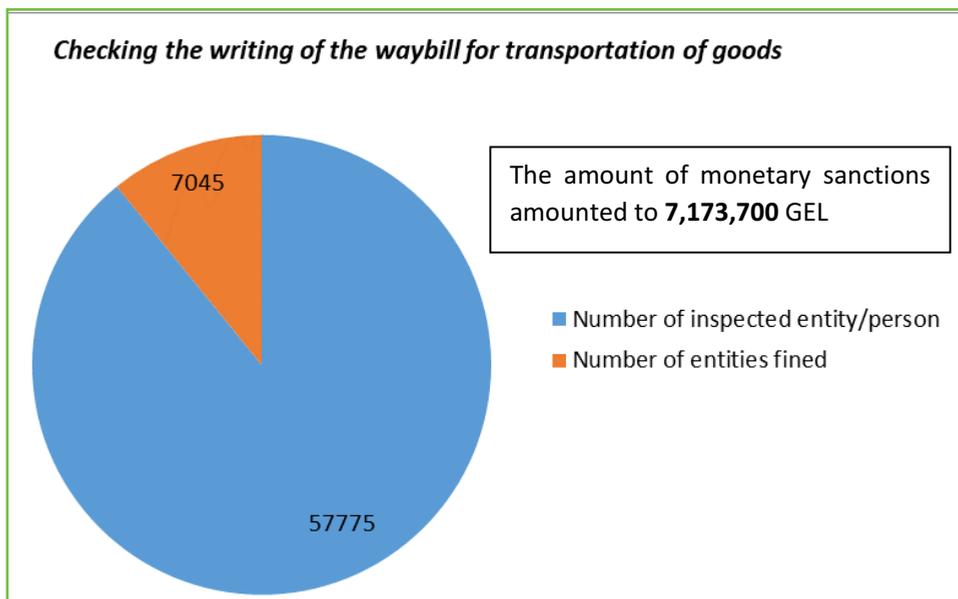
The Revenue Service has a special, strategic importance as the implementer of the tasks defined by the economic and fiscal policy of the country. Accordingly, its activities influence the well-being of each citizen of the Georgia. That is why, Tax Monitoring Department as the structural unit of the Revenue Service provides effective administration to fulfil the objectives and tasks in full and in quality set within the 2018-2019 Action Plan.

The objectives of the Tax Monitoring Department are results-oriented. Department works actively so that tax burden of all persons carrying out economic activity is proportionate. In addition, in the framework of effective administration Department identifies dishonest taxpayers in order to prevent tax violations beyond the existing legislation, as well as makes them incapable of carrying out illegal economic activities, hide taxable turnover, avoid paying taxes to the budget and get an advantage in this way compared to other compliant taxpayers in the same sector.

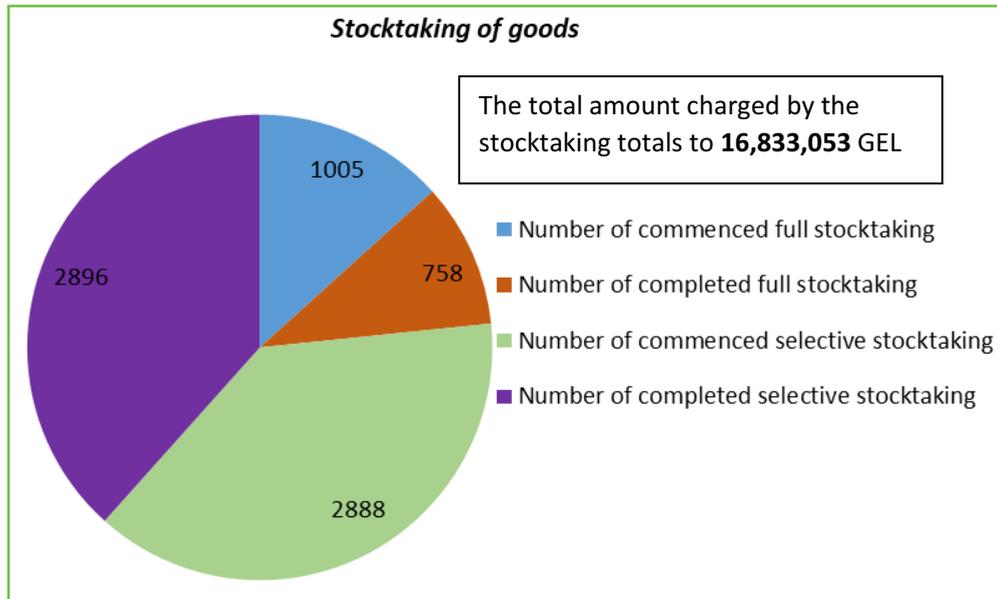
During 2018, various activities were held by the Tax Monitoring Department, planned and implemented based on the analysis of the single electronic database of the Revenue Service and the activities of the taxpayers as well as other information obtained from various sources.

As a result of current control procedures, both tax as well as administrative violations has been revealed. In particular:

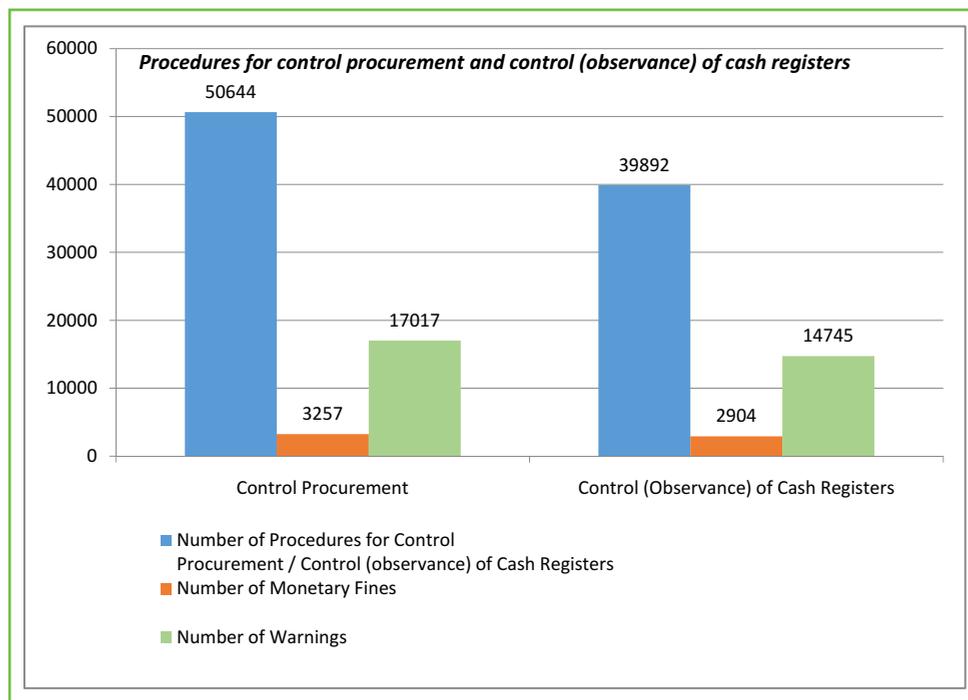
1. Inspecting commodity waybills during the transportation of goods - **57,775**, Number of penalized persons - **7,045**, the amount of fines - **7,173,700** GEL; for further inspection, the relevant materials for 69 taxpayers have been sent to the Investigation Service of the Ministry of Finance.



2. Initiated inventory - **3,893** (including, full - **1,005**, selective - **2,888**). Completed - **3,654** (including, full - **758**, selective **2,896**), sanction - **16,833,053** GEL (including, full - **14,111,470** GEL, selective - **2,721,583** GEL);

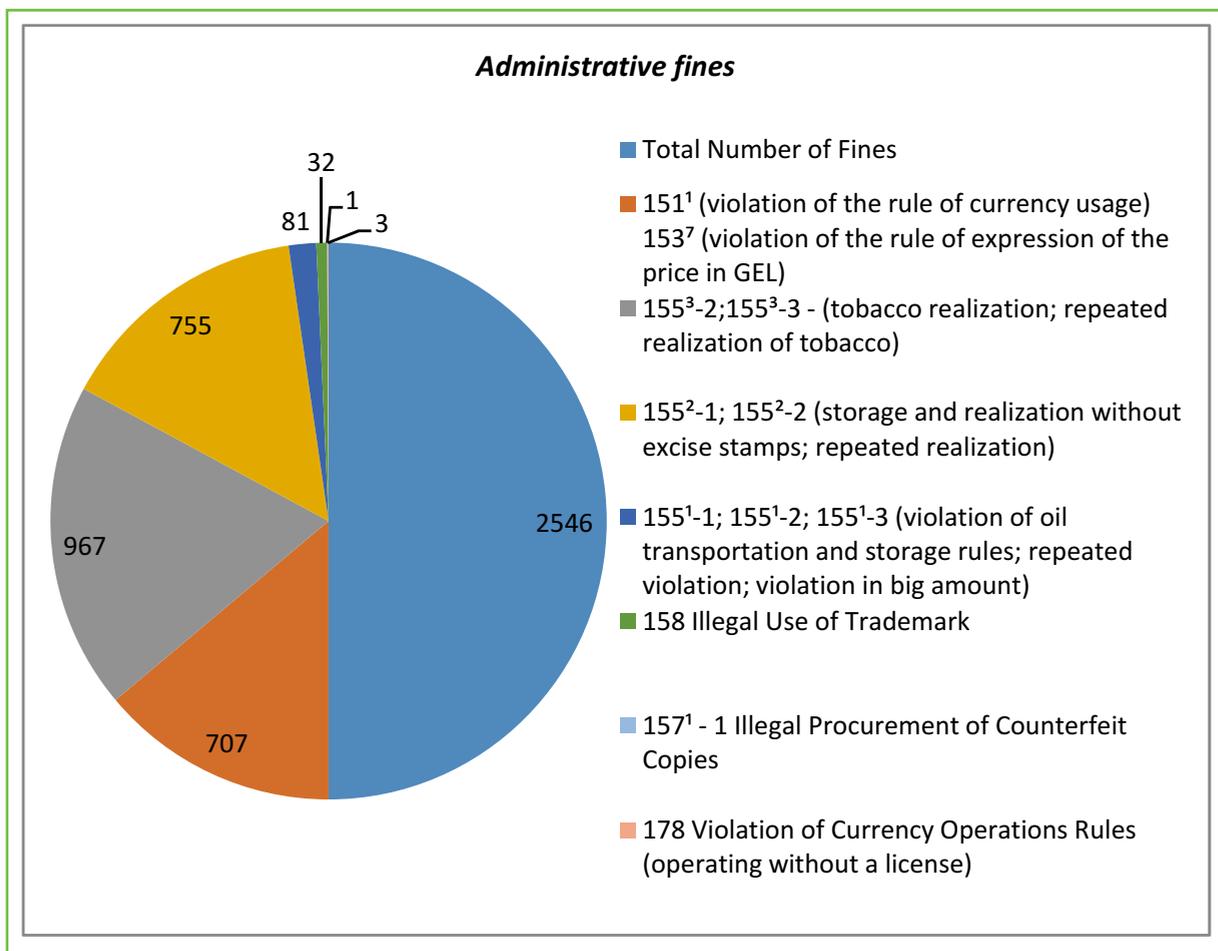


3. Control procedures for the use of control cash registers have been carried out - **90,536**, the offenses revealed - **37,971** (including warning - **31,775**), sanction - **1,188,600** GEL;



4. The following administrative offenses protocols (**2,546**) are drawn up regarding the administrative offenses:

- a)** Violation of the rules of currency usage and the expression of the price in GEL - 707
- b)** Violation of oil transportation and storage rules - 81
- c)** Storage and realization without excise stamps - 755
- d)** Violation of tobacco realization rules - 967
- e)** Illegal use of trademark - 32
- f)** Paragraph 1 of the Article 157¹. Illegal procurement of counterfeit copies - 1
- g)** Article 178. Violation of currency operations rules (operating without a license) - 3

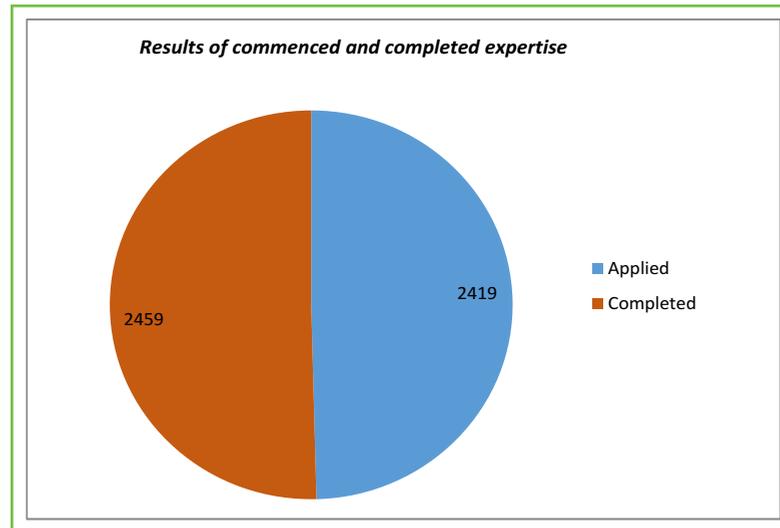


5. Violation of the rule of registering as taxpayer (detection) - **1,847**

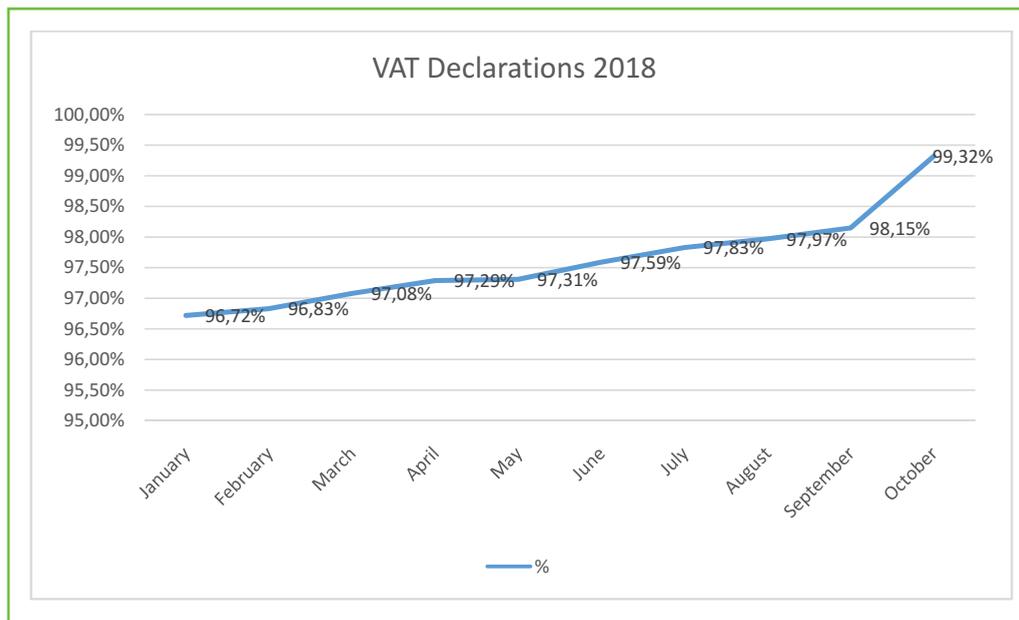
6. Tax offense protocols drawn up due to the resistance - **22**

7. As a result of implementing the ongoing control procedure, **8** cases of working without seal or with damaged seal have been revealed at fuel stations

8. Initiated expertise - **2,419**; completed - **2,459**



9. In total, **3,976** complaints filed in relation of tax disputes have been discussed and the relevant conclusion have been submitted; **5,027** offense protocols are reflected at the personal accounting cards of the taxpayers; furthermore, **428** orders (requalification, invalidation of the protocol) are reflected.
10. The new structural unit has played a significant role in terms of timely declaring, which through communicating with the taxpayers, ensures declaring quality control. Timely declaring indicators in VAT tax:



According to data of January-December of 2018, in the Tax Monitoring Department, 4,065 decisions have been received from the dispute resolution department. 1,637 decisions were not satisfied, including: 171 decisions - according to Article 273; 298 decisions - according to Article 281; 971 decisions - according to Article 286; 155 decisions - according to Article 291; 20 decisions - according to Article 288; 11 decisions - according to Article 277; 11 decisions -

according to Article 279. 2,428 decisions have been satisfied in favor of the taxpayer. Further, 1,520 decisions are based on Article 269 of the Tax Code of Georgia regarding the forgiveness of the fine. In 324 cases, monetary penalty is replaced by warning. In 484 cases the fine imposed based on Article 273 of the Tax Code of Georgia on unregistered person is satisfied. 40 cases were re-examined. 8 warnings were given in accordance with Article 22 of the General Administrative Code. In 110 cases Tax Monitoring Department was tasked to conduct administrative proceedings and only in 52 cases, the statements drawn up by the Tax Monitoring Department were abolished due to lack of evidence. This covers the cases, when the latter (realization of goods, payment related to this realization and failure to use the cash registers) simply is not / cannot be recorded by technical means. We believe that the abovementioned data, which does not exceed 2.3 (2.22) %, talks of high quality of the offense statements drawn up by the Tax Monitoring Department.

During 2018, depending on the activities of the Tax Monitoring Department statistical data is created for daily (operative) weekly, monthly and quarterly meetings.

Employees of the Tax Monitoring Department have reflected on the personal accounting cards of the taxpayers the amounts imposed based on offence statements. Furthermore, the relevant decisions made by the Disputes Resolution Department of the Revenue Service, the Dispute Resolution Board of the Ministry of Finance and the court were reflected on the taxpayers' personal accounting cards. Where need, some statements were changed (by requalifying the sanction imposed based on those statements), invalidated or declared null.

Administrative proceedings were carried out on the basis of appropriate decisions made by Dispute Resolution Department of the Revenue Service, the Dispute Resolution Board of the Ministry of Finance and the Court.

In cases of referral by the dispute settlement authorities, the claims filed by taxpayers were studied, processed by the Tax Monitoring Department with the development of relevant information/conclusions.

At the Mediation Council Tax Monitoring Department organized the the revision of taxpayers positions presented either in writing or electronically regarding the statements drawn up in the results of the current control (inventory) procedures implemented by our Department.

Authorized employees, on behalf of the Department attend and participate in court proceedings in connection with the administrative offence statements drawn by the tax Monitoring Department.

Taking into consideration the abovementioned (content involvement in control procedures), due to the shortcomings in practice, relevant amendments to the legislation were drafted and forwarded to the relevant department for further legal actions to be taken.

Correspondence sent from various structural units of the Revenue Service, as well as from various administrative bodies has been discussed, including the amendments to be made in laws or the subordinate normative acts.





DISPUTES DEPARTMENT





SHALVA KOPALEISHVILI
Head of the Disputes Department

I have the honor to present 2018 activity report of the Tax Dispute Department. Within the year, the time spent on consideration of the Tax Dispute was further reduced and became equal to the "A" assessment benchmark of the advanced European countries "TADAT" methodology.

