MINISTRY OF FINANCE
OF GEORGIA

REVENUE
SERVICE

2022

ANNUAL REPORT
REVENUE SERVICE

COMMUNICATION IS SIMPLE

2022

ANNUAL REPORT

REVENUE SERVICE

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HEAD OF HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT DEPARTMENT

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REVENUE
SERVICE

LEVAN KAKAVA | DIRECTOR GENERAL OF THE REVENUE SERVICE OF THE MINISTRY OF FINANCE

Dear fellow citizens, international partners, ladies, and gentlemen, I am pleased to present the 2022 Activity Report of the Revenue Service.

The Report covers the outcomes and achievements of our activities, which are in line with the strategic goals and aspirations of the Government of Georgia, the Ministry of Finance, and the Revenue Service, to promote the economic growth of the country through effective and fair administration of taxes and international trade.

The year 2022 was characterized by unprecedented challenges, since the impact of post-pandemic period and global warming on the world economy and society continued, which was accompanied by ongoing hostilities in the region.

Revenue Service immediately adjusted its operational strategy to the changed environmental conditions, introducing measures to support businesses and citizens affected by the crisis. Herewith, we have maintained our core course of providing timely and accurate information to taxpayers and the public, offering predictable and simple business processes, as well as flexible solutions to ease the tax burden in a time full of unexpected changes.

Our team has enhanced efforts to mobilize tax revenue since we recognize its crucial role in financing public sector services and public goods. Through advanced data analysis approaches, by improving compliance programs and refining effective risk management systems, significant results were achieved within the process of tax revenue mobilization.

Revenue Service proactively responds to the complex challenges in the region; we ensure strengthening of customs control, exchange of international information; intensive efforts are directed against smuggling and illegal trade, including the process of enforcement of international sanctions. In close cooperation with other state agencies and international organizations, we ensure the smooth operation of customs procedures. Obviously, each member of the Service team continues to make significant contribution to the EU integration agenda of the country.

We are strengthening fruitful cooperation with the private sector, other public agencies, and foreign partners. This cooperation is enhanced by mutual exchange of information, joint events and initiatives related to institutional capacity building.

Anticipating the future, we remain committed towards overcoming challenges and taking advantage of newly identified opportunities; we acknowledge constantly changing environment of tax administrations and the constant innovation necessary for adapting to it. Through the latest technologies and by establishing a culture inclined to refining the activity outcomes, as well as via investing in the development of our own human resources, we will further strengthen our capabilities and take advanced positions among modern tax administrations.

We express our gratitude to our international partners for their great contribution to the process of modernization of the Service.

I would like to express my deepest respect to the dedicated employees of the Revenue Service, whose hard work, knowledge, and experience are decisive factors in achieving success in a changing environment full of challenges.

Let me express my sincere gratitude to the taxpayers for their law-abiding behavior, trust, and support. Together we must ensure the sustainable development and successful future of the country.

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SUMMARY

Revenue Service plays a significant role in maintaining the economic stability of the country. Within 2022, emphasis was placed on managing the post-pandemic period, refining tax and customs administration, and supporting integration processes with the European Union.

The Revenue Service was actively involved in the process of dealing with the challenges in the country in the background of the global pandemic. Measures aimed at facilitating the rapid recovery of economic activity of business sectors affected by the pandemic and easing the burden of legal compliance on them have been implemented. The Service participated in the implementation of the decision made by the Government of Georgia, i.e., the entrepreneurial entities of the tourism sector and related sectors were exempted from 2021 property tax.

In the era of rapid technological development and in order to meet the increased demand for remote services, the Revenue Service implemented significant measures in 2022, including the launch of an information and methodological hub corresponding to the latest digital requirements - infohub.rs.ge, where various types of constantly updated information/documentation, concerning the tax as well as customs issues are centralized. The information posted on the online platform is available to both Service employees and taxpayers.

Revenue Service is constantly focused on promoting the voluntary law compliance of taxpayers by offering high-quality services and at the same time implementing transparent, fair, and effective measures to detect and eliminate violations.

In 2022, the Revenue Service took important steps in the direction of strengthening law compliance and tax risk management. “2022-2023 Compliance Improvement Plan” was updated in 2022, which is based on the Revenue Service Strategy and 4 fundamental obligations of the taxpayer: registration, timely declaration of tax liabilities, correctness of declared data, and timely payment of due taxes. The measures envisaged by the abovementioned plan improve and create a healthy tax environment.

Taking into consideration the best international practices, in 2022, tax risk reduction measures defined by the “2022-2023 Compliance Improvement Plan” were implemented, which provides for informing taxpayers at an early stage regarding the possible inconsistencies related to economic activity. The abovementioned process significantly helps the taxpayer to properly and fully fulfill the obligations imposed by the legislation. Furthermore, within 2022, the following compliance programs have been refined and developed: programs related to the completeness of the registration database, data quality control, employee registry accuracy, inventory management, validation of information presented in the tax returns, management of taxable tax documents, and control of accuracy of tax returns.

Georgia has the status of an important transit country. Revenue Service works in the direction of the development of the infrastructure corresponding to the international customs standards, as well as the improvement of the analytical capabilities of the customs control. In 2022, the customs risk management system was modernized, the automation of customs processes using artificial intelligence and robotics technology began. It should be mentioned, that within the process of refining the customs systems via digital technologies, the first robot customs officer was created. For the purpose of promoting the international trade and exports, simplified border and clearance procedures were introduced at the Georgian customs.

The political and economic developments throughout the world or within the region immediately affect the activities of the Revenue Service, and especially the customs. After the military aggression on the territory of Ukraine, Georgia undertook a commitment to regularly monitor the sanctions imposed on Russia and the Republic of Belarus by the strategic partners of the country. The administration of sanctions significantly changed the existing procedures in the customs direction.

For the purpose of supporting the integration processes with the European Union, in 2022 Revenue Service participated in the implementation of the action plans of the strategies developed to fulfill the obligations stipulated in the Association Agreement, as well as in various interdepartmental seminars and meetings with business representatives. Within the framework of the Export Control and Border Security – EXBS Program, cooperation with our strategic partner, the United States of America, continues actively in several directions; inter alia, Customs Information System Modernization Project is of utmost significance. In coordination with the Korea Customs Administration, an independent evaluation document of the customs system was created, which will allow the Revenue Service to objectively assess further progress.

In order to promote institutional capacity development, among the measures implemented in the Revenue Service in 2022, the process of introducing a modern, effective management system for operational risks of the organization is particularly important, for which purpose an organizational risk management policy document was created and a risk register of several structural units was developed.

This Report covers information concerning the measures scheduled by the Revenue Service within the framework of the medium-term strategy and implemented during 2022.

REVENUE SERVICE

MISSION, VISION AND VALUES OF THE REVENUE SERVICE

MISSION

Ensuring fulfillment of obligations imposed by tax and customs legislation through encouraging voluntary compliance and taking responsible enforcement actions towards violations.

VISION

By providing customer-oriented services and using modern approaches to compliance risk management, we create the most favorable environment to increase voluntary compliance.

VALUES

- **Accountability**

  Ensuring stakeholder engagement and information publicity

- **Professionalism**

  Fulfillment of obligations imposed by law in accordance with high professional standards

- **Integrity**

  Actions of each employee are based on the principles of honesty, fairness, and accountability

- **Innovativeness**

  Introducing modern and effective approaches using advanced technologies

Revenue Service has developed Strategy for 2021-2024, which is a set of objectives and tasks for the implementation of the mission and vision of the Service, the performance of which shall improve and make the tax and customs administration process more efficient. According to the Strategy and considering the existing environmental factors and challenges, the Service has defined three strategic objectives:

OBJECTIVE I

Increasing compliance related to the fulfillment of tax and customs obligations

OBJECTIVE II

Development and sustainability of the institutional capacity of the Organization

OBJECTIVE III

International Cooperation

For the purpose of achieving these strategic objectives, relevant tasks and activities are defined, which are updated and approved annually. The 2022 action plan and implemented measures were mainly directed at achieving the abovementioned strategic objectives. Herewith, the source of funding for the activities carried out within the year was both the budget of the Service as well as various donor organizations.

This report presents the key indicators of tax revenues for 2022, the outputs of the activities carried out by the Revenue Service to achieve strategic objectives and tasks, information on the expenses incurred to ensure the perfection and development of tax and customs services, significant legislative changes and social activities of the Service, as well as other important undertakings carried out in 2022 and final statistical data of the year.

ORGANIZATIONAL STRUCTURE OF THE REVENUE SERVICE

According to the organizational structure, the Revenue Service is divided into head office and operational departments. Herewith, the deliberative body – Risk Management Council operates within the Service, which defines priority areas/directions, which are closely related to the strategic tasks of the Revenue Service and on which tax and customs risks must be managed; moreover, develops recommendations, proposals and makes appropriate decisions regarding tax and customs policy, service strategy determination and targeted parameters and action plans developed for this purpose, management processes of current and/or to be implemented projects in the Service and other important issues.