Through the electronic software for the Dispute (<https://eservices.rs.ge/Login.aspx>), the authorized taxpayer is available to submit the tax appeal online / without leaving the office and receive the decision of the tax administration. The opportunity for submitting the appeal electronically (http://rs.ge/Default.aspx?sec_id=5671&lang=1) was refined, which has facilitated the communication with the tax administration.

The control mechanism for execution of the decisions made on tax appeals has been introduced.

The main priority of the activity is timely and fair consideration of taxpayer's arguments. Priority is also protection of the interests of the tax authority in the subsequent instances of tax disputes or in court, which was successfully implemented in 2018.

Dispute Department has successfully coped with the tasks set out in the operational plan, which is confirmed by the key performance indicators (KPI) of the standing mission of the Monetary Fund.

For the purpose of introduction of the single and systemic practices, as well as maximum transparency of the activity, the absolute majority of the decisions made on the complaints of the taxpayers within the year was processed and published, including the especially important decisions (e-library www.wiki.rs.ge).

I. DISPUTES DIVISION

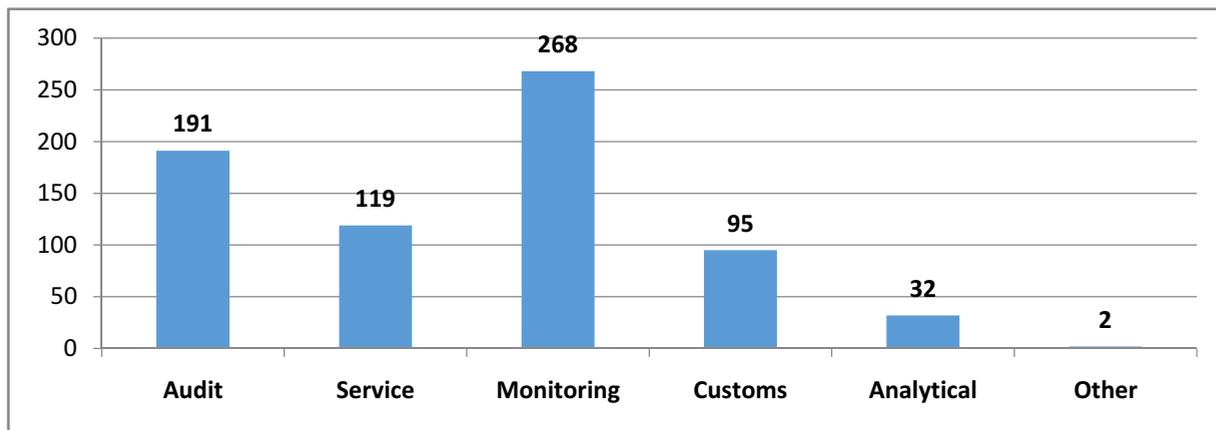
INFORMATION REGARDING THE TAX DISPUTES CONSIDERED

12 months of 2018

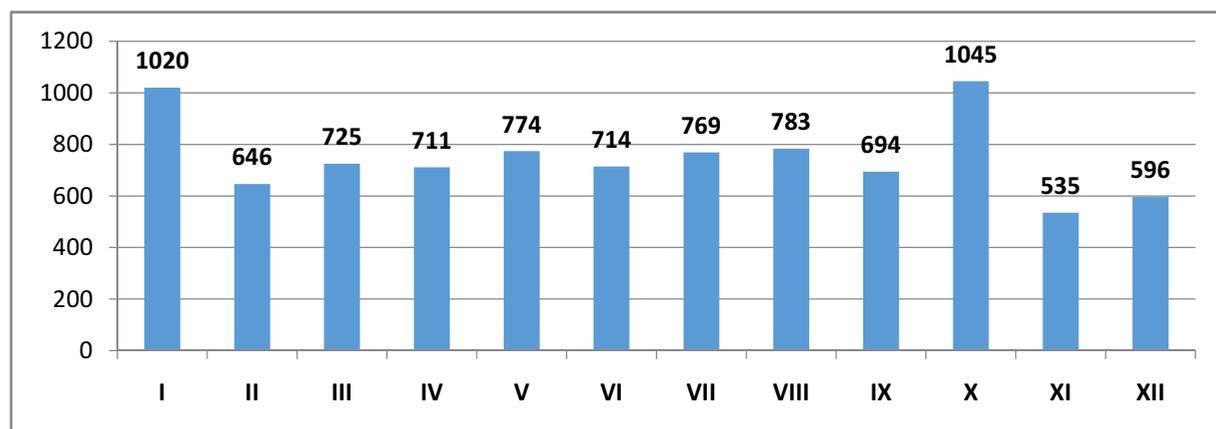
General statistics

- **Remained 01.01.18** **707**
- **Received complaints** **9,012**
- **Considered complaints** **9,362**
- **Remained 01.01.19** **357**

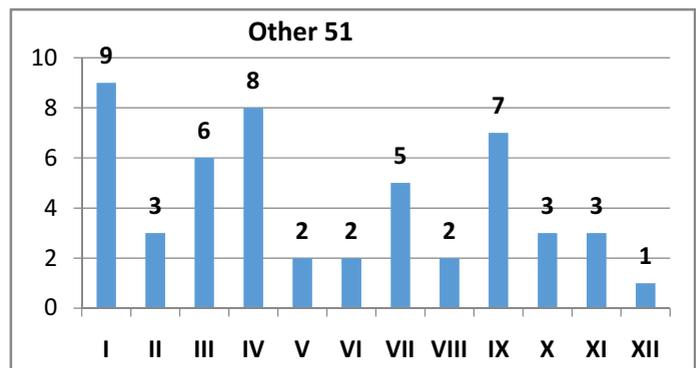
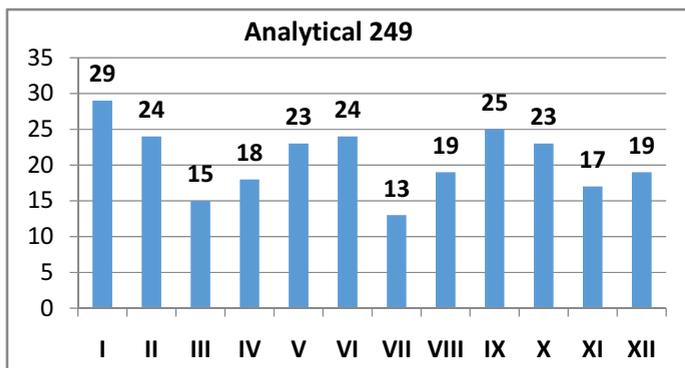
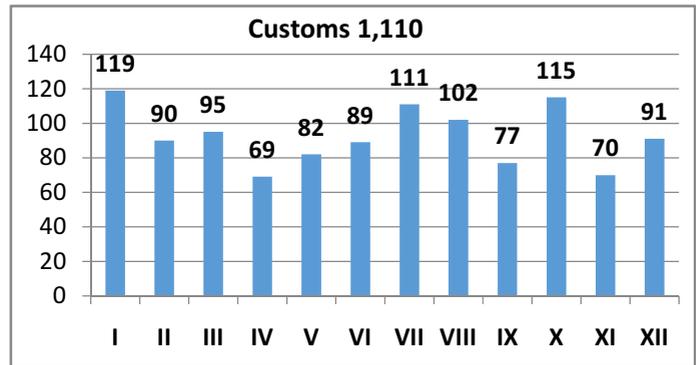
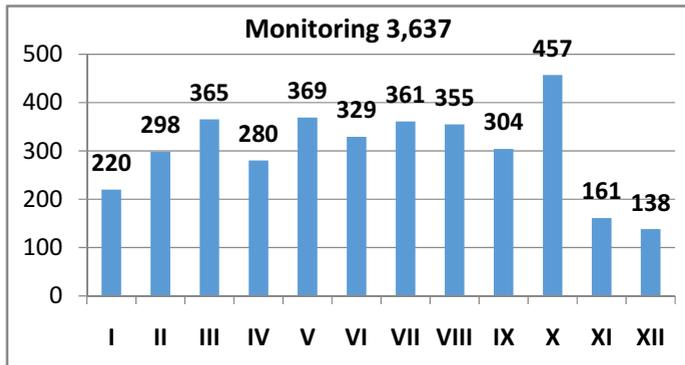
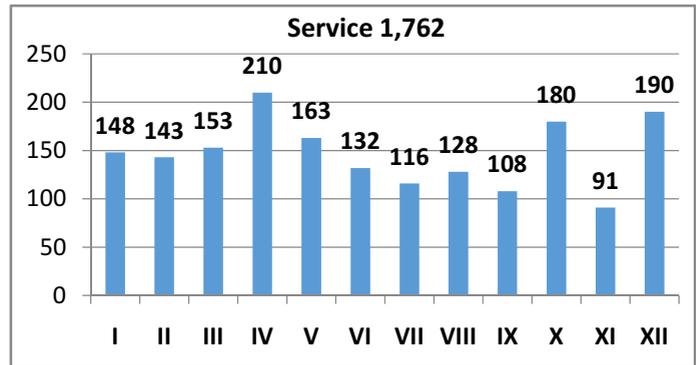
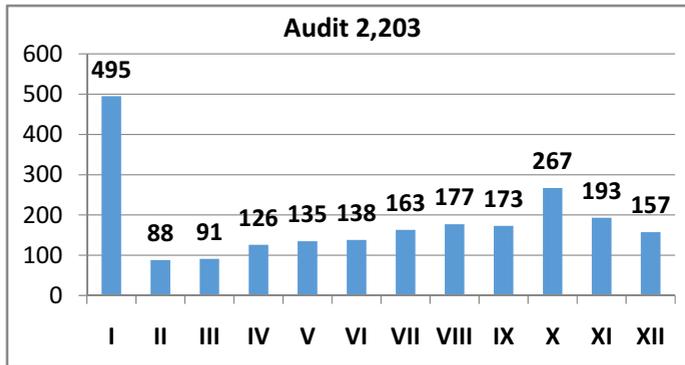
STRUCTURE OF THE REMAINED COMPLAINTS AT THE BEGINNING OF THE YEAR (01.01.18) ACCORDING TO THE DEPARTMENTS (NUMBER OF COMPLAINTS - 707)



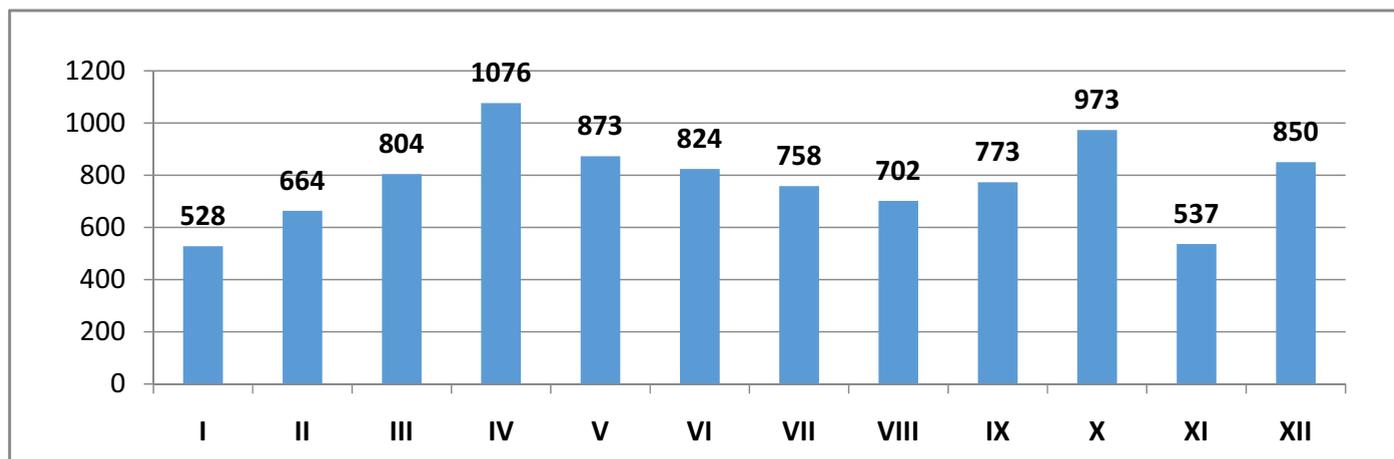
STRUCTURE OF RECEIVED COMPLAINTS ACCORDING TO MONTHS - 9,012



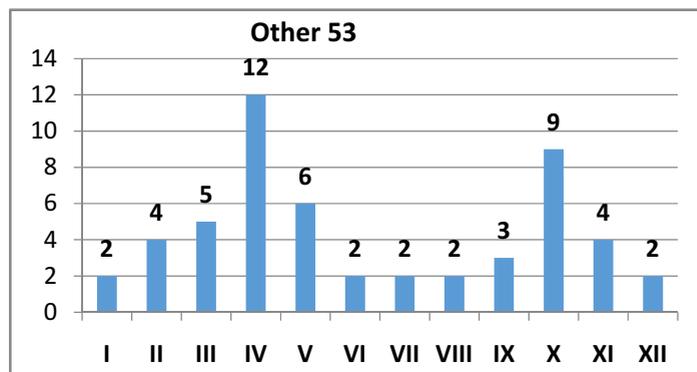
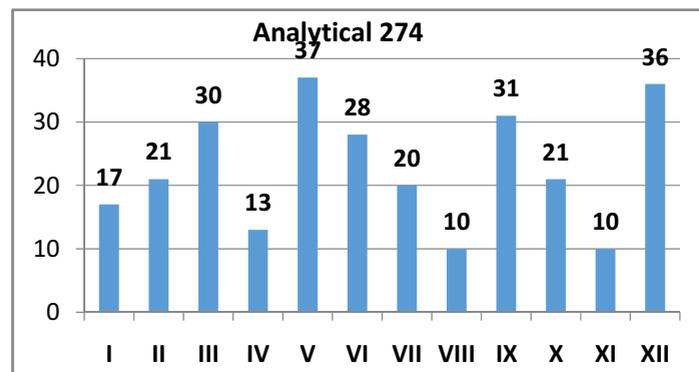
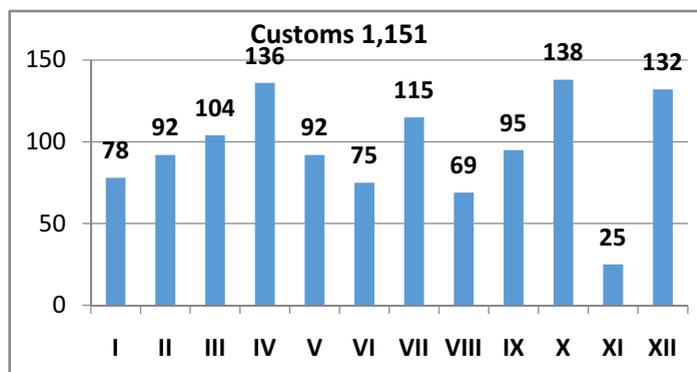
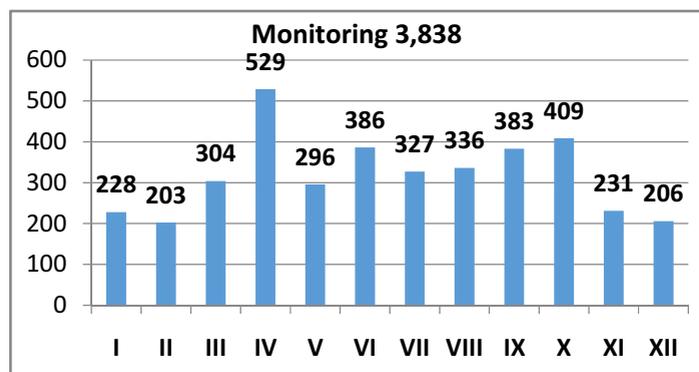
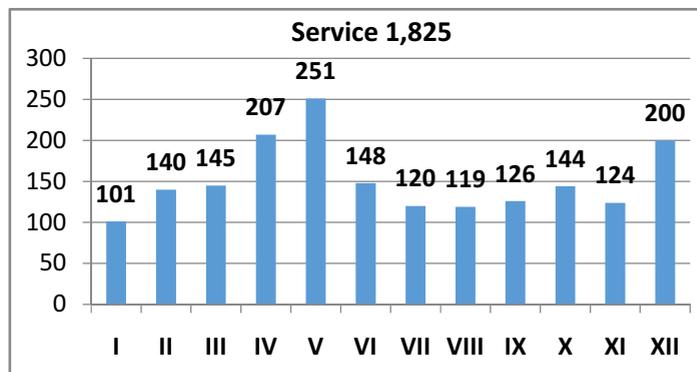
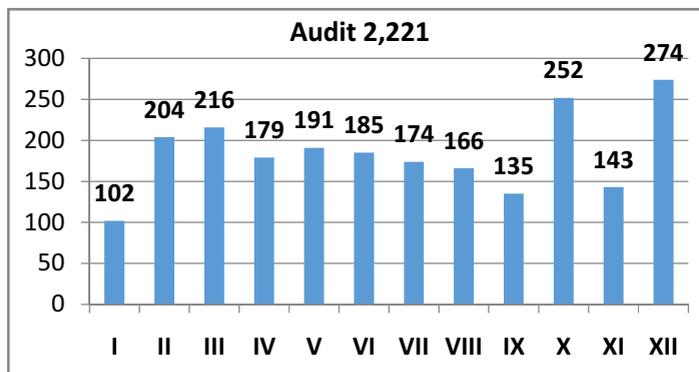
STRUCTURE OF RECEIVED COMPLAINTS ACCORDING TO THE DEPARTMENTS - 9,012