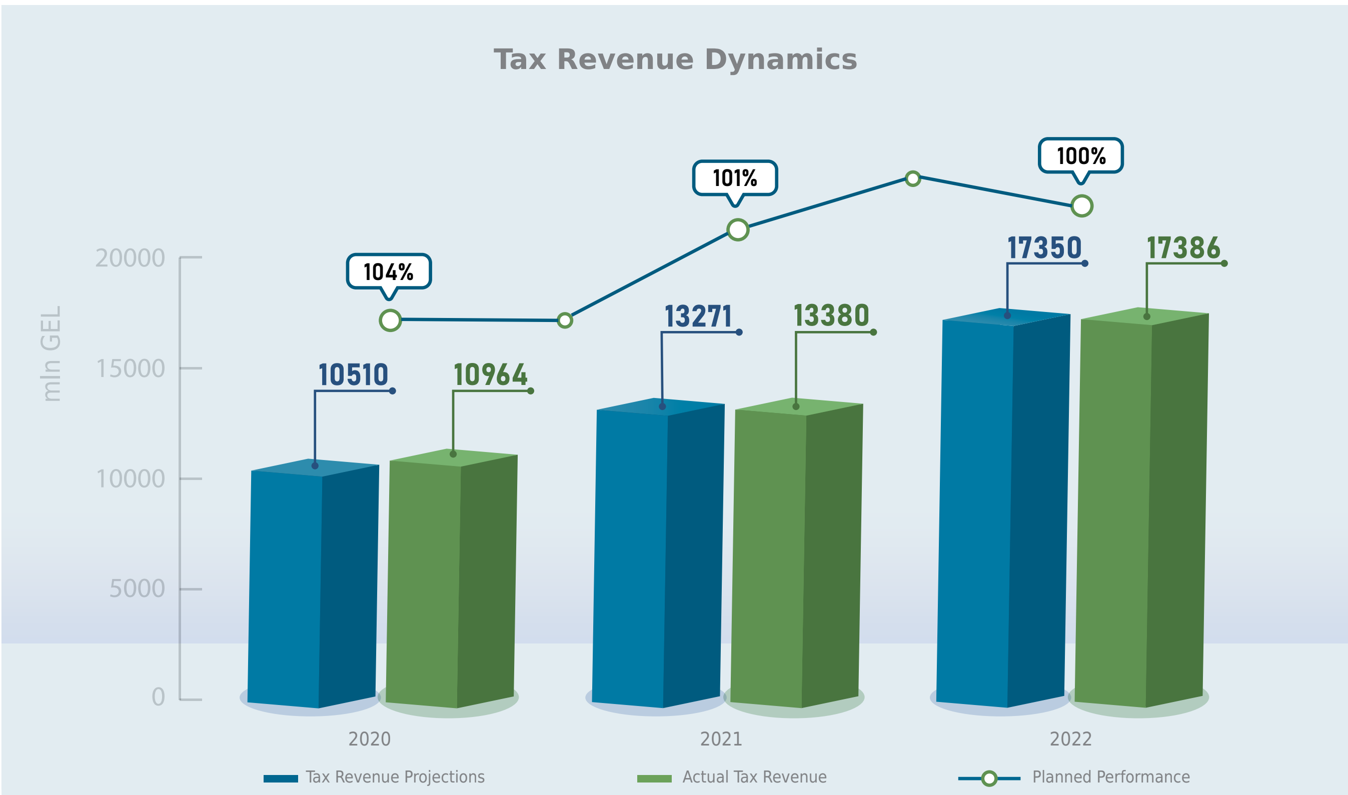
Within 2022, no significant changes were made in terms of the organizational structure of the Service.

Chart: *Organizational structure of the Revenue Service as of 31 December 2022:*

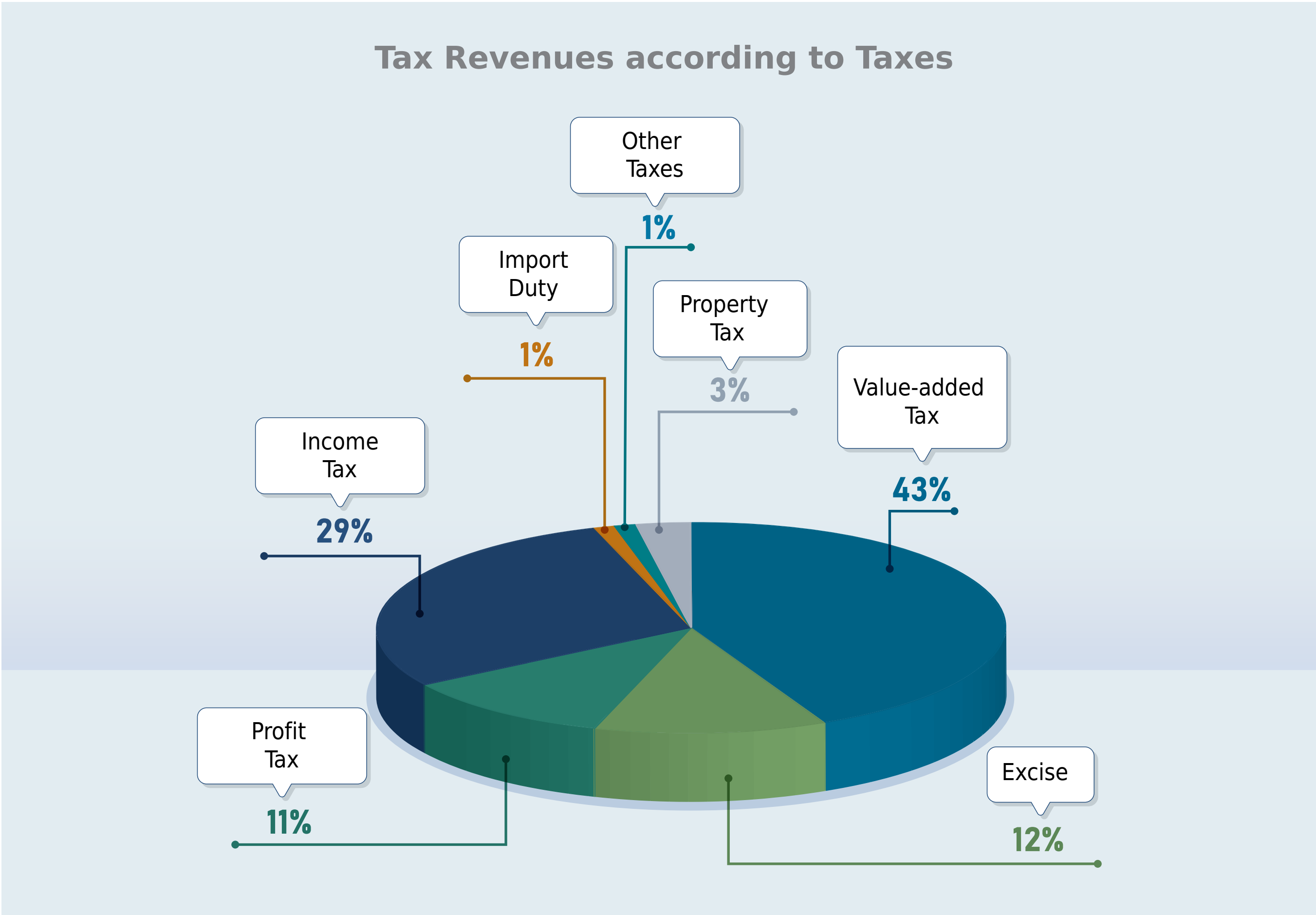
Management	Director General			Risk Management Council	
	First Deputy Head	Deputy Director General	Deputy Director General	Deputy Director General	
Head Office	Analytical Department	International Relations Department	Methodology Department	HR Management and Development Department	
	Financial Department	Staff Monitoring Department	Dispute Department	Legal Department	
	Public Relations and Marketing Department	IT Centre	Internal Audit Department		
Operational Departments	Audit Department	Service Department	Tax Monitoring Department	Customs Department	Debt Management Department

KEY FIGURES OF TAX REVENUES

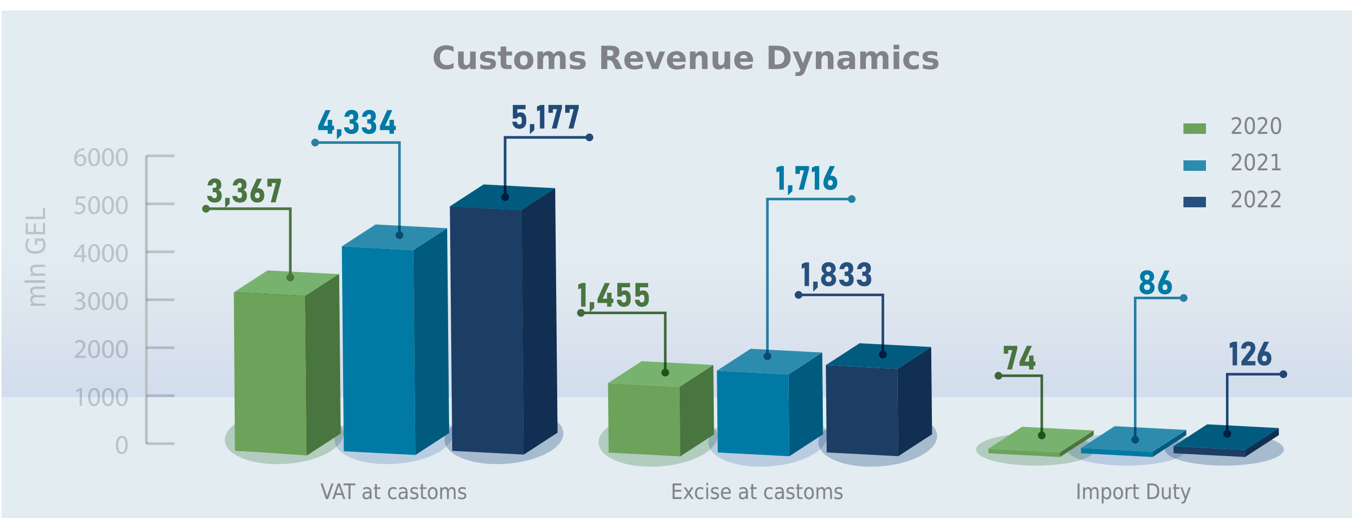
Within 2022, the revenues received in the form of taxes in the consolidated budget of Georgia amounted to 17 385 944 341 GEL, which significantly exceeds the projection existing at the beginning of the year. Furthermore, the funds mobilized in the budget in the form of taxes in the past years are characterized by positive dynamics.