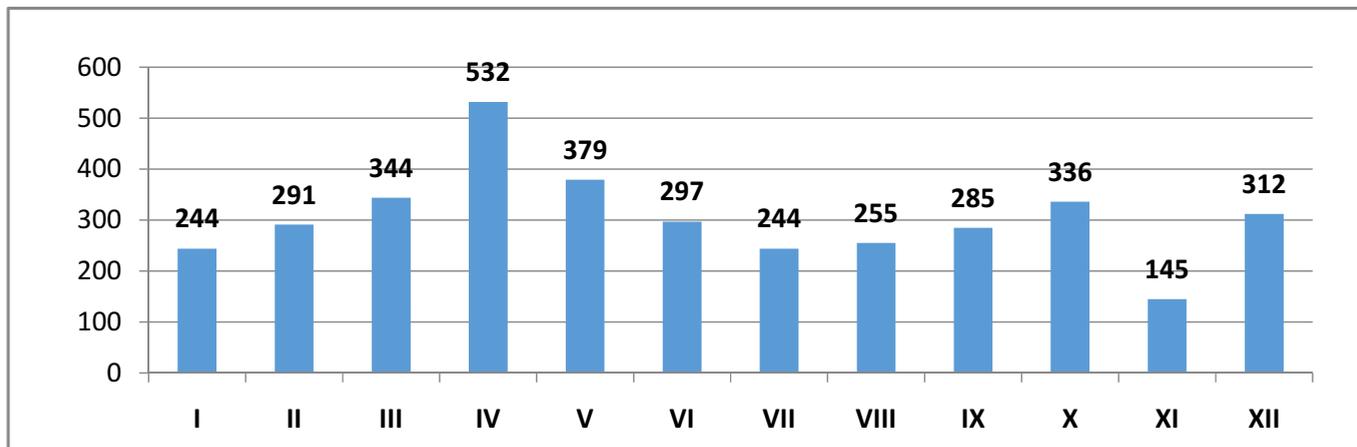
STRUCTURE OF CONSIDERED COMPLAINTS ACCORDING TO MONTHS - 9,362



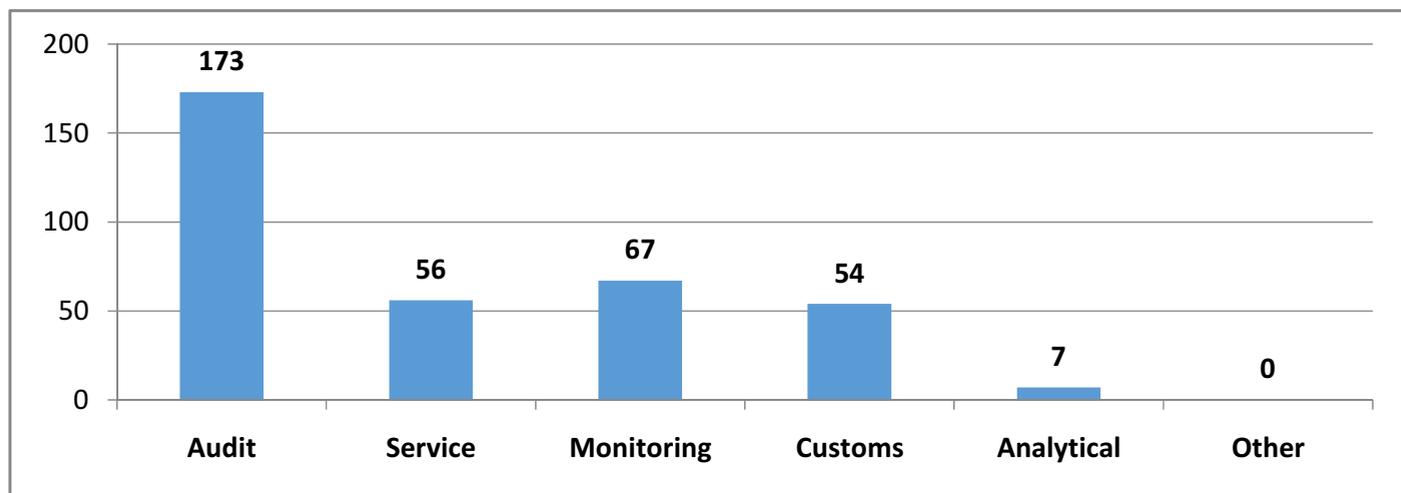
STRUCTURE OF CONSIDERED COMPLAINTS ACCORDING TO THE DEPARTMENTS - 9,362



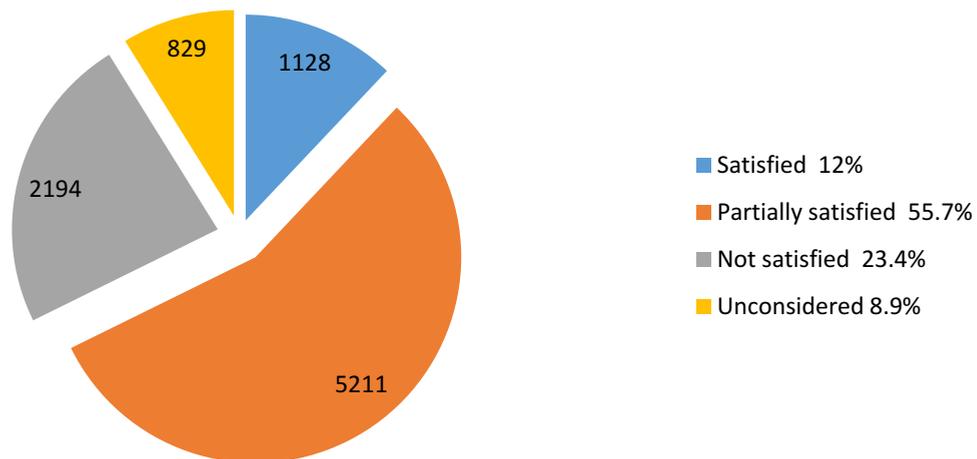
STRUCTURE OF THE COMPLAINTS ACCORDING TO MONTHS CONSIDERED WITHOUT THE DISPUTE RESOLUTION BOARD -3,664



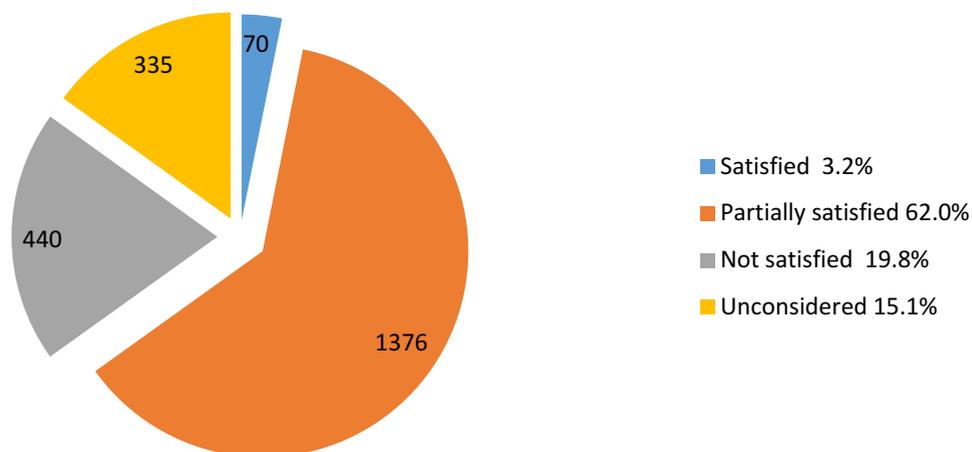
STRUCTURE OF REMAINED COMPLAINTS ACCORDING TO THE DEPARTMENTS AS OF 1 JANUARY 2019 - 357



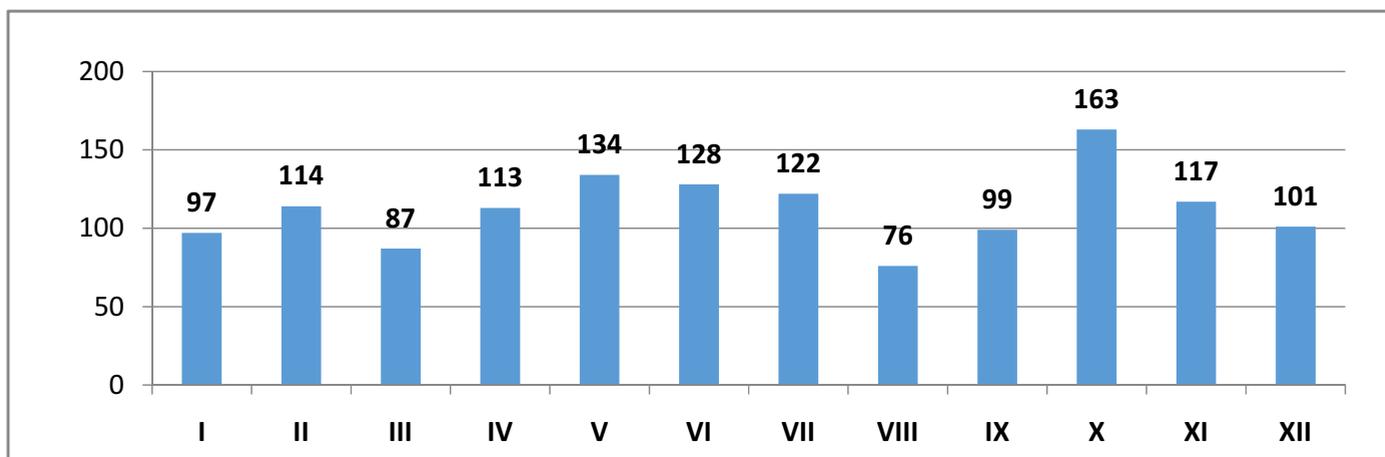
STRUCTURE OF THE DECISIONS TAKEN IN ACCORDANCE WITH THE COMPLAINTS CONSIDERED - 9,362



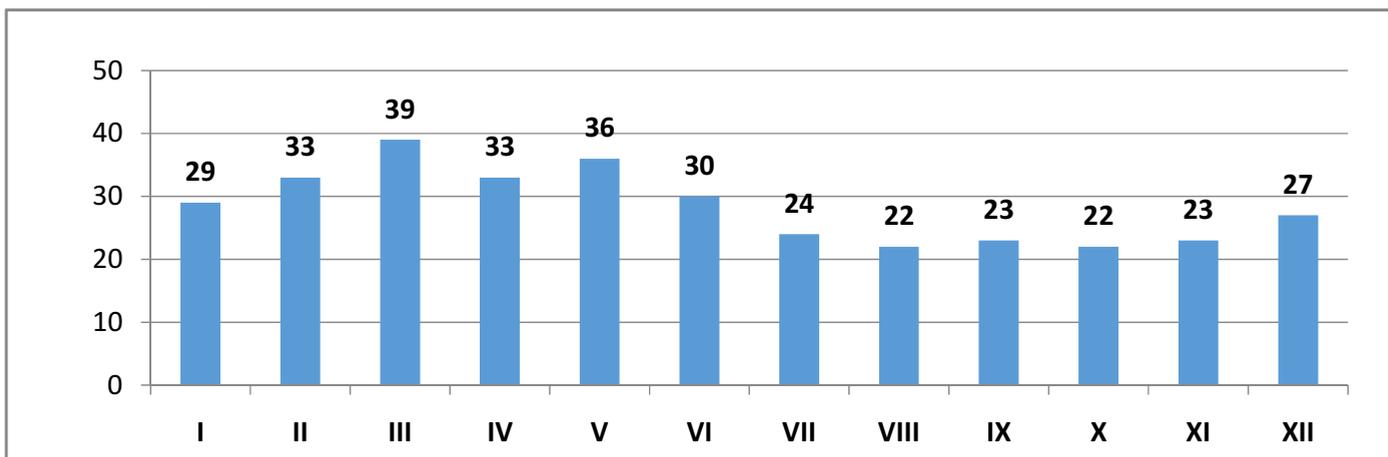
STRUCTURE OF THE DECISIONS TAKEN ON THE CONSIDERATIONS ISSUED BY THE AUDIT DEPARTMENT - 2,221



STRUCTURE OF THE DECISIONS ACCORDING TO MONTHS TAKEN IN GOOD FAITH PRINCIPLE (BASED ON THE PARAGRAPH 7 OF THE ARTICLE 269 OF THE TAX CODE) - 1,351

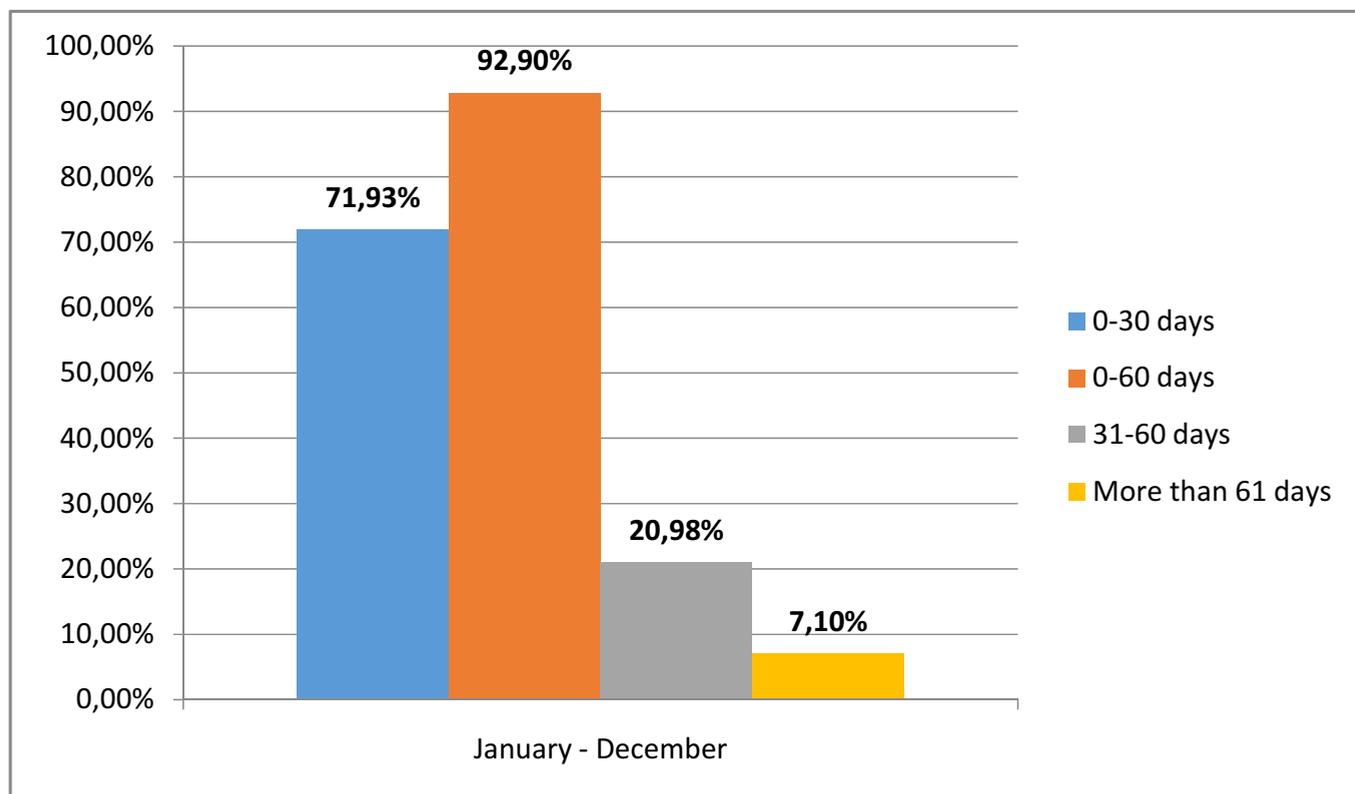
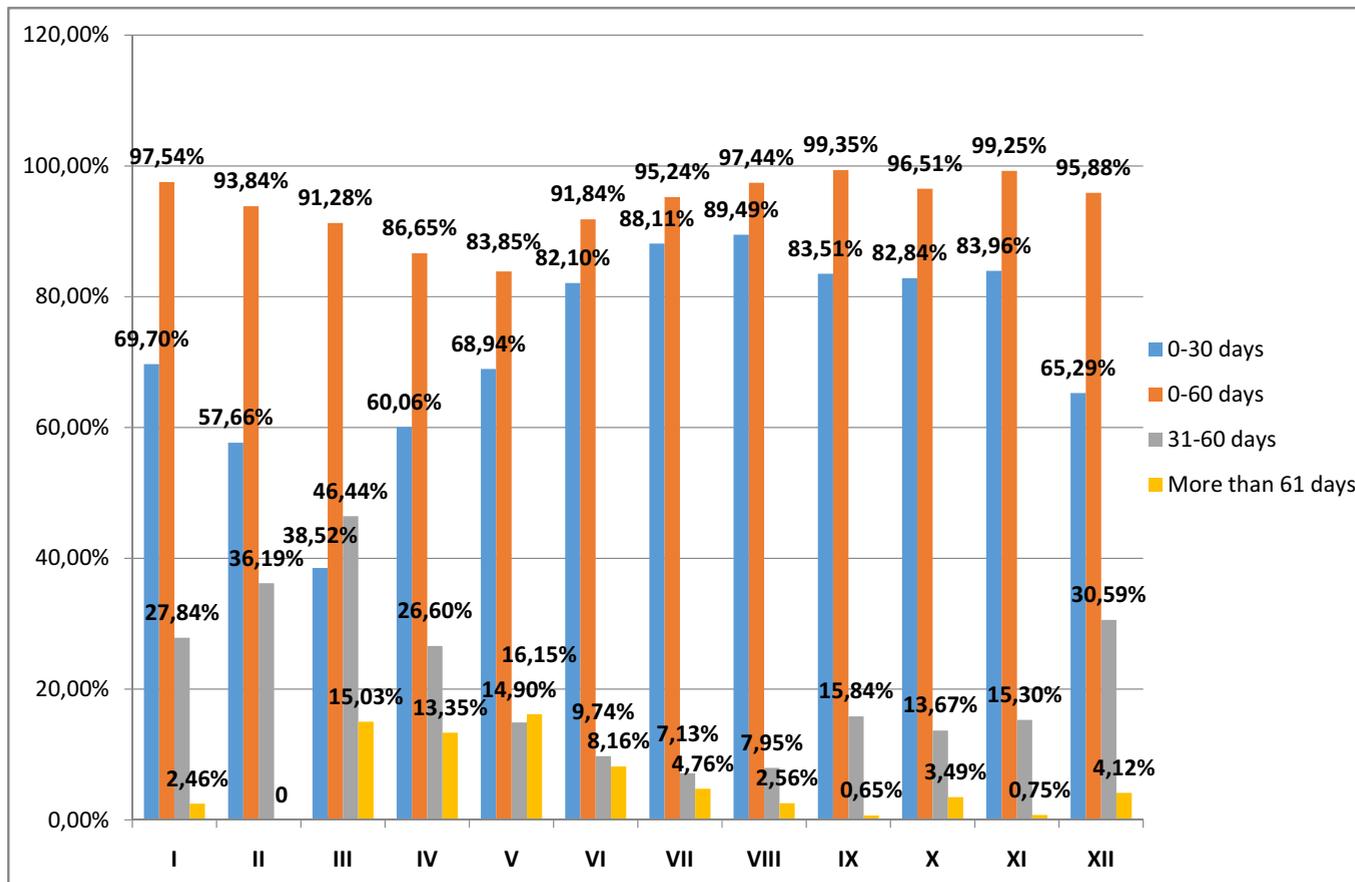


THE AVERAGE DURATION OF THE CONSIDERATION OF THE COMPLAINTS ACCORDING TO MONTHS (DAYS)



Note: the total number of days is divided by the number of considered complaints.