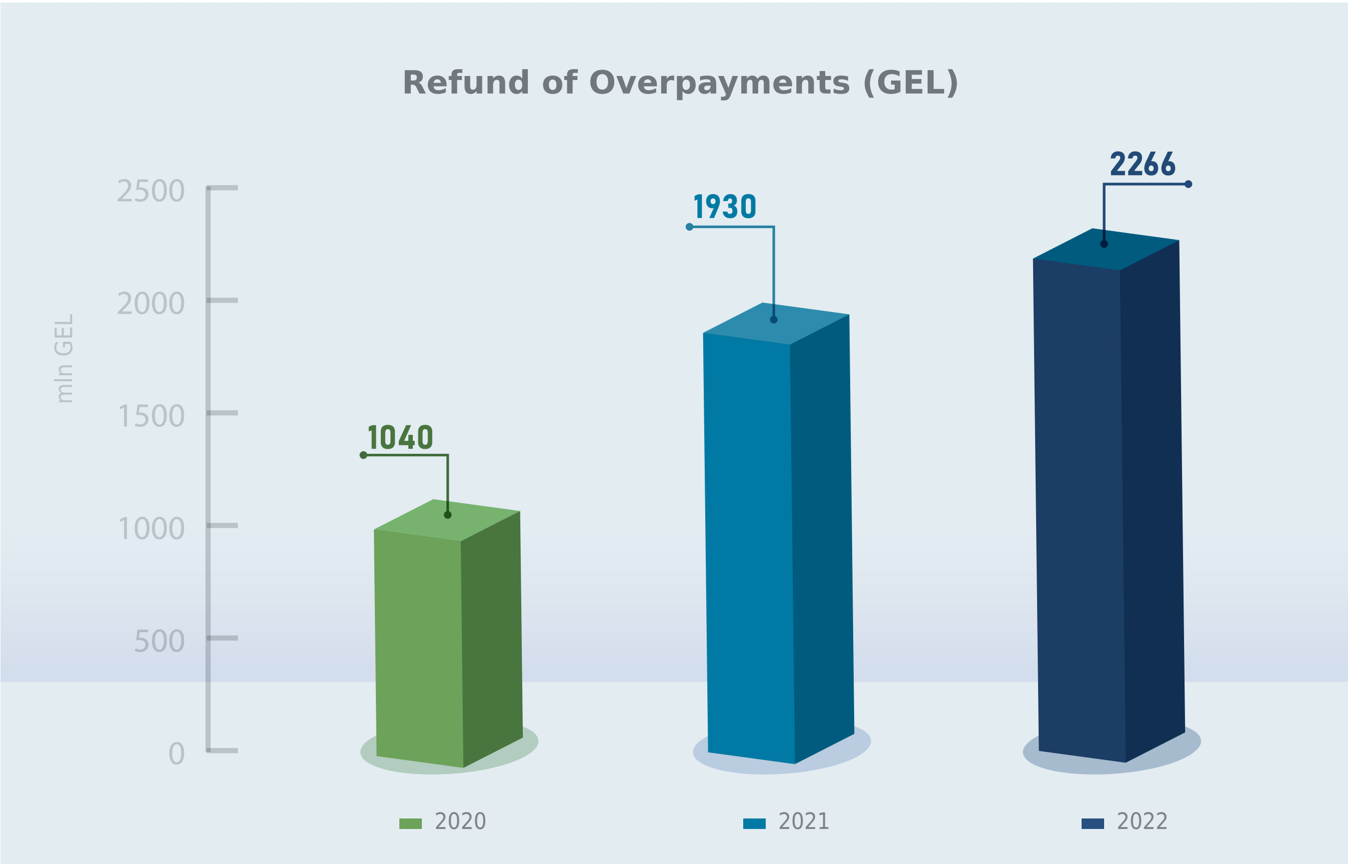
In 2022, 55% of the tax revenues are received in the form of indirect taxes, namely: Value Added Tax, excise tax, and import tax. The largest share of direct taxes comes from income tax and represents 29%. Local tax includes property tax, which accounts for 3% of total tax revenues.



The revenues received in the form of taxes of the consolidated budget of Georgia consist of both taxes related to the goods/services delivered to the territory, as well as taxes on imported products. In 2022 tax revenues, 41% share falls on taxes paid on imports (VAT, excise duty, and import tax).



Over the past years, along with the increase in the amount of taxes received in the state budget, the rate of refund of overpaid taxes from the budget has increased, to which the development of the automatic refund program of overpaid VAT made a significant contribution. From the establishment of the automatic refund system until the end of 2022, more than 5 billion GEL was returned to the businesses. In 2022, 2 265 949 960 GEL was returned to the taxpayers.



46 500 taxpayers benefited from the refund of overpaid taxes in 2022.

STRATEGIC OBJECTIVE I
INCREASING COMPLIANCE RELATED TO THE FULFILLMENT OF TAX AND CUSTOMS OBLIGATIONS

DEVELOPMENT OF TAX SERVICES

Revenue Service continues to work in the direction of promoting remote use of electronic services and self-service as much as possible. In order to facilitate remote use of services and self-service following has been ensured:

- More than 100 application information feed has been updated.
- User manual for 50 electronic applications has been developed and placed in the electronic catalog.
- 3 new video instructions have been developed regarding submitting the application remotely from the authorized page of the Revenue Service, where the stages of submitting the application from the page of an authorized user are discussed in detail.
- 4 information roadmaps have been placed on the website of the Service.

DEVELOPMENT OF CUSTOMS SERVICES

In 2022, legal, procedural and technological changes related to customs services were implemented, one of the main goals of which is the introduction of preferential, different service fees for the registration of goods declared by customs declaration by the persons having access to the automated system of declarants/data i.e., “eCustoms”; moreover, promotion of declaration of goods by people having access to “eCustoms”, before filling out customs declarations and bringing them to the customs territory of Georgia, within the framework of which, the list of procedures that can be used to declare the goods in advance before entering the customs territory of Georgia has been expanded.

To promote the process of e-declaration, the electronic clearance economic zone – “eGez” started operation, the main activity of which is to fill in the customs declaration/re-export declaration/temporary storage declaration based on the application and documents submitted from the authorized user page, assigning the registration and assessment number.

To encourage advance declaration and self-service, fees for goods registration services in customs procedures have been changed. Technical specifications for 65 customs services have been updated. Herewith, advance declaration of goods in the customs procedure will be ensured in electronic form only.