THE NUMBER OF COMPLETED COMPLAINTS WITHIN 30-60-90 DAYS (ACCORDING TO THE TADAT METHODOLOGY)



II. COURT DISPUTES DIVISION

12 MONTHS OF 2018

Court dispute statistics

- Remained as of 01.01.2018
- Initiated by the taxpayer
- Initiated by the Service
- Completed
- Remained as of 01.01.2019

Number of cases

3,897

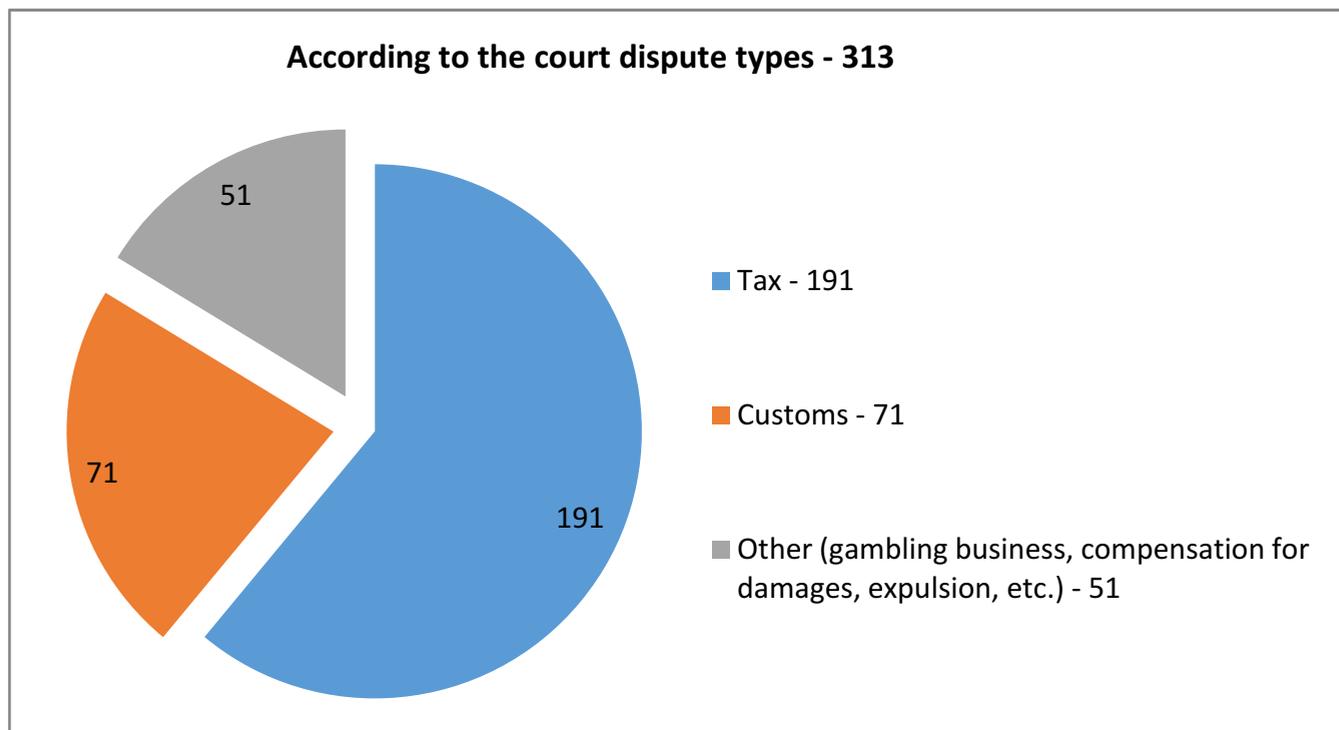
313

1,468

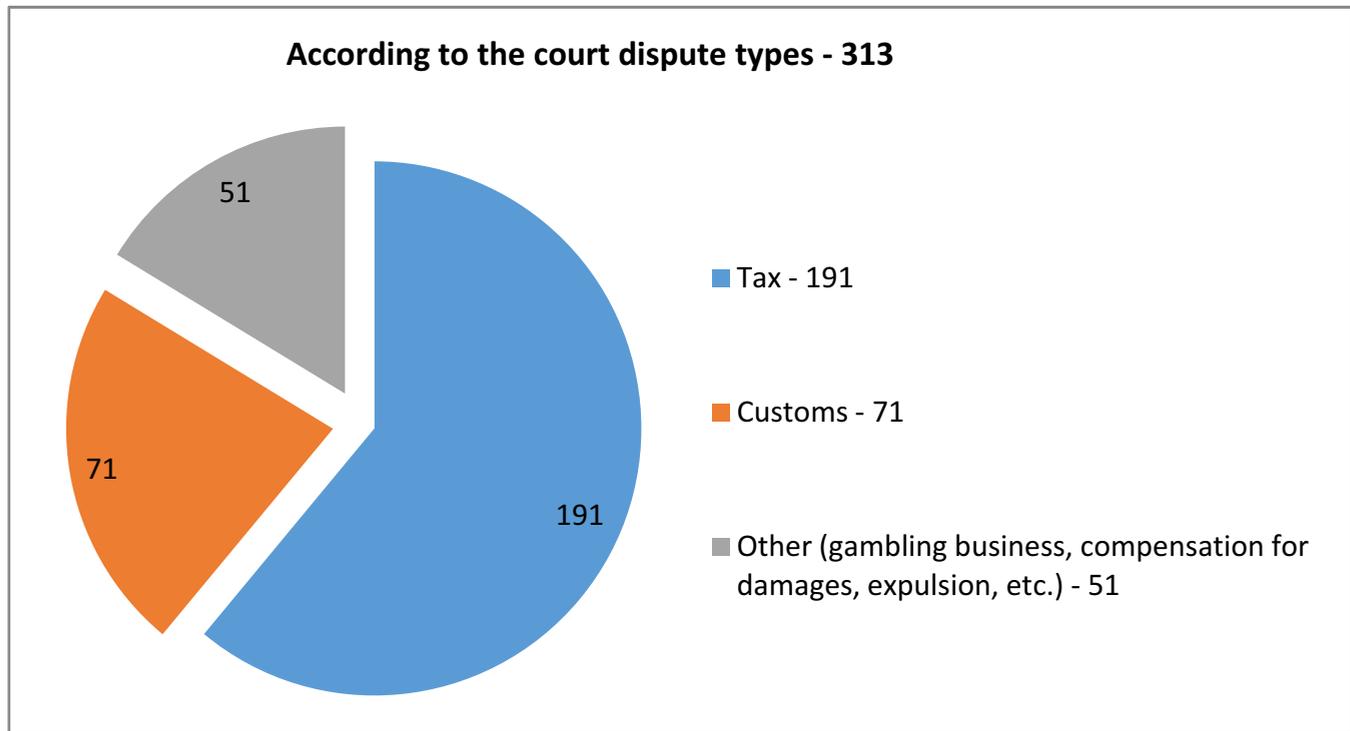
2,612

3,066

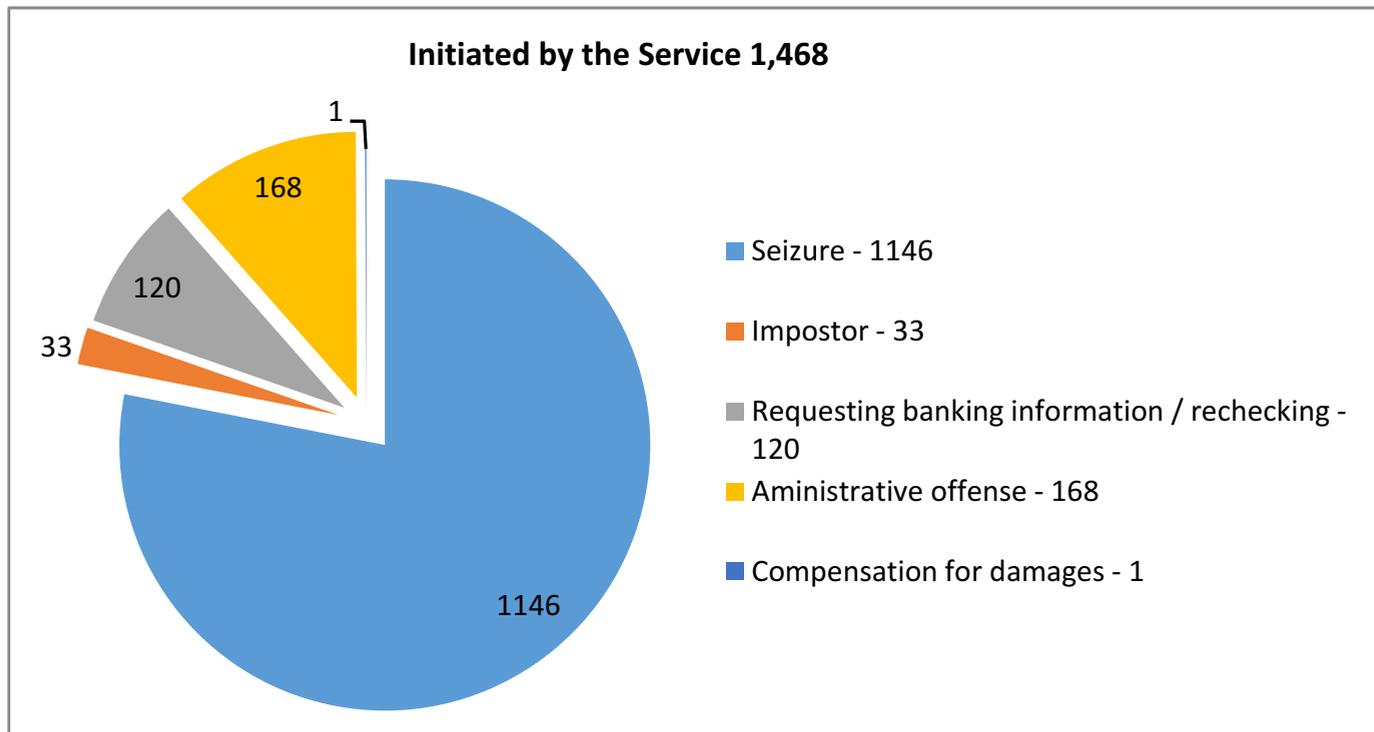
STRUCTURE OF THE REMAINED DISPUTES OF 01.01.18 ACCORDING TO THE COURT DISPUTE TYPES - 3,897



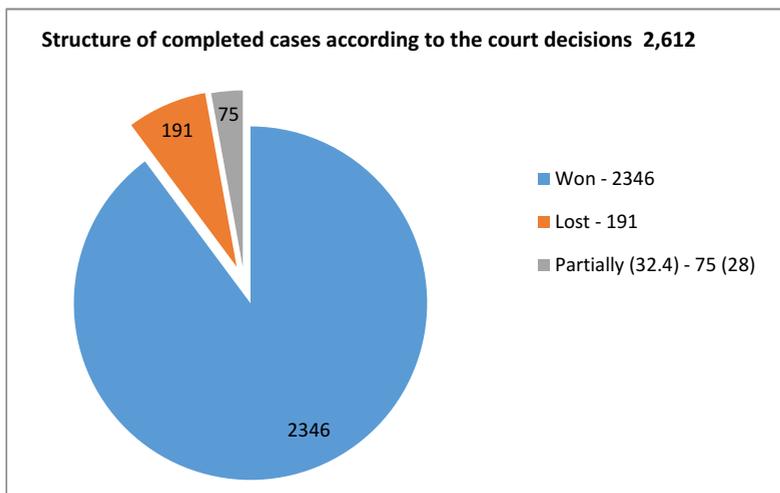
DISPUTES INITIATED BY THE TAXPAYER DURING THE REPORTING PERIOD - 313



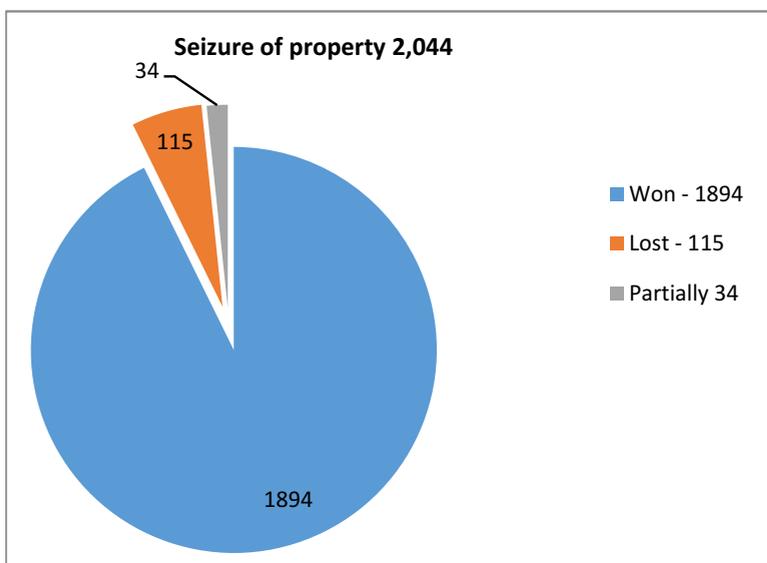
STRUCTURE OF THE CASES INITIATED BY THE SERVICE ACCORDING TO THE DISPUTE TYPES - 1,468



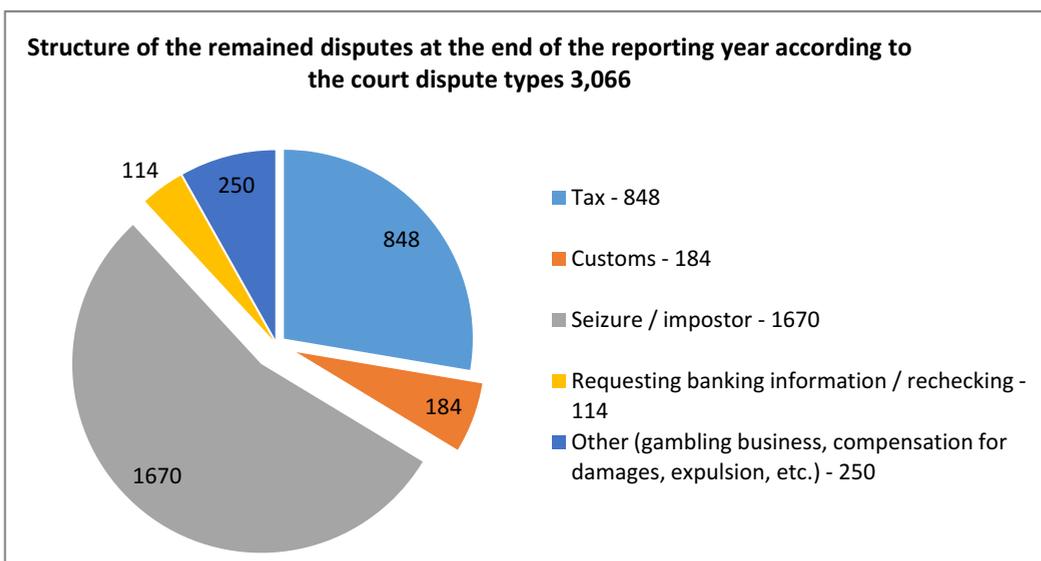
STRUCTURE OF COMPLETED CASES ACCORDING TO THE COURT DECISIONS - 2,612



COMPLETED COURT DISPUTES TO OBTAIN THE RIGHT TO SALE THE PROPERTY - 2,044



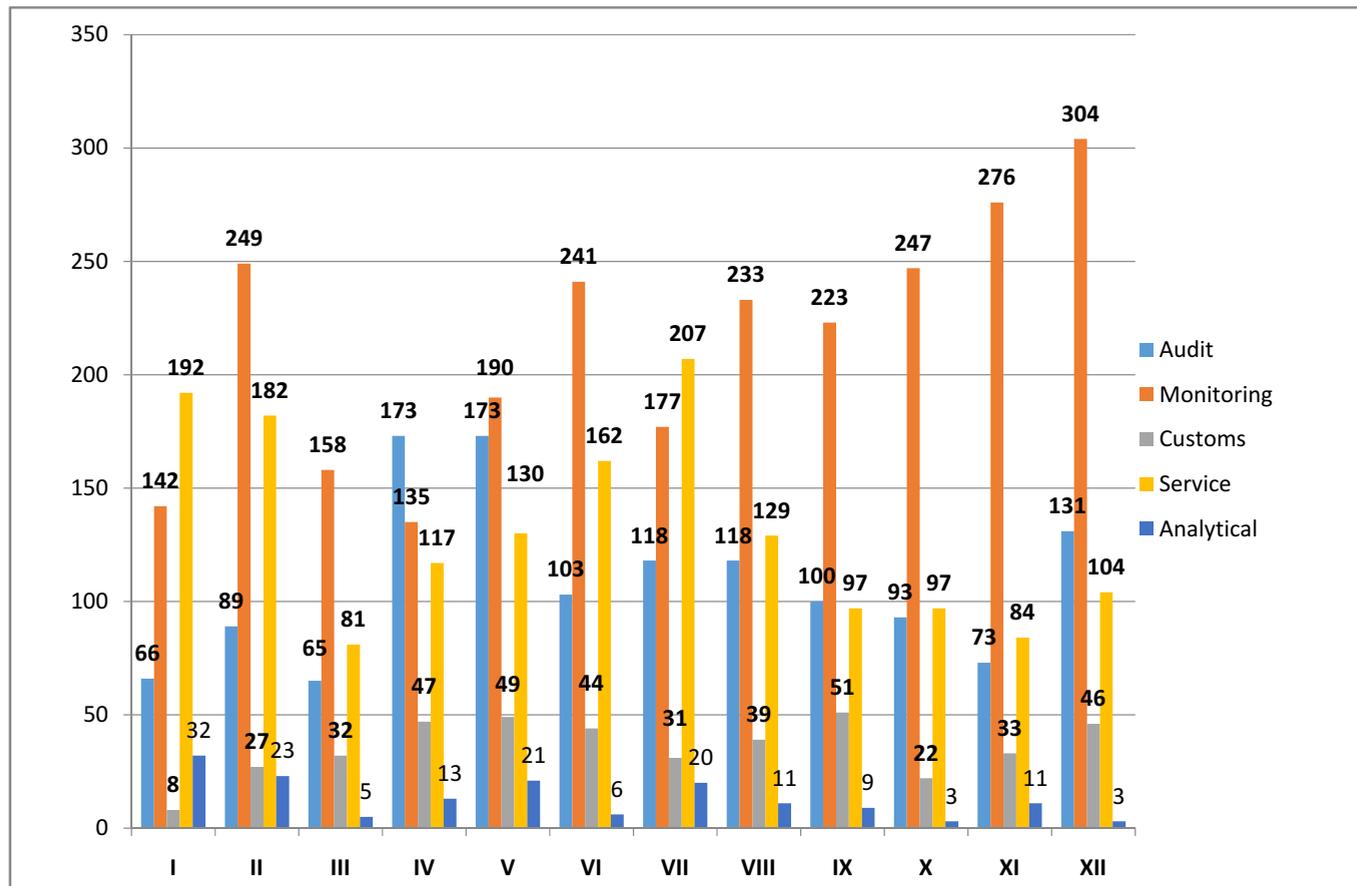
STRUCTURE OF THE REMAINED DISPUTES OF 01.01.19 ACCORDING TO THE COURT DISPUTE TYPES - 3,066



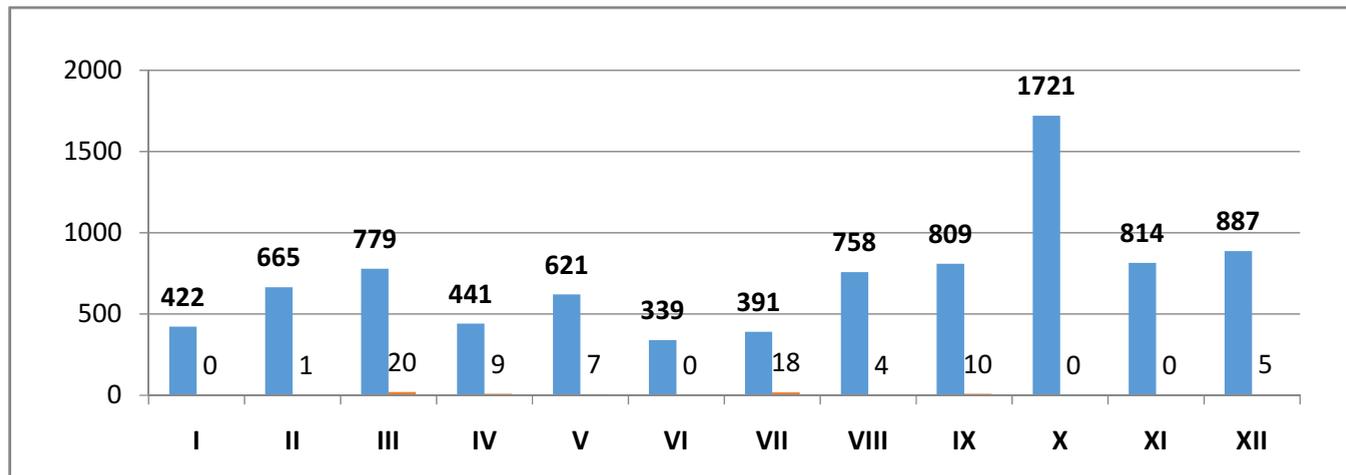
III. DECISION MONITORING DIVISION

PERIOD: 01.01.18 - 01.01.19

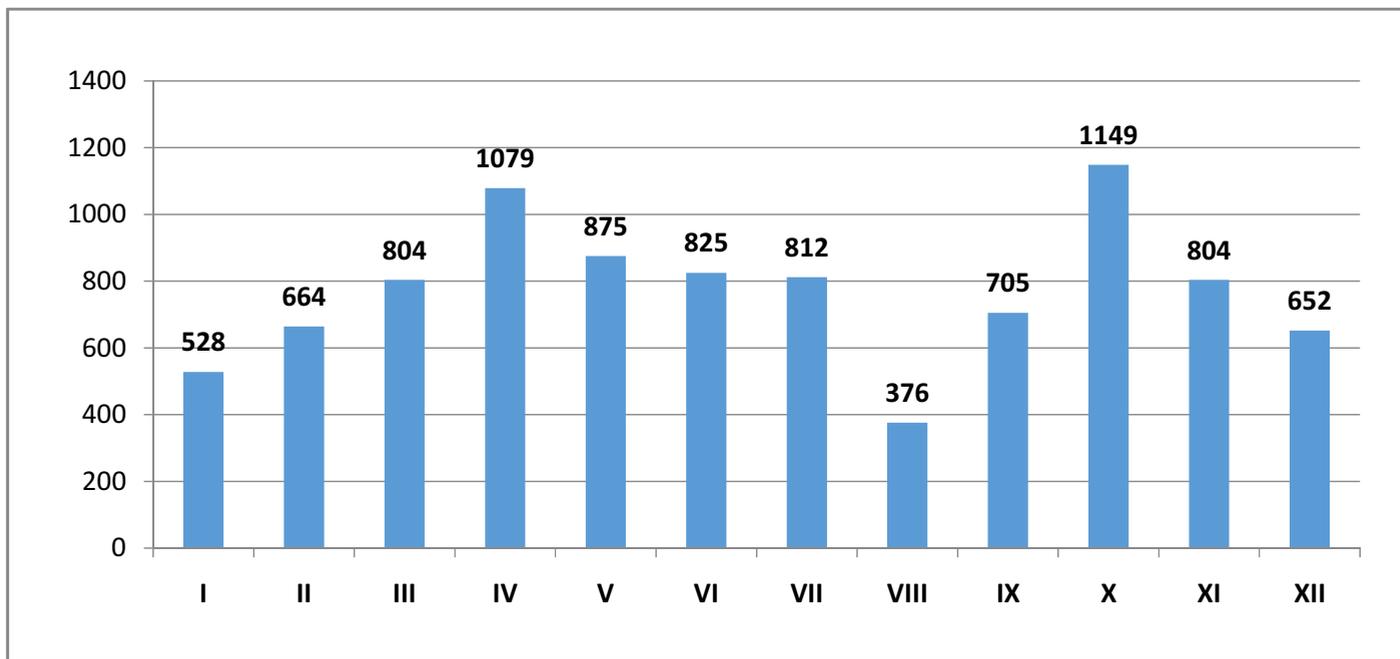
MONITORING OF ENFORCEMENT OF DECISIONS ON THE COMPLAINTS ON MONTHLY BASIS - 6,045



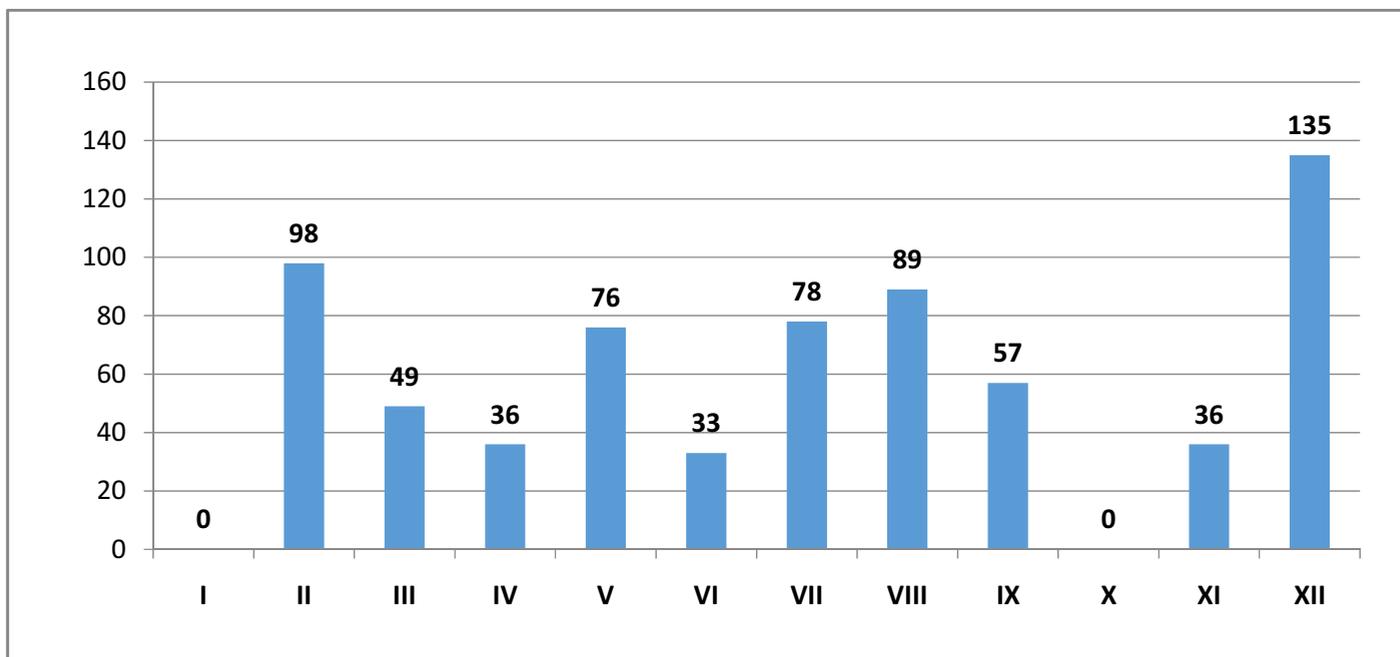
NUMBER OF DECISIONS PUBLISHED AT THE WEBSITE OF THE REVENUE SERVICE WIKI.RS.GE - 8,647



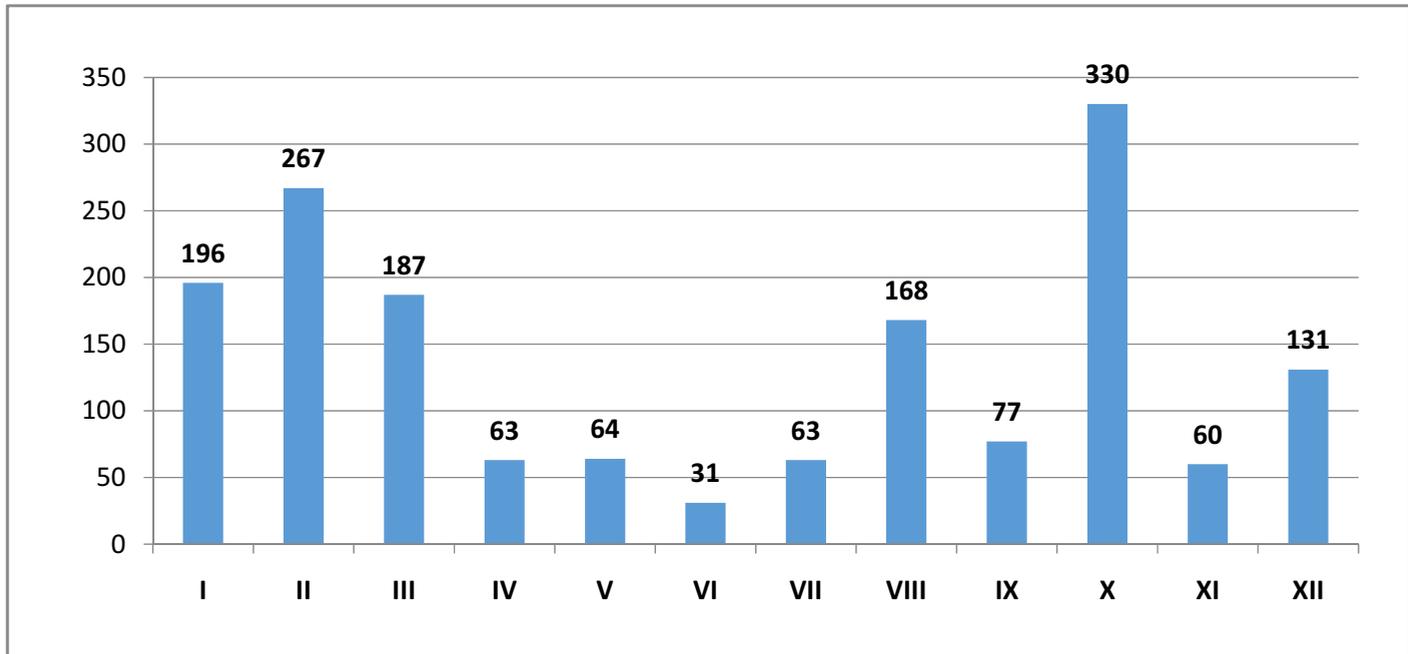
MONITORING OF ORDERS DELIVERED BY MAIL - 9,273



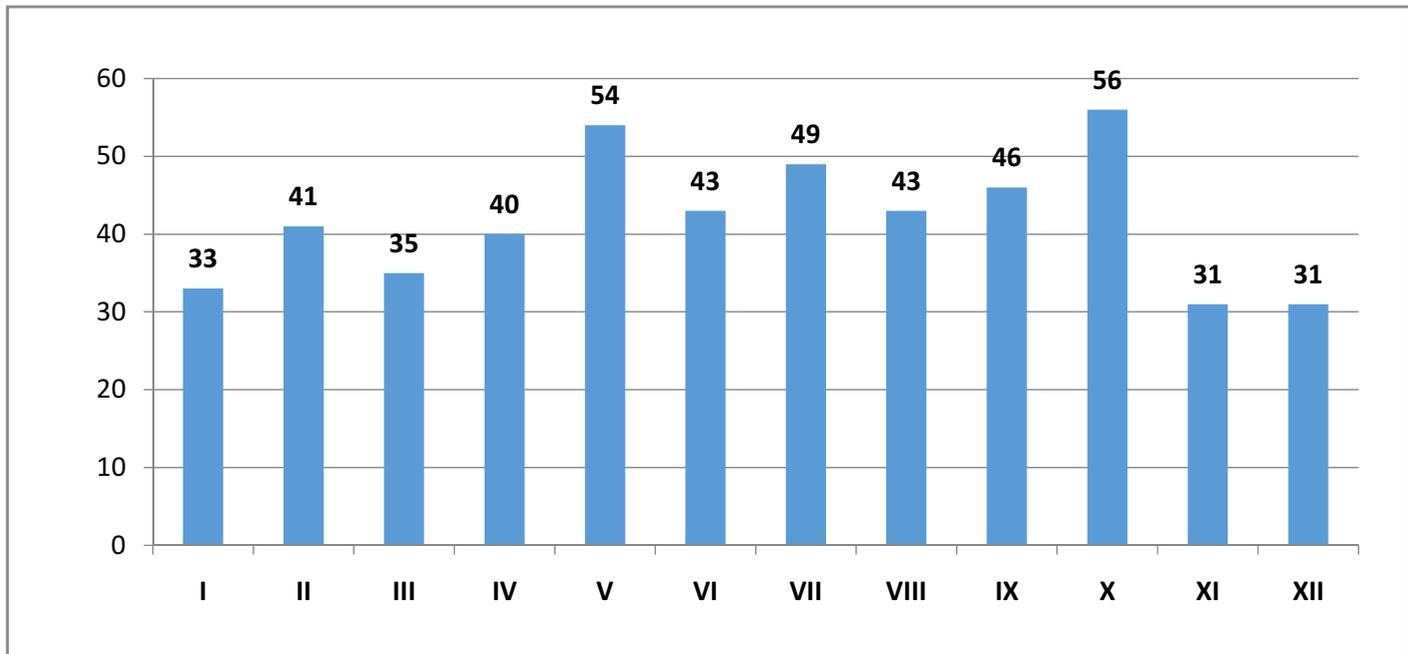
PUBLICATION OF THE DECISIONS OF THE BOARD OF DISPUTES OF THE REVENUE SERVICE - 687



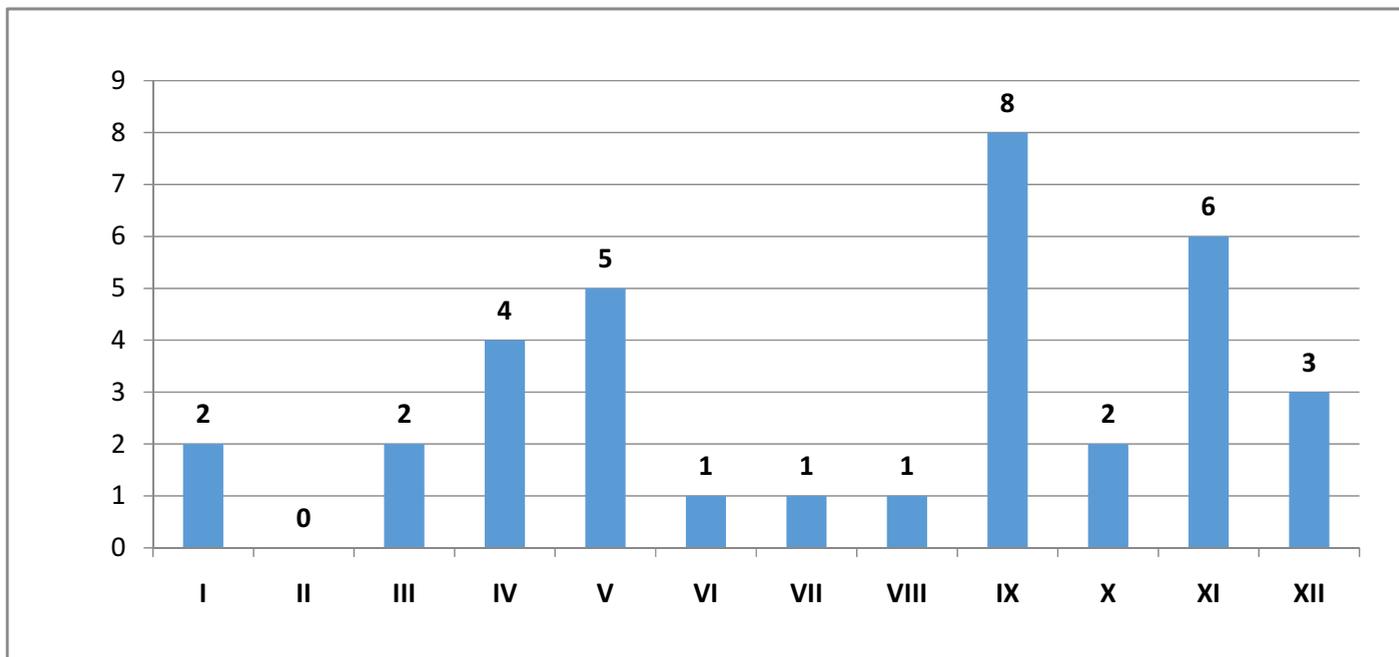
MONITORING OF THE DELIVERY OF THE DECISIONS OF THE BOARD OF DISPUTES OF THE MINISTRY OF FINANCE TO THE TAXPAYER - 1,637



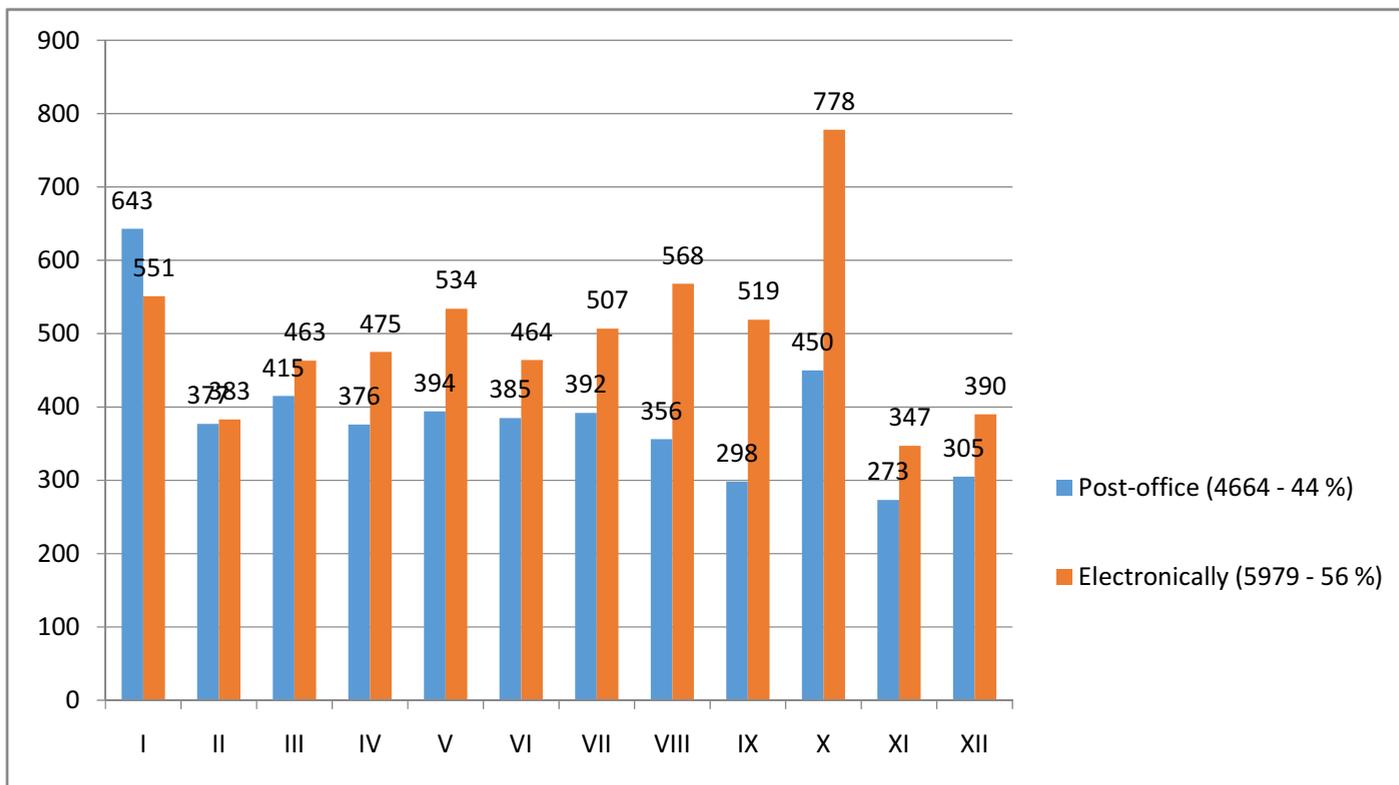
QUALITY CONTROL OVER THE DECISIONS MADE BY THE COMPLAINTS DEPARTMENT - 502



DRAFT AMENDMENTS PREPARED TO REGULATE PROBLEMATIC SITUATION – 35



STATISTICS OF CASES RECEIVED BY POST-OFFICE AND ELECTRONICALLY







DEPARTMENT OF HUMAN
RESOURCES MANAGEMENT
AND DEVELOPMENT





SALOME ZHORZHOLIANI
Head of the Department of Human Resources Management and Development

I am pleased to present the Department of Human Resources Management and Development of the Revenue Service. My platform as a labor and organization psychologist helps me to see the ongoing processes in the organization from different perspectives. Every institution represents a unique set of competencies, interests and values, therefore, prior to the development and implementation of HR systems, I try to study and evaluate the uniqueness of each individual or institution, so that the proposed schemes to be fully adapted to organizational culture and needs.