DEVELOPMENT OF A FEEDBACK SYSTEM

Within the process of developing services adjusted to the needs of interested persons and in order to control user engagement and service quality, the feedback system was expanded in 2022 and in addition to the services provided through consulting channels, the feedback mechanism was launched on the authorized user page of the Revenue Service which, at the same time, envisages feedback on the electronic services of the Customs Department. Further expansion of the feedback system is scheduled for 2023 within the Audit Department and the clearance economic zones of the Revenue Service, including the electronic clearance economic zone (eGez).

In 2022, through the feedback mechanism, customers had the possibility to express their opinion regarding the quality of the service on a daily basis (website, info@rs.ge, RS-Chat, information, consulting, and service centers), and as a result, appropriate response measures were planned and implemented.

RELATIONS BETWEEN THE REVENUE SERVICE AND FOREIGN CITIZENS

For the purpose of improvement of the procedures related to the tax registration and the payment of money to the state budget of Georgia by the persons without Georgian citizenship and dual nationality, the project of creating a unified register was initiated by the Revenue Service in 2022. The necessary requisites for the registration of a person were identified, the relevant legal acts were processed, and based on the analysis of the existing practices in the agencies and a new registration procedure document was developed. Various state agencies are actively involved in the abovementioned project in order to identify and register the relevant activities of the persons with the citizenship of foreign country (countries) involved in the economic and social processes on the territory of Georgia and the persons legally authorized by them.

INFORMATION AND METHODOLOGICAL HUB — infohub.rs.ge

In 2022, work was completed on the new platform of unified tax/customs methodology - infohub.rs.ge, which was launched in the pilot regime from 2023.

infohub.rs.ge is a unified electronic information management system that combines different types of data. It should be highlighted, that with the launch of the new software, information became even more accessible to all users, and the process of obtaining information was significantly simplified.

Information/documentation related to both tax and customs issues is placed and constantly updated on Infohub, including the following: legislative acts, international agreements, subordinate normative acts, methodological instructions, as well as decisions of tax/customs dispute review bodies within the system of the Ministry of Finance of Georgia, courts, and others.

Electronic information base – Infohub shall contribute to the existence of systemic and uniform tax practice. It will enable interested persons to find, process and share information/documentation of interest. It should be emphasized, that the implementation of Infohub project started in the Revenue Service in 2021 through the support of the United States Agency for International Development (USAID) and the European Bank for Reconstruction and Development (EBRD).

POTENTIAL TAXPAYERS

Within 2022, work on the creation of an electronic educational platform for potential taxpayers was underway. In order to identify the target groups and adjust to their needs, local and international practices as well as the functionality of the platforms were studied. Furthermore, it is scheduled to translate the video instructions into different languages – Georgian sign language, English, Azerbaijani, Armenian, Turkish and Russian.

A memorandum of Cooperation was signed between the Revenue Service and the Vocational Training and Retraining Center for Convicts, within the framework of which, trainings related to tax legislation issues were conducted for convicts in 9 penitentiary establishments. More than 100 convicts participated in the program. Within the framework of the program, 14 convicts in Rustavi penitentiary establishment were granted the micro business status by the Revenue Service, which gives the convicts the opportunity not to be taxed on their income from the sale of handicrafts (in the "Re-Market" store) and to benefit from the preferential taxation regime provided for by the law. In addition, the convicts will benefit from the benefits envisaged by the micro business status even after their release.

IMPLEMENTATION OF BEHAVIORAL APPROACHES TO IMPROVE REVENUE MOBILIZATION

In order to improve revenue mobilization, the Revenue Service is introducing behavioral approaches. The project involves studying the behavior of taxpayers and influencing them with certain measures (communication, messages, etc.) to increase the level of legal compliance. In 2022, within the frames of this project, together with the World Bank experts, a relatively small-scale "experiment" was developed and planned, which implies modifying the scheme/channels, intensity and/or text of the communication in the validation program of the information presented by the taxpayers in the form of the declaration to a randomly selected population and subsequently evaluating its effect. During the course of the project, for the purpose of communication between the participating parties, the World Bank prepared a platform through which all necessary information is exchanged in a systematic manner.

STRENGTHENING THE TAX RISK MANAGEMENT PROCESS IN TERMS OF COMPLIANCE

For the purpose of increasing the tax obligation performance indicators, the Revenue Service is strengthening the risk management processes related to legal compliance. An updated Compliance Improvement Plan for 2022-2023 covering high-risk segments has been developed, approved, and is being implemented.

Each segment is supported by the relevant legal framework, risk response plan, and risk mitigation measures. Compliance Improvement Plan also envisages measures to reduce the compliance risk of large categories of taxpayers. In the process of modernization of the customs risk management system, the servers and the application were improved. Taking into consideration the international best practice, a business process has been introduced within the Revenue Service, which is based on the concept of differentiated response strategies using the Risk Differentiation Framework (RDF). Completely new approaches have been introduced to large taxpayers. In order to comply with the new approach, the employees of the large taxpayer office were retrained. The estimated billing target group has been expanded.