For the purpose of creation and effective management of human capital, from the beginning of 2017, the development of systemic vision of the services and variety of human resources is ongoing continuously.

Our key objective is to ensure organizational processes, such as professional development, assessment of the work performed and results management, improvement of communication and increase of satisfaction. An important part of the work is to create an environment for existing employees, where they will be able to maximally realize their skills and abilities. Planned activities are conducted for the purpose to interest the high potential and qualified personnel as well.

Caring for the motivation and satisfaction of the employees is a great challenge for the Human Resources Management and Development Department, moreover, taking into consideration the existing legislative restrictions. Through various activities, we strive to create precondition in order to facilitate the maximal development of the employees of the organization.

TRAINING AND DEVELOPMENT OF THE EMPLOYEES

Support for the training and development of the Revenue Service employees is one of the priorities in activities of the Department of Human Resources Management and Development. In 2018 more than 1500 employees were retrained in terms of enhancement of professional skills as well as the knowledge.

This number of employees is unprecedented compared to the previous years. We maximally tried to respond to the necessities outlined as a result of the Training Needs Analysis and through the effective cooperation with the Academy of the Ministry of Finance as well as other invited lecturers we have retrained staff in the following directions:



- Effective service techniques;
- Conducting negotiations;
- Interpersonal relations and conflict management;
- Business Negotiation Management (Harvard Methodology);
- Strategic communication;
- Leadership and management;
- Conflict management (it should be noted that this training module, based on the results of the analysis of the real cases and job specifications, was specially developed for the employees of the Tax Monitoring Department of the Revenue Service by the invited trainer, who has many years of experience in this direction);
- Presentation preparation and conducting skills;
- Time and objectives management;
- Professional stress management;
- Training of trainers;
- Project management;
- Association agreement and legal approximation;
- State procurement;
- Mandatory and selective inventory in the budget organization;
- Public finances management;
- Excel;
- MS Word & Power Point;
- General Administrative Code;
- Accounting in entrepreneurial facilities;
- Accounting and Tax Code for the interns of the Audit Department;
- Special training courses for interns of Customs Department;
- Trainings related to the new legislation on tobacco control;
- Internal control systems.

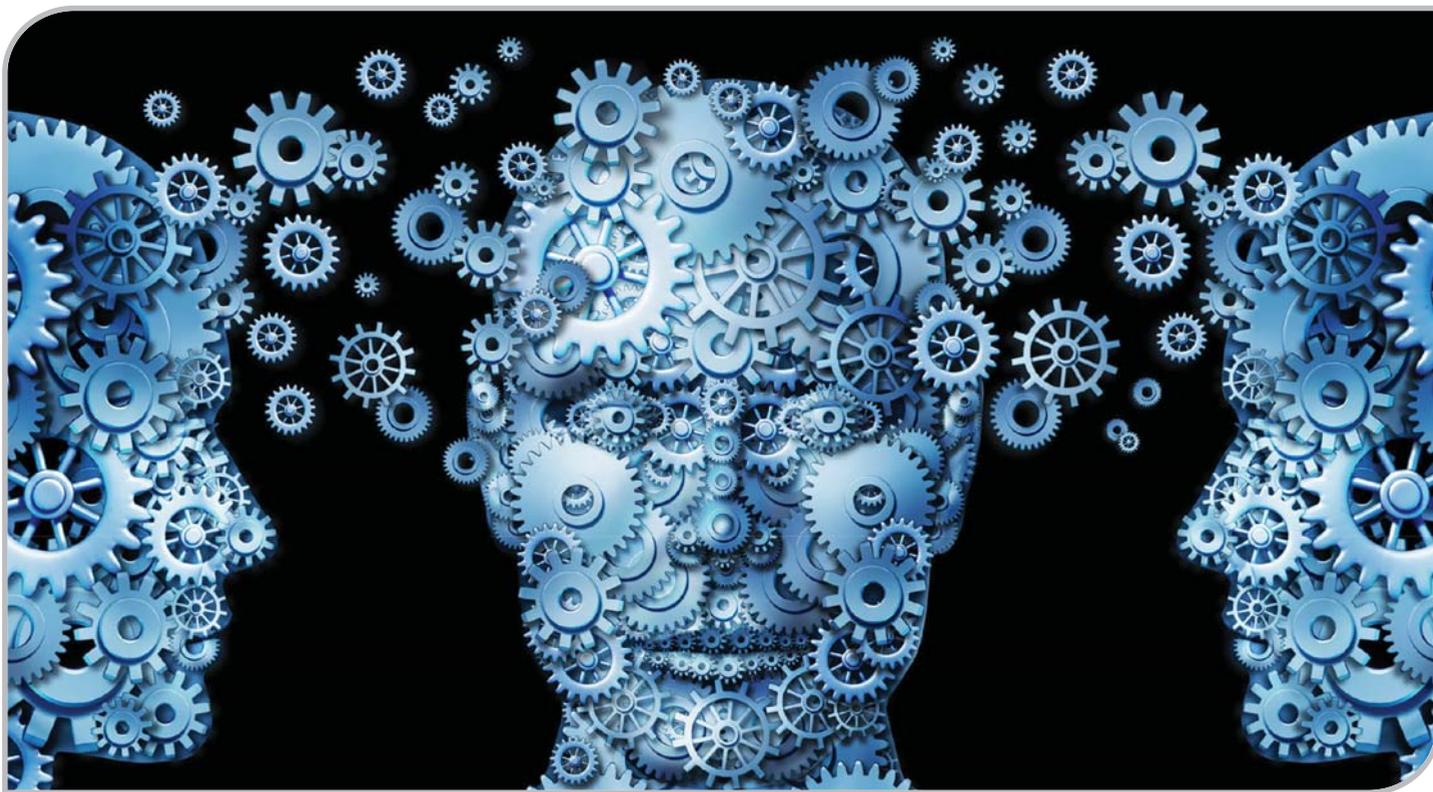
JOB DESCRIPTION AND ANALYSIS

The existence of standardized job descriptions in the organization ensures establishment of the work-related proper expectations which, in turn is an important factor in the process of setting and achieving working objectives and tasks.

In May 2018, the Department of Human Resources Management and Development has completed work description and analysis process, which considered interviewing of all the employees working at different structural positions as well as the analysis of the work specification both in Tbilisi and at regional locations. As a result, job descriptions, so-called Position Instructions have been developed at each structural subdivision. This document represents the set of functions and duties, rights and responsibilities, subordinate connections. Since the modern working environment is characterized by constant dynamic and change of work functions, the Human Resources Development Division regularly updates the job descriptions according to the changes.



ASSESSMENT SYSTEM



The current year was remarkable in terms of creating the internal HR tools as well. The Department of Human Resources Management and Development has introduced the work performance assessment system. The process of creation of the model found to be quite time-consuming and laborious, since the works with different specifications was studied thoroughly in details. Before the final approval of the system, the advices of the international experts have been considered as well, who have fully approved and supported the proposed method.

The work performance system of the employees of the Revenue Service is based on the individual assessment of the employee, which represents the competence evaluation method and consists of the three components:

- Soft skills;
- Assessment of specific technical knowledge;
- Or, in most cases, the combination of the abovementioned two criteria.

The system considers the following universal competences to evaluate:

1. Management of quality, risks and operations;
2. Leadership and development;
3. Teamwork;
4. Proactivity / initiative;
5. Problem solving / decision making skills and creativity;
6. Oral and written communication;
7. Analytical thinking;
8. Basic computer skills;
9. Strategy and vision;
10. Specific software skills;
11. Legislation;
12. Foreign language.

Assessment is made according to the 4-point system. The significance of competences differs in the context of the departments, divisions and levels (positions) and each competence has its weight, the total sum of which does not exceed the 100%. The first stage of the assessment process is self-evaluation (however, it does not affect the final score). And then, the process is downward and gradual, which implies the assessment by all the evaluators of their direct subordinates. The process is flexible and depends on the structures, positions and other specific issues in the departments.

The assessment system aims to identify the results of the work performed individually, which may become the basis for incentives, communication improvement and development.



EMPLOYER BRANDING

At all the employment forums conducted within 2018, the Revenue Service got acquainted with the students as one of the best employers. During the event, the employees of the HR Department, were delivering detailed information to the students regarding the systems existing in the Revenue Service, the possibility of obtaining unique knowledge as well as the further career advancement.



MOTIVATION AND SATISFACTION

SATISFACTION RESEARCH

At the end of 2018, a survey of organizational satisfaction was planned, the aim of which is to collect information on the views and opinions of employees in the LEPL Revenue Service. As a rule, the results of the survey are taken into consideration when planning the strategy of the next year and while working on the improvement of the work conditions and environment.



We understand that the main component of success of the organization is satisfied employees; therefore, we constantly strain to increase the satisfaction indicators of our employees. Organizational study is one of the instruments in this difficult process through which we try to identify all the necessities which are important for our employees and through the intensive work achieve the high level of labor satisfaction.

EMPLOYEE CARE PROGRAM

Within the frames of the employee care program, by the initiative of the Department of Human Resources Management and Development, the employees of the Revenue Service have the possibility to benefit from the special discounts in the companies with various types of services and products. Within the frames of the moral motivation, in 2018, for the outstanding performance of official duties, the Certificates of Appreciation were given to **300 employees** of the Revenue Service.

INTERNAL COMMUNICATION

Effective internal communication with the employees is one of the important objectives of all successful organizations, including the Revenue Service. In 2018, the internal communication existing in the Service was significantly improved. For this purpose, the Department of Human Resources Management and Development has gradually organized various events.

For the purpose of promoting labor satisfaction and internal communication, birthdays of the employees are constantly celebrated in the Service. Memorable greeting cards are sent at holidays as well as welcome cards exist for the new employees.



All the employees on behalf of the Revenue Service were given memorable brochures. Furthermore, till the end of 2018 the implementation of the project “transfer your wish to the colleague” is scheduled, within the frames of which, the employees will have the possibility to express their goodwill on a memorable card and transfer it to the colleague, which will encourage and strengthen interpersonal relationships between the employees.

In the part of the internal communications it should be necessary to note that the tender was completed and the process of introduction of the internal communications platform, the intranet has been commenced, which together with the Information Technology Center is implemented by the Department of Human Resources Management and Development. Existence of this communication platform will significantly facilitate and improve communication (exchange of necessary information and availability) both between the employees, as well as the management and the employees.

INTERNAL HR ACTIVITIES

In 2018, by the initiative of the Department of Human Resources Management and Development, with the aim of improving teamwork, interpersonal relationships and enhancing labor satisfaction, various interesting and entertaining events were conducted.



● INTELLECTUAL GAME - WHAT? WHERE? WHEN?

In February 2018, for the employees of the Revenue Service of the Ministry of Finance of Georgia, the intellectual game – “What? Where? When?” was organized. 19 teams comprised of the representatives of various departments of the Service, were taking part in the competition. The aim of the event was promotion of the logical thinking and teamwork skills. The winning team was awarded with a transitional cup and memorable awards.





● BOWLING CHAMPIONSHIP AND BILLIARD TOURNAMENT

In March 2018, bowling championship was held between the employees. At the same time, they had an opportunity to participate in a billiards tournament as well. More than 200 employees of the Revenue Service were engaged in the sports competitions. The aim of these activities was the promotion of the health lifestyle in the organization as well as development and advancement of corporate and team-work skills.



● BOARD GAMES

For the purpose of enhancement of teamwork skills and promotion of work satisfaction, in April 2018, another interesting and fun activity was held. Within the frames of the board games, the employees of the Revenue Service had the opportunity to take part in various competitions, as well as in classical chess, backgammon, different strategic, role, smart and logical thinking, mystical, imaginative funny games.



● **WORLD RUN - “WINGS FOR LIFE WORLD RUN 2018”**

In May, 2018, the employees of the Revenue Service of the Ministry of Finance of Georgia have joined the famous world marathon - “Wings for Life World Run”, which was held in 2018 in Kakheti. The main objective of engagement of the Revenue Service in the world run was participation in charity event and at the same time, this activity was dedicated to promotion of the health lifestyle and team building between the employees.



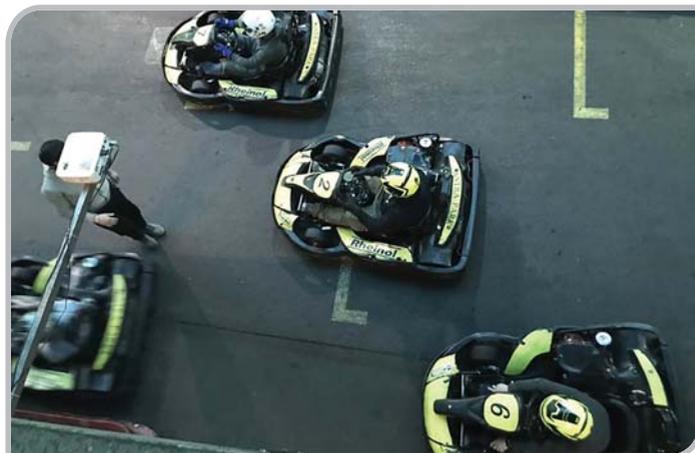


● INTERNATIONAL CHILDREN'S DAY

In connection with the International Children's Day, in the pavilion of the Ministry of Finance of Georgia another event was held. Within the frames of the entertainment program, the employees and their children had an opportunity to be engaged in various funny activities. The aim of this event was creation of positive impressions and festive mood for the employees and their children.

● TOURNAMENT IN KART RACING

At the end of the 2018, in November, for the employees of the Revenue Service another field sports activity was held - the amateur tournament in the kart racing. The competition was held in different male and female categories. The winners were revealed in the amateur kart racing.



RECRUITMENT FOR THE REVENUE SERVICE

Through the administered website www.hr.gov.ge of the Revenue Service, at 462 vacant positions existing in various structural units of the Revenue Service the contest was announced; 8047 applications were received, and as a result of selection stages (application selection / evaluation, testing, interview) 368 persons have been selected and appointed.



Structural units	Number of published applications	Number of vacancies	Number of received applications	Number of testing	Number of candidates selected by competition
Management of the Revenue service	1	1	50	0	1
Public Relations and Marketing Department	0	0	0	0	0
Department of Human Resources Management and Development	2	2	231	0	2
Department of International Relations	0	0	0	0	0
Professional Ethics and Monitoring Department	5	6	287	0	6
Information Technology Center	9	10	105	0	5
Financial Department	11	13	763	0	11
Legal Department	0	0	0	0	0
Complaints Department	7	10	277	0	9
Strategy and Reform Office	7	8	327	0	4
Analytical Department	0	0	0	0	0
Internal Audit Department	1	1	29	0	1

Department of Audit	18	29	552	16	12
Service Department	30	46	1060	18	25
Service Quality Control Division	1	3	111	0	3
Tax Monitoring Department	26	66	806	15	59
Tax and Customs Methodology Department	0	0	0	0	0
Customs Department	117	267	3449	85	230
Total:	235	462	8047	134	368

PERSONNEL ADMINISTRATION

- 328 employees were promoted to a higher position;
- 637 employees were appointed to other positions (horizontal transfer);
- 29 employees were encouraged for performing their duties in good faith;
- Different measures of disciplinary liability were imposed towards 88 employees of the structural units of the Service;
- 168 employees were dismissed from the structural units of the Service;
- 503 contracts / mutual agreements were signed with the contract employees;
- Relevant responses were prepared on the 160 letters received from various organizations and citizens;
- 1560 workplace certificates were issued for both active as well as former employees.

INTERNSHIP

- To ensure single personnel policy for the purpose of facilitating creation of the staff reserve, preparation of potential employee, their professional and practical skills development, as a result of competition (application selection, testing, interview) 416 individuals have been selected and appointed as an interns;
- Within the frames of the state internship program, in the various structural units of the Revenue Service, 70 students and graduates from different leading universities of Georgia have passed the internship.

PRACTICE

260 students from different high institutions and professional colleges have passed practice in various structural units of the Revenue Service.





FINANCIAL DEPARTMENT





GIORGI GOMARELI
Head of the Financial Department

I would like to welcome you on behalf of the Financial Department.

I am pleased that I have an opportunity to present the 2018 activity report of the Financial Department. The function of our Department is to promote the effective working process of the structural units of the Service as well as ensure their proper operation in terms of both financial as well as material and technical direction.

As a result of the daily diligent efforts of the employees of the Department, on the way to solving tasks posed before the service, within the reporting year, all the projects and events were conducted smoothly, which were initiated by the relevant structural units of the Service. In addition, due to the obligation to protect the image of the country and the Service, maintenance and modernization of the Service infrastructure was carried out in everyday mode. The main basis and the objective of the abovementioned measures was promotion of the activities carried out by relevant structural units in the process of delivery of quality services of the Revenue Service to the visitors and the taxpayers.

2018 plan for own revenues allowed by the legislation was defined by **114,014.0** thousand GEL, which was performed by the excess of **3.7%** and in fact, as a mobilized income amounted to **118,205.9** thousand GEL.

Name	Plan	Cash Performance	%
Total budget for 2018	167,333,8	162,581.0	97.2%

For the purposes of improving and promoting the development of tax/customs services, the Financial Department continuously carried out a variety of projects and events, which included the construction/repairs in service offices, as well as implementation of various programs, the purchase of equipment and services and funding current activities in accordance with the needs of the Service. In particular:

a) For improvement of service standards and uninterrupted movement of visitors, repair/rehabilitation/improvement works were carried out at the following facilities:

- **The customs clearance zone “Tbilisi”** - covering of facades and interior walls of the buildings were completed; fire safety systems were installed;
- **The customs clearance zone “Batumi”** - works of ceilings and wall covering with the materials corresponding to the European standards was ensured in the phytosanitary control facility;
- **The customs crossing point “Sarpi”** - rehabilitation works of the roof of the building was completed. The rehabilitation works of ceilings and building interior were carried out; furthermore, new ventilation systems were installed in wet areas;
- **The customs crossing point “Poti Port”** - replacement works of the damaged 210 meters long power cable of the railway scanner was conducted;
- **The customs crossing point “Kazbegi”** - flooring, partitions and photo-item door arrangement works in the entering and exit halls;
- **The customs crossing point “Guguti”** - customs territory improvement works were ensured, in particular: damaged concrete pavement was restored, damaged Carbolux tiles were changed, borders and sidewalks have been changed, as well as soil supporting wall was covered and sectional fence was arranged;
- **The customs crossing point “Ninotsminda”** - the implementation of the project on building reconstruction, reinforcement / strengthening and improvement works have been commenced. Within the reporting period the works for the first stage have been completed, in particular: framing the columns with the metal and wall reinforcement; as well as upgrade / covering with asphalt of the roads were ensured in the vicinity of the old buildings;

- **The customs crossing point “Sadakhlo”** - the second and the main stage of the construction of the building dedicated for phytosanitary and veterinary control was ensured. The construction is in final phase and in the first quarter of 2019 another facility necessary for phyto-vet control and arranged and equipped in accordance with the European standards will be added to the customs infrastructure of Georgia.
- **The customs crossing point “Red Bridge”** - for the phyto-vet facility the arrangement of 7 cold storage rooms as well as the relevant refrigeration equipment installation works were ensured. Wells were provided to provide water supply as well;
- **The customs crossing point “Kartsakhi”** - dock levers, door blinds and protective barriers were arranged on the phyto-vet building; in the resting space of the customs officials the ceiling was repaired and the walls were covered; restoration of floor heating was ensured in the canine building;
- **The customs crossing point “Lagodekhi”** - the building repair works were carried out;
- **Lagodekhi service center** - various repair works were conducted;
- **Poti service center** - damaged floors have been replaced; the existing lights have been replaced with light lights; full rehabilitation of wet areas was carried out, the walls and floor were faced in the free space for arranging the kitchen; internal painting works were conducted, the damaged railings of the balcony has been replaced by glass-aluminum; rehabilitation of tin roof was carried out; at the facade of the building (at the side of the yard) colored tin plates were arranged; the painting works of the main building facades and supporting buildings were carried out and damaged glass windows were replaced; the fence rehabilitation was carried out; new standard flag poles were installed; for the arrangement of the archive storeroom the reconstruction works have been conducted;
- **Sagarejo service center** - reconstruction works have been completed;
- **Representation of Chiatura in Zestaponi service center** - full construction and repair works of the office interior as well as exterior were conducted;
Furthermore, for ensuring smooth operation of the Revenue Service, the following has been implemented:
- **Tbilisi, canine (Orkhevi) training base** - outdoor lighting works as well as complete rehabilitation of sewerage system were carried out;

- **Administrative building (Tbilisi, Kostava #68a)** - soil supporting wall coverings with basalt slabs was ensured as well as various repair works have been completed.

For the purpose of construction/rehabilitation works of the Revenue Service facilities, as well as procurement of various equipment and software (increase of non-financial assets), in 2018, about 7,4 million GEL was spent. Out of this amount, for the purpose of improving and uninterrupted implementation of customs and tax control, the following has been procured:

Computer hardware and various supportive software services, in particular: 270 tablet computers were procured. At the customs crossing points and customs clearance zones the customer flow management and video surveillance systems have been replaced. For the various customs crossing points of different departments, 4 units of row management and flow regulation system of motor vehicles (separately, semi-trailers or trailers), non-passenger and dangerous cargo vehicles were procured. 370 personal and 140 units of portable computers have been procured. For Tax Monitoring and Customs Department officers, the remote video surveillance cameras have been procured, etc.

The Financial Department takes care of and maintains about 65 facilities in the use of the Revenue Service located on different locations throughout the country, which implies taking care for maintenance/cleaning of these facilities, including smooth operation of inventories, heating/cooling systems, basic and alternative sources of electricity, transportation and other special equipment located here. In addition, the activities carried out by the Financial Department during the financial year includes the relevant financial and material/technical provision required for up to 4,000 employees of the Revenue Service.

The Financial Department, in terms of archival activities, within its competence has been actively involved in the reform related to the registration of land plots in the country during the reporting year. In particular, for the fulfillment of the Law of Georgia on the Improvement of Cadastral Data and the Procedure for Systematic and Sporadic Registration of Rights to Plots of Land within the Framework of the State Project, in total **51,689** letters have been received from the Public Registry and responded. On the basis of most of them, the registration of the land plots is fulfilled.

During the last reporting period, the Archives Division of the Financial Department processed and archived registry/taxation case documents of **846,853** taxpayers.





LEGAL DEPARTMENT





LEVAN TSITELASHVILI
Head of the Legal Department

Welcome, friends!

I would like to present the activity report of 2018 of the Legal Department of the Revenue Service and at the same time, use this opportunity and thank each employee and our colleagues for the work performed, loyalty and collegiality.

During years, activity of the Legal Department team, on a daily basis, has been related to legal regulation of the issues significant for the Revenue Service, development of various important draft laws and regulations, legal expertise of documentation and agreements as well as timely and proper legal response to the challenges in the activities of the Revenue Service.

This report provides brief information performed by the Department within the year, also the provides data and number of statistical indicators, regarding considered and solved significant issues.

THE MAIN TASKS OF THE LEGAL DEPARTMENT ARE THE FOLLOWING:

- Preparation of regulatory draft normative acts of the Revenue Service;
- Legal expertise of the draft law and regulations;
- In accordance with the already implemented and further operations, consideration of the documentation received regarding the preliminary decision on tax reporting rules and / or tax liabilities to be executed as well as the organizational provision of decision making;
- Consideration of the correspondence of taxpayer, relevant representative and other stakeholders;
- Development of legislative acts and methodological instructions related to the proceedings on the offences in the administration;
- Ensuring issuance of public information from the administration.

During the last year, within its competence, the Legal Department has:

- **Considered and prepared notes and recommendations on 49 draft international agreement;**
- **Responded to 869 applications received by the Revenue Service, the execution of which was entrusted to the Legal Department;**
- **Considered 72 draft laws, which was sent from various agencies in the Revenue Service and within the competence, was presented to the Legal Department;**
- **Prepared 86 draft normative administrative and 83 individual administrative acts;**
- **Analyzed up to 200 issues initiated by various state agencies, which have been submitted to the Government of Georgia within the year;**
- **Satisfied the requests of 58 applicants regarding the issuance of public information;**
- **Developed 3 protocols of the meeting of Coordinating Council.**

Legal Department of the Revenue Service ensures, functioning of the working group developing draft preliminary decisions regarding the rules of tax reporting or tax liabilities to be executed, according to the implemented and further operations envisaged by the paragraph 1 of the Article 47 of the Tax Code of Georgia.

Legal Department including december of 2018, regarding the issuance of preliminary decisions analyzed 105 requests . From them 38 request have been submitted in 2017 and 67 in 2018. 10 taxpayers were refused to issue a preliminary decision, while 64 preliminary decisions have been provided.

By months, the process of considering the preliminary decisions looks as follows:

Regarding preliminary decisions	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Considered requests regarding issuance of preliminary decision. Among them:	42	46	34	39	45	51	46	47	42	50	44	45
Refusal on issuing preliminary decision	0	0	1	0	1	2	3	0	0	0	3	0
Under consideration (including, sent to the Ministry for agreement)	42	25	32	39	44	36	43	41	42	42	41	30
Issued preliminary decision	0	21	1	0	0	13	0	6	0	8	0	15

While issuing preliminary decisions, significant topics have been Analyzed, and developed common approach by the administration:

- Defining tax liabilities, when receiving of shares by the shareholder (registration) precedes the capital investment instead of shares;
- Within the barter transaction, the issue of defining the tax liabilities;
- In accordance with the paragraph 79 of the Article 309 of the Tax Code of Georgia, VAT exemption with the right to deduct from the supply of immovable property;
- For the Corporate income tax purposes, the issue of determining the price while the shares are sold at a lower price than the market value;
- Issue of determination of tax liabilities in the process of reorganization of enterprise;
- Determining tax liabilities while distribution of net profit by the permanent establishment of a non-resident enterprise, when the financial reporting by the enterprise is implemented in the foreign currency;
- Determining tax liabilities in restructuring of enterprises within the group;
- Determining the issue of determining the place of providing services related to the mining process for the VAT purposes;
- The issue of taxation with the corporate income tax of the donation to charitable organization;
- Goodwill issue for the taxation purposes with the positive difference between the compensation amount paid for the purchase of the enterprise and the value of the purchased assets;
- Withdrawal of the profit by a non-resident enterprise for its permanent establishment;
- Penal sum as a component of the service for suspension of the full and / or empty container and VAT taxation issue;
- determination of the tax liability for the purposes of profit tax, personal income tax and VAT benefits while reduction of the authorized capital of the enterprise (with monetary form),
- Determination of tax liabilities during expropriation;
- Determination tax liabilities prior to receiving the status of a tourist enterprise and after receiving the status;

- Determination tax liabilities while providing clinical research services;
- Taxation of transfer of the vehicle in the use with the right to final purchase;
- Determination of tax liabilities in the field of tourism and distribution of tax benefits;
- Issue of the origin of permanent establishment when the foreign enterprise branch performs supporting activities;
- Determination of tax liabilities on processing all the assets of the enterprise and distribution of tax benefits;
- The issue of VAT taxation of the production acquired from agricultural activities, when the biological asset is produced by the legal entity in Georgia or is imported.

Within 2018, by the Legal Department draft legislative acts have been developed and analyzed, including:

- Draft Decree of the Government of Georgia regarding the “Approval of Rules for Granting of Grant and Humanitarian Aid Status to the Goods Imported / to be Imported in Georgia as well as the Registration and Monitoring of Use” and the draft law of Georgia on the “Amendments to the Tax Code of Georgia”;
- Draft law of Georgia on the amendments to the law of Georgia on the Revenue Service, regarding the state ranks and special guarantees for social security of the employees of the Revenue Service;
- Draft law of Georgia regarding the “Amendments to the Tax Code of Georgia” on tax offenses;
- Draft Order of the Minister of Finance regarding the Amendments to the Order #633 of the Minister of Finance dated 28 December 2011 on the Approval of the Rules regarding the Using of Tax Benefit and Refund to Non-residents the Tax Paid in Georgia envisaged by the International Agreement on Avoidance of Double Taxation, concerning determination of the issue of responsibility for the accuracy of information presented by a non-resident;
- Draft Decree of the Government of Georgia regarding the Approval of the Rules for Granting and Abolishing the Special Enterprise Status to a person, Determining the Goods Originated or Produced on the Occupied Territory of Georgia and Operating the Person with this Status;
- Draft Decree of the Government of Georgia regarding the Approval of the Rules for the Excise Tax, the Excise Tax Calculation, Declaration and Payment for a Person with a Special Enterprise Status.

Those changes should be highlighted separately, which were developed regarding the amendments to the Order #996 of the Minister of Finance of Georgia dated 31 December 2010 on the Tax Administration and covered various significant issues, in particular:

- Regarding the permit to arrange gambling and / or winning games, if it meets the requirements envisaged by the paragraph 7 of the Article 11 of the Law of Georgia on the Arrangement of Lottery, Gambling and Winning Games and in case of the permission for arrangement of gambling house, it meets the requirements under the paragraph 1 (c1) of the Article 19, this permit can be transferred to the successor of the holder of the right;

- Regarding the change of the oil products tax invoices registry as well as the defining the persons using the stationary facility of oil products;
- Regarding the VAT payment of advance in case of reorganization of enterprises;
- Regarding the definition of the use of market price while inspecting the taxpayers;
- Regarding the granting the status of the organizer of the market and the approval of the form of information to be submitted by them;
- Regarding the form of the tax document and its filling rule;
- Regarding the tax exemptions in connection with the income tax of multiple-child persons;
- Regarding the amendments in the form of declaration for withholding tax payment and the rule of its filling;
- Regarding marking with the means of identification of goods subject to the marking with excise marks;
- With respect to persons with special enterprise status.

The representatives of the Legal Department participated in the activities of the following working groups:

- Working group established for the purpose of accessing the Conventions on the Simplification of Formalities in Trade in Goods and on a Common Transit Procedure dated 20 May 1987;
- Working group established for the purpose of harmonization of the standards of implementation of phytosanitary, veterinary and sanitary border-quarantine control with the European legislation, recommendations of the European experts as well as consideration of the practical experience in terms of border-quarantine control;
- Working group implementing necessary procedures for accessing the Kyoto Convention;
- Working group established according to the Order of the Director General of the Revenue Service on Creation of the working Group working on the Plant, Animal health and Food Safety Issues;
- Working group established for the purpose of developing the draft legislative act concerning the formation of the National Trade Promotion Committee in accordance with the paragraph 2 of the Article 23 of the Trade Facilitation Agreement (TFA);
- Working group established for ensuring the changes to be implemented in the current normative acts and issuing necessary normative acts while enacting the draft Customs Code of Georgia as well as harmonization of Georgian legislation to the standards of international law;
- Working group created for the purpose of implementation to the legislation the recommendations developed as a result of the analysis concerning the use of sanctions envisaged by the paragraphs 19 and 191 of the Article 289 of the Tax Code of Georgia, in particular related to the offenses concerning the illegal disposal of goods under customs supervision;

Within 2018, by the Legal Department 19 situational manuals have been prepared of the following topics:

- Deduction of losses resulting from the revaluation of the existing liability to a natural person;
- Deduction of VAT according to the main means of production;
- Deduction of VAT on detected loss;
- Imposing VAT on received funding;
- Imposing VAT on the supply of agricultural products;
- Deduction of the basic means;
- Accountancy through violation of timeframe by the natural person according to the property tax;
- Imposing VAT on ready-made production;
- Defining of VAT obligations on self-produced facilities by non-entrepreneurial (non-commercial) legal entity;
- Imposing VAT on delivery of residents (apartments) received from the partnership;
- On the contributions made in the capital of the enterprise in the form of VAT service;
- Cancellation of deducted VAT on the returned goods;
- Results of taxation of VAT exempt operation with the right of deduction;
- Determining family income for property tax purposes;
- Amount of taxable benefit by income tax;
- Period of inspection for property tax purposes;
- penalty for the loss of commodity-material values revealed by inventory;
- Lack of commodity-material values identified by the inventory of the tax authority;
- Services provided by the medical institution within the scope of insurance.

To acknowledge the agreement reached within the frames of cooperation between the Service and various state and private companies, draft MOUs have been developed regarding the following issues:

- With Tbilisi Municipality City Hall, which was aimed at within the frames of cooperation delivery of information of the Revenue Service for Tbilisi City Hall for the purpose of publication at the website. In particular, Tbilisi City Hall, On the 19th of each month, provides the Revenue Service with the identification numbers of tax-paying entities and the field of activity, based on which, the Revenue Service ensures provision of total information to Tbilisi City Hall regarding not less than five tax paying entity groups. The project is being agreed with Tbilisi Municipality City Hall;
- Between the Legal Entity of Public Law – Tbilisi Technical University Business Technology faculty, regarding organized conducting of industrial practice of the students of Business Technology faculty in the Revenue Service;
- Memorandums concerning the data exchange were signed with 14 commercial banks and the Memorandum was signed with 7 banks on mutual cooperation on granting micro and small business status.





SERVICE QAULTY
CONTROL DIVISION





KRISTINE LORTKIPANIDZE
Head of the Service
Quality Control Division

Welcome,

I am pleased that in 2018, under the guidance of the Service Quality Control Division of the Revenue Service I have served my country. Furthermore, I have the honor to present the activities and achievements of 2018 of the Division.

The aim of our Service is to ensure simplification of communication to the citizens as much as possible as well as provide them with the high quality of service. Therefore, the main function of our Division is tracking the service process as well as its constant improvement.

In 2018, the Service Quality Control Division in terms of identifying and eliminating the gaps in the service has launched and implemented various projects. Headed the projects such as:

- Revision / elaborating the “effective service standards”;
- Retraining the front line staff in effective service;
- Monitoring and assessment of the service of employees in the service centers;
- Taxpayers' satisfaction survey.

I would like to note with pride that the team of Service Quality Control Division expresses the readiness for the hard work in order the Revenue Service to provide the citizens with the fast, efficient and high quality services.

- **Revision / elaborating the service standards** - for the purpose of providing the skills necessary for the service, conducting communication and increasing the ethical norms in the front line employees, the standards operating for both service center as well as call center, district officers and Customs Service Departments have been renewed. This standard reflects the purpose of the Service to ensure high quality service.

The Service Quality Control Division and Methodology Department were participating in the development of this document.

- **Organizing trainings for "effective service"** - in the format of the training, teaching of the employees to the renewed standards was ensured. The employees of the service center and the call center as well as the district officers participated throughout Tbilisi and region in the "effective service" training.

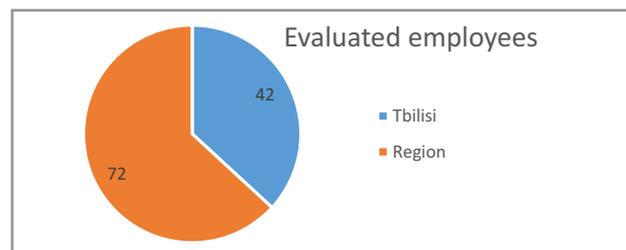
The Service Quality Control Division together with the Human Resources Development Department led this training.

District officer	55
Employee of the Control Unit of the Gambling Business Regulation Division	6
Personal Tax Advisor	22
Call center employee	30
Service center employee	112

- **Resourcing the Division and writing of a work plan** - three-year working plan of the Division was prescribed which covers the ways of evaluations the services and monitoring, as well as the stages for effective introduction of the methods.

At the same time, 3 new employees were appointed and one employee appointed by service contract.

- **Assessment of service quality of the employees in service centers** - the survey conducted by private company aimed at evaluating the quality of services provided to the citizens. 114 employees have been assessed throughout Georgia. The assessments of the service was done based on the set service standards.



- **Getting feedback from the citizens regarding the service and assessment of service satisfaction** - in autumn 2018, the employees of the Division have conducted the project, the aim of which was the assessment of the satisfaction of the customers by the provided service as well as identification of the existing gaps in the process of rendering the service. The project was implemented in the crevice centers of Tbilisi, as well as the regions (Telavi, Gori, Kutaisi, Poti and Batumi).





TAX AND CUSTOMS
METHODOLOGY
DEPARTMENT





ROMAN BUGHADZE
Head of the Tax and Customs
Methodology Department

As the Head of the Tax and Customs methodology Department of the Revenue Service, I am pleased and delighted to present the activity report of 2018.