COMPLIANCE PROGRAMS

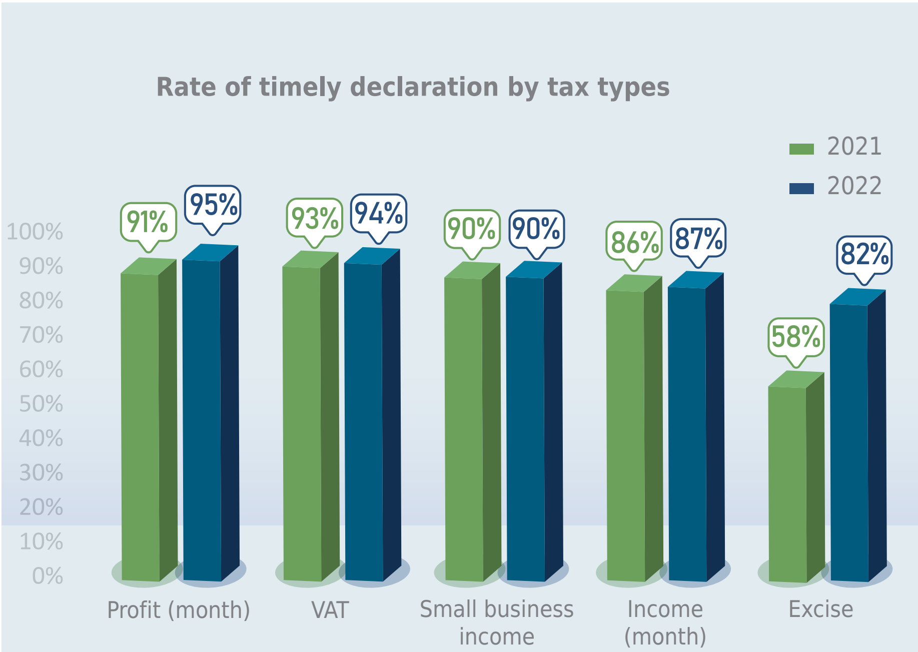
Regarding increasing voluntary legal compliance, relevant compliance programs operate in the Revenue Service, which envisage informing taxpayers at an early stage concerning possible non-compliances related to economic activity identified by a risk-based approach, which significantly helps them to properly and fully fulfill their obligations prescribed by the law.

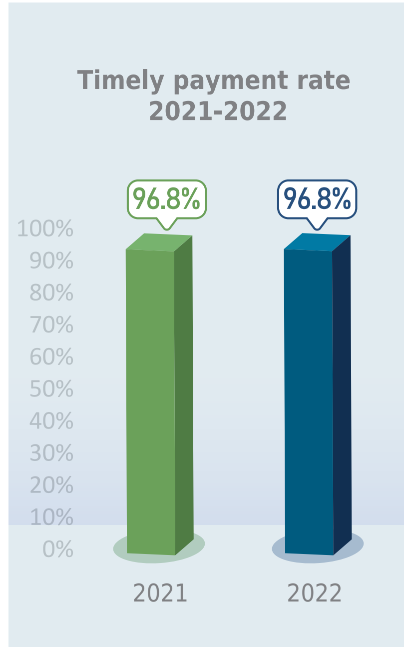
To achieve the abovementioned objectives, during 2022, programs for the completeness of the registration database, data quality control, employee registry accuracy, inventory management, validation of information presented in the tax returns, management of taxable tax documents, and control of accuracy of tax returns were refined and developed.

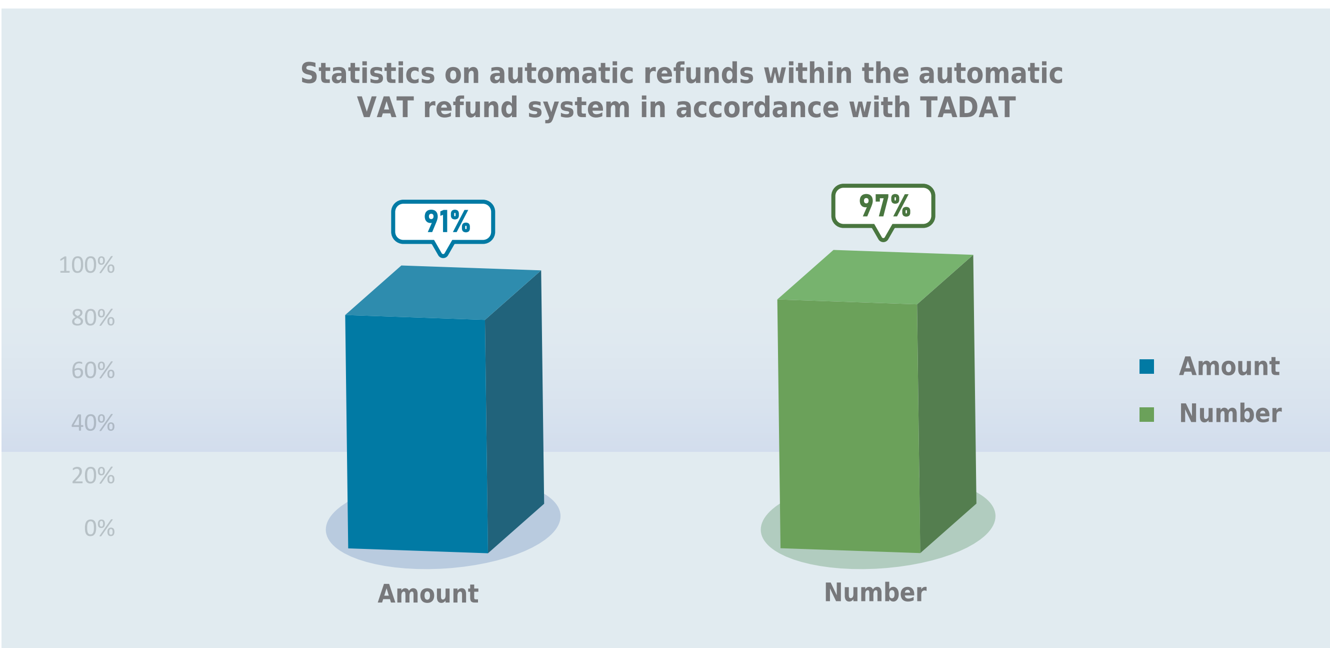
As a result of the effective operation of the compliance programs, in terms of basic tax obligations (registration, timely declaration, correctness, and payment), the level of compliance of taxpayers in 2022 has significantly improved.