I would like to inform you, that taking into consideration the experiences of tax administration of various developed countries as well as the International Monetary Fund, in 2018 the Tax and Customs Department was established which is aimed at defining the tax and customs administration policy.

Within 2018, for the purpose of perfection of the legislation as well as applying of uniform standard of use of legislation, proposals, recommendations and procedural / situational draft textbooks have been prepared. The practice of using the provisions of tax legislation has been studied as well as relevant recommendations and methodological instructions have been developed.

Department is actively engaged in the process of fulfillment of the activities envisaged by the 2017-2020 strategy of the Revenue Service. Within the frames of strategic objectives, the work was ongoing concerning the introduction of projects on automatic refund of excessive VAT and fair, objective and transparent system of sanctions. In order to ensure voluntary lawfulness, the primary concept on the development of remote services was developed for the taxpayers. Furthermore, together with the structural units, active work is ongoing in terms of raising the declaring culture.

Finally, I want to express my sincere gratitude towards each member of the team. The professionalism of our team, sense of responsibility and enthusiasm are the prerequisites for successful accomplishment of the objectives.

❖ **Tax and Customs Methodology Department, from the day of its creation actively began to work towards the improvement of tax administration. Within 2018, the Department has leded various significant projects of strategic importance:**

- **Automatic VAT refund** – by the initiative of the Government of Georgia, the foundation was laid to the idea of implementation of the most significant reform which implies introduction of simplified and fast, automatic refund system of the excessively paid VAT amount. For this purpose, within 2018, the Department was actively engaged in the working process and as a result, several procedural manuals and draft normative acts were developed.

Automatic VAT refund system covers the criteria for granting the relevant size status to the taxpayer. Taking into consideration the abovementioned, in the last year, the Department has developed the draft methodology for size segmentation criteria of the taxpayers as well as granting / abolishing other size criteria. With the purpose of legal provision of the automatic VAT refund rules, by the Department and through the engagement of Analytical Department, procedural manuals on tax control methodology of VAT declarations and management of risk modules for automatic refund were developed.

- **Sanctions system reform** – group created under the guidance of the Tax and Customs Methodology of the Department was working of the development of the concept on introduction of the fair, objective and transparent system according to the offenses administered by the Revenue Service. The working group has formed manual for the regulation of imposing the sanction to the person, which is essentially in line with the recommendations of the International Monetary Fund. The significant part of these principles was reflected to the package of the amendments to be made in the Tax Code of Georgia.
- **Case management** – for the purpose of the effective administration of tax inspection, including the rational distribution of the time and labor resources, in the Revenue Service, the necessity of ensuring single software for management of the processes is outlined.

In 2018, under the guidance of the Tax and Customs Methodology Department, on the way to solving this task, significant step was made forward. In particular, as a result of implementation of intensive working processes, the document was developed – “technical task on functional requirements of the of the tax audit process management”. Development of this document is necessary precondition for successful implementation of the project, making further steps which imply the introduction of software directly.

- **Development of remote services** – one of the strategic objectives of the Revenue Service is ensuring services focused on the necessities of the stakeholders through the innovative technologies. Relations with taxpayers should be simplified, so that their visit to the service centers was not necessary or was minimized as well as using services through direct communication which can be provided remotely.

In 2018, the Tax and Customs Department, commenced active work in terms of this objective. Primary version of the concept of development of the remote services is already developed. Furthermore, specialized structural unit was formed in the Department in the form of Taxpayers' Education and Services Methodology Division. In addition, from next year, more intensive activity is planned in this direction.

- **Small business** – for the purpose of promotion of the small business and to alleviate the tax burden to the taxpayers of this category, based on the amendments to the Tax Code of Georgia, in 2018, the Tax and Customs Methodology Department has developed draft amendments to the Order #999 of the Minister of Finance of Georgia dated 31 December 2010 on the Use of Special Tax Regime. This draft covers detailed instruction regulating the issues of granting, abolishing of relevant status, activity of the person with status, as

well as tax reports. Adoption of this instruction was necessary for persons with status or willing to have a status for the purpose of realization of the possibility granted by the law. In parallel with the development of the instructions, for the purpose of informing the taxpayers on a timely and effective manner, the small business roadmap was prepared regarding the activity of the small business status as well as topical issues related to taxation.

- **The rule for determining the property value at market price** – according to the Law of Georgia №2327-II dated 4 May, 2018 on Changes to the Tax Code of Georgia, the Article 202 of the Tax Code of Georgia was added the paragraph 41. The objective of adoption of the draft law was ensuring the compliance of the paragraph 4 of the Article 202 to the decision of the Constitutional Court. Through the initiated legislative amendments, the tax agency is entitled while tax inspection determine the cost of taxable property at market price.

Thus, based on the abovementioned legislative amendments, deriving from the significance of determining the property cost at market price, the Tax and Customs Methodology Department has prepared the rule for determining the property value at market price while tax inspection. This was reflected in the Instruction on Tax Administration approved by the Order #996 of the Minister of Finance of Georgia dated 31 December 2010.

- **Special enterprise** – for the purpose of promotion of trade relations at the occupied territories of Georgia, expanding the economic relations along the boundary lines, the Parliament of Georgia has adopted the package of legislative amendments. Including, amendments were made to the Tax Code of Georgia. By the amendments implemented, persons legitimately residing in the Autonomous Republic of Abkhazia and Tskhinvali Region (formerly the Autonomous Region of South Ossetia) are given opportunity to receive special enterprise status and be registered as a taxpayer. For persons with such status, significant tax benefits are envisaged by the Code.

In 2018, the Tax and Customs Methodology Department, for the purpose of implementation of this initiative, has developed relevant draft normative acts. These are: "The Rules for Granting and Abolishing the Special Enterprise Status to Person, Determining the Goods Originated or Produced in the Occupied Territory of Georgia and Procedure for the Functioning of a Person with the Status" and "Excise Tax Object for Person Having the Special Enterprise Status, as well as Rule of Calculation, Declaration and Payment of Excise Tax".

- **Tax document** – for the purpose of improvement of the tax administration and simplification of tax registration for taxpayers, based on the amendments to the Tax Code of Georgia, the tax document was developed. The Tax and Customs Department was actively participating in the development of normative act necessary for introduction of tax document, through which the form of the tax document and the procedure for its completion has been approved.

- ❖ **One of the functions of the Tax and Customs Methodology Department is the development of the procedural manuals for the fulfillment of separate functions by the operational departments of the Revenue Service. Within the frames of this function, the Department has developed draft procedural manual regarding the "Form, Development and Use of Procedural Manual of the Operational Departments of the Revenue Service", which was approved by the Order #29255 dated 2018 of the Revenue Service. This document represents the frame guide for the development of further procedural manuals.**

- ❖ **One of the main functions of the Department is the assessment of existing programs in the Revenue Service as well as searching for the ways of elimination of identified gaps. During 2018, within the frames of this function, various significant activities were implemented by the Department, including the following:**

- **Initiation of introduction of e-reporting journal of slot machines** – the Department has ensured the analysis of the outcomes of tax inspection of the persons organizing gambling through slot machines when the deficiencies were identified. In particular, it was defined that legislation does not fully regulate the rules for reporting the data of slot machines.

The Department has developed a concept, which implies the improvement of tax administration activities of persons organizing gambling through slot machines so that the new regulation maximally ensures registration from slot machines the information necessary for tax control activities. Introduction of such regulation will increase legal clarity as well as will establish simple, clear and uniform registration rules for taxpayers in the relevant field, which shall improve the tax administration quality.

- **Writing off the commodity - material values** – our Department has studied the procedures defined by the legislation regarding writing off the commodity – material values. As a result of the study it was defined that the existing legislation (regulation) cannot properly consider the type of those writing off the commodity – material values which imply tare as well as the content / liquid placed in it.

To solve the existing problem the Tax and Customs Methodology Department has developed draft “Procedural Manual on Writing off the Commodity – Material Values”.

- **Principles of accounting the production loss** – Department has also evaluated the existing program for registration and control of loss existing in the production process by the taxpayers. Within the process of evaluation, working meetings were held with the operational departments and the representatives of the individual entrepreneurial entities.

Within the frames of the evaluation, it was outlined that implementation of registration and monitoring regarding the loss related to biological assets and other enterprises is problematic. Therefore, the Department was actively working on the new enterprise loss reporting and control concept.

- **Automated data filling** – Department has studied the principle of filling the declared data in the tax inspection act and as a result it was identified that data filling was ensured mechanically, which is related to the labor resource expenditures as well as the risks of technical errors while filling.

For the purpose of introduction of automated data filling system, saving time and labor resources of the persons engaged in the audit process and prevention of mechanical errors, the Department has developed automated data filling concept.

- **Module for taxation of non-resident persons to a source of payment** – Department has assessed the existing program in terms of refund of excessively taxed payment derived from international agreements on the evasion of double taxation in terms of taxes with the payment source of the revenues received by the non-resident persons. Within the frames of the evaluation, it was identified that the existing procedures needs to be refined. For this purpose, the Department was working on the development of “E-reporting Module of the Accrued / Reduced Amounts of the Non-resident Persons”. This module ensures the detailed registration of the amounts accrued / reduced with the declaration presented by the taxpayers as well as amounts accrued / reduced while tax inspection by the Audit Department and the amounts refunded within the competence by the Service Department.

- **Problems with labeling the pouring drinks** – our Department has studied the procedures existing regarding the labeling of non-alcoholic carbonated drinks. It was identified that delivering of carbonated, sugar or other sweetened (lemonade and juice) drinks through pouring in public places subjects to mandatory marking, which significantly complicates tax administration of these activities. In order to simplify the administration process, the Department has developed draft amendments to the Order 996 of the Minister of Finance dated 31 December, 2010 on the Tax Administration. The draft envisages the exemption from mandatory marking of carbonated, sugar or other sweetened (lemonade and juice) drinks in various public places.

- **Arranging the process of obtaining evidences** - Department has analyzed the existing procedures and practice with regard to collecting of evidences in the tax control process. Furthermore, the practice of tax disputes on this issue has been analyzed. It was revealed that in certain cases, the tax dispute is based on inadequate / improper practice of proof of evidence of the data recorded as a result of tax control.

Due to the abovementioned, the decision is made to prepare for the operational departments the procedural manuals regarding obtaining the evidences in the process of tax control (including, tax inspection). In 2018, the interim project of the procedural manual reflecting the list of the main stages for obtaining the evidences in the process of tax inspection as well as the evidences to be obtained by the auditor during the each stage has been already developed.

- ❖ **Explanations for operational departments - one of the functions of Tax and Customs Methodology Department is towards the use of tax legislation, for the purpose of introduction of single approach, for the structural units of the Service, the development and delivery of explanatory instructions. Within the frames of this function, from operational departments, within 2018, questions related to various problematic issues were repeatedly sent. Up to 80 problematic issues have been analyzed and responded by the Department.**

- ❖ **Situational manuals - for the purpose of improvement of tax legislation, establishment of the uniform standard for the use of Tax Code provisions, as well as elimination of ambiguous explanation of the uniform approach and law and therefore, different assessment of the risk, the Tax and Customs Methodology Department has developed draft situational manuals. Part of these manuals are approved (11) and consultations are ongoing regarding the other part (20) for their further approval.**

- ❖ **Tax and Customs Methodology Department, within the last year was actively working in the customs direction. Department was engaged in various significant projects:**

- **New Customs Code** - in 2018, the Ministry of Finance has made presentation of new Customs Code. The Tax and Customs Methodology Department was actively engaged in the revision of this draft and made its contribution to the perfection of the project.

Launching the new Customs Code ensures the need for bringing the subordinate normative acts in line with the law to be set in the agenda. In this direction, the Department started to work and the activities to be implemented were scheduled as well. Joint working group was created which is comprised with the employees of the Tax and Customs Policy Department of the Ministry of Finance, Tax and Customs Methodology Department of the Revenue Service, Customs Department and Legal Department. This group ensures development of draft subordinate normative acts.

- **Procedural manual of the customs value control** - Tax and Customs Methodology Department, together with the Customs Department and World Bank group, as well as International Finance Corporation was engaged in the process of development of the procedural manual of customs value control. The manual is intended for the employees of the relevant structural units of the Revenue Service, who are directly responsible on the control over the customs value of goods while processing of declaration. This manual is of utmost

importance in the implementation of customs value control, to determine the standard procedures of customs value control and to establish uniform practices.

- **Prevention of illegal disposal of goods under customs supervision** - Department has evaluated the practice of tax disputes on offenses revealed by the Customs Department in terms of illegal disposal of goods under customs supervision. It has been revealed that the number of disputes with regard to this issue is quite large. The applicants, as a rule, indicate on their inappropriate awareness.

The Department has set a goal to change the growing statistical indicator in terms of offenses related to illegal disposal of goods under customs supervision and reduce the number of unintended / deliberate offenses caused by the motive of lack of awareness.

For this purpose, draft was developed by the Department and working group is established which shall develop the concept and implement the necessary activities to achieve the objective.

- **Procedural manual for importing tobacco products** - in 2018, in the Revenue Service the work was ongoing regarding the development of procedural manual on importing tobacco products. The manual is aimed at identification of the standard procedures to be used in the import and clearance process for optimal use of time required for the delivery of goods and correct calculation of customs duties.

Tax and Customs Methodology Department was engaged in the process of development of this manual. The initial version of the procedural manual has already been developed and work is ongoing in the direction of its further improvement.

- **Procedural manual on alcohol import** - the Department was also involved in the process of developing procedural guidelines for alcoholic beverages and alcohol imports.

The manual is intended for the customs officers of the customs clearance zone, who are directly involved in the process of clearance the goods and are responsible for the proper classification of alcoholic beverages in declaration and therefore, on the accuracy of accrued payments.

International practice, the alcoholic beverage regulatory guidelines have been studied (Council Directive 2008/118/EC, Council Directive 92/83/EEC, Council Directive 92/84/EEC) the fulfillment of which is obligatory for Georgia within the frames of the commitments under the Association Agreement. The draft instruction for filling in the e-Customs program of alcoholic beverages declaration has already been prepared.

- ❖ **In 2018, Heads of the Tax and Customs Methodology Department were represented in the Dispute Settlement Council of the Revenue Service and the Council on Developing Preliminary Decisions. The Department has made a significant contribution to the solution of many contested and problematic issues, both as a tax dispute as well as in the format of issuing the preliminary decision.**







PROFESSIONAL ETHICS AND MONITORING DEPARTMENT





ELDAR PERTSULIANI
Head of the Professional Ethics
and Monitoring Department

I am pleased to present the activity report of 2018 of the Professional Ethics and Monitoring Department. The Professional Ethics and Monitoring Department ensures protection of the requirements of labor and performing discipline, internal regulation and ethical norms by the employees of the Revenue Service as well as control over the duly fulfilling of the obligations imposed by the legislation.

In addition, our Department ensures the analysis of the reasons causing deficiencies identified during the official examination process as well as preparation of relevant recommendations, which serve to the identification of the existing problems and gives us the opportunity to plan appropriate activities. In the process of planning of these activities, professional inspection and preparation of the recommendations, we attach great importance to preventive measures, in order to reveal and prevent at early stages the risk of violations of the Service regulations and the requirements of Georgian legislation by the employees. Therefore, on one hand, we are focused on preparation of quality recommendations and on the other hand, on the timely performance of recommendations through effective communication and cooperation with structural units of the Service.

The key objective of the abovementioned activities is avoidance of violation of the rights and legitimate interests of the citizens as well as protection of the rights of the employees of the Revenue Service as well as interests and image of the Service. We care for creating the fair environment in the Revenue Service system and formation of professional, attentive and conscientious employees. In this regard, in 2019 we are planning more large-scale measures.

THE MAIN TASKS OF THE PROFESSIONAL ETHICS AND MONITORING DEPARTMENT ARE AS FOLLOWS:

- ❖ Carrying out control over the protection of labour legislation requirements;
- ❖ Carrying out control over the protection of the requirements of labour and performing discipline, internal regulation and ethical norms;
- ❖ Checking the proper fulfilment of the obligations by the Revenue Service staff imposed on them;
- ❖ Carrying out disciplinary prosecution against violations revealed during the official inspection or response to incoming applications;
- ❖ Analyzing the reasons for the deficiencies identified in the official inspection process and development of appropriate recommendations;
- ❖ Preparing appropriate recommendations by the staff of the Revenue Service to promote the implementation of the norms of official ethics;
- ❖ Identifying facts of conflicts of interests of employees in the Revenue Service;
- ❖ Issuing public information within the competence, as well as review of correspondence of the taxpayer, its representative and other interested person.

For the purpose of control over the protection of the requirements of labor legislation and performing discipline, internal regulations and ethical norms as well as duly fulfilling the obligations imposed by the legislation by the employees of the structural units of the Revenue Service, the Professional Ethics and Monitoring Department intensively conducts field inspections in various structural units of the Revenue Service, both in Tbilisi as well as the regions. In particular, field inspections are conducted in administrative buildings of the Revenue Service, where various structural units of the Service are placed, including the service centers; customs clearance zones; customs crossing points for land, rail, air and sea transportation as well as free industrial zones.

Within the field inspections, the employees of the Professional Ethics and Monitoring Department are supervising the ongoing working processes, at what time, in terms of the employees, the facts regarding non-fulfillment / improper performance of duties, potential violation of internal regulations and general norms of ethics as well as deficiencies and gaps are revealed.

In addition to the abovementioned, by the employees of several structural units of the Revenue Service, the monitoring of work performance is ensured through technical means and automated data systems (system ASYCUDA, tax administration system Oracle, etc.).

In connection with the identified violations, the employees of the Professional Ethics and Monitoring Department commence service inspection, which implies disciplinary proceedings towards the employees violating the legislation of Georgia, other legislative acts and internal regulations. In addition, during the official inspection process, the employees analyze the reasons causing the misconduct, revealed deficiencies and gaps and relevant recommendations are prepared for their

elimination and prevention. Furthermore, by the employees of the Revenue Service, relevant recommendations are issued for the promotion of the process of fulfillment of the norms of ethics. Through the GPS equipment installed on the vehicles registered on the balance of the Revenue Service, the control of the proper use of the vehicles is carried out. Professional Ethics and Monitoring Department ensures the monitoring of the attendance of the employees through technical means placed in the entrance of the Revenue Service, where by using of the official card by the employees their coming and leaving time at work is registered. Professional Ethics and Monitoring Department processes the information obtained through this technical means at the end of each month and for the purpose of commencement of disciplinary proceedings towards the employees violating discipline presents it to the Director General of the Service. Since the first of May, 2018, by the recommendation of the Professional Ethics and Monitoring Department the amendment was made to the internal regulations of the Revenue Service. Thus, in case of being late or leaving the service before ending of working hours without honorable reason, in accordance with the percentage rates envisaged by the paragraph 1 of the Article 171 of the internal regulations, in proportion to the missed hours, the wages of the employee may be restrained.

GENERAL STATISTICS OF DISCIPLINARY MEASURES CARRIED OUT - 2018

As a result of the official inspection carried out in 2018, disciplinary measures have been used towards the employees:	
Remark	15
Warning	54
No more than 10 working days wage restrain	11
Wage percentage restrain due to violations related to attendance at work	53
Dismissal from work	2
Instead of disciplinary liability measure, in 87 cases oral warning was used	

2018



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