Within the framework of the abovementioned programs, in 2022 following was ensured:

- **198 659** telephone communications
- **966 137** messages were sent
- **26 850** on-site visits
- **39 202** inventories, control purchases, inspections
- **21 144** current control measures
- **27 652** new employees were registered in the register of employees
- Existing data on **9 988** taxpayers was corrected
- **32 406** taxpayers declared the loss of goods and material values
- Qualified VAT status was granted to **12 189** taxpayers
- **16 259** inconsistencies in expected declaration slot confirmed and corrected
- **2 600** tax declarations were specified
- **6 444** documents were taxed







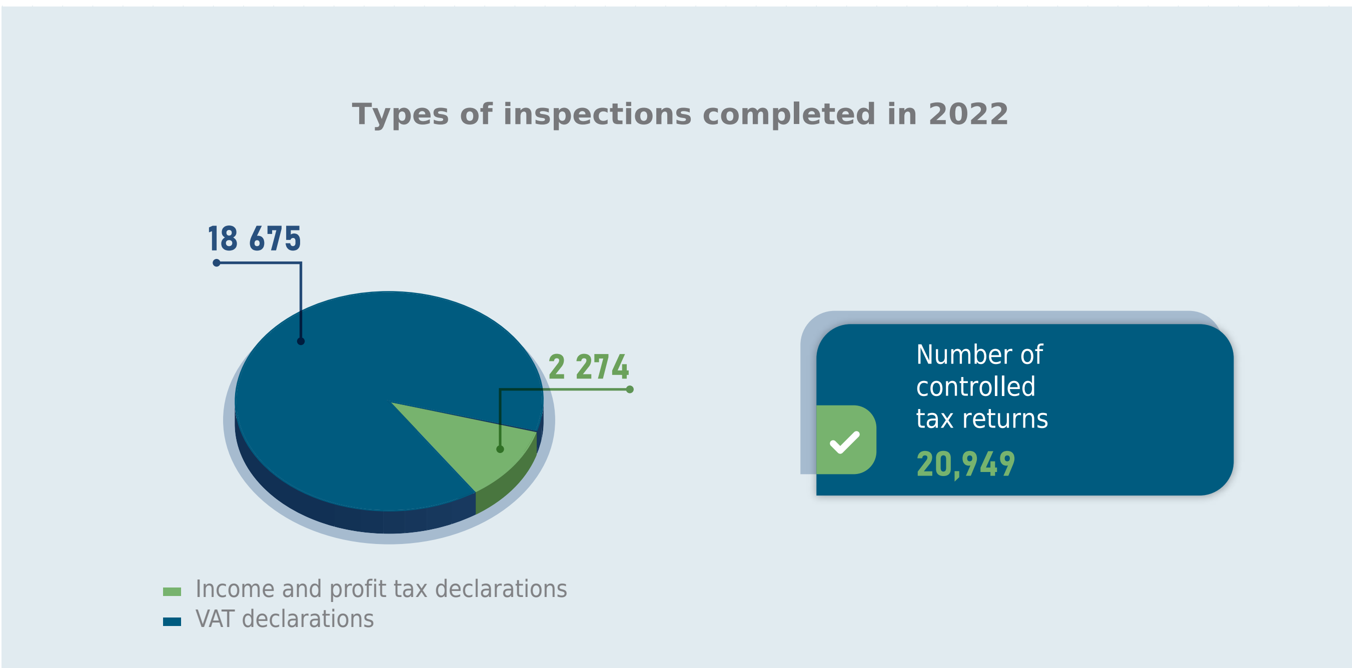
[1]

1 In accordance with the Tax Administration Diagnostic Assessment Tool (TADAT) developed by the International Monetary Fund, the best standard of time spent on VAT refund (or use) ("A" score) corresponds to the cases where the refund of the overpaid amount arising from the VAT declaration or its use to cover the existing debt is carried out in at least 90% of the requests submitted within 30 calendar days after the declaration. In addition, legal grounds for refusing to refund overpaid VAT are also considered.

CONTROL PROGRAM FOR THE ACCURACY OF TAX RETURNS OF MAIN TAXES

Within the framework of the program to control the accuracy of tax returns of monthly profit tax and taxes withheld at the source of payment, the risk criteria of the assessment programs of tax returns in basic taxes were integrated into the database.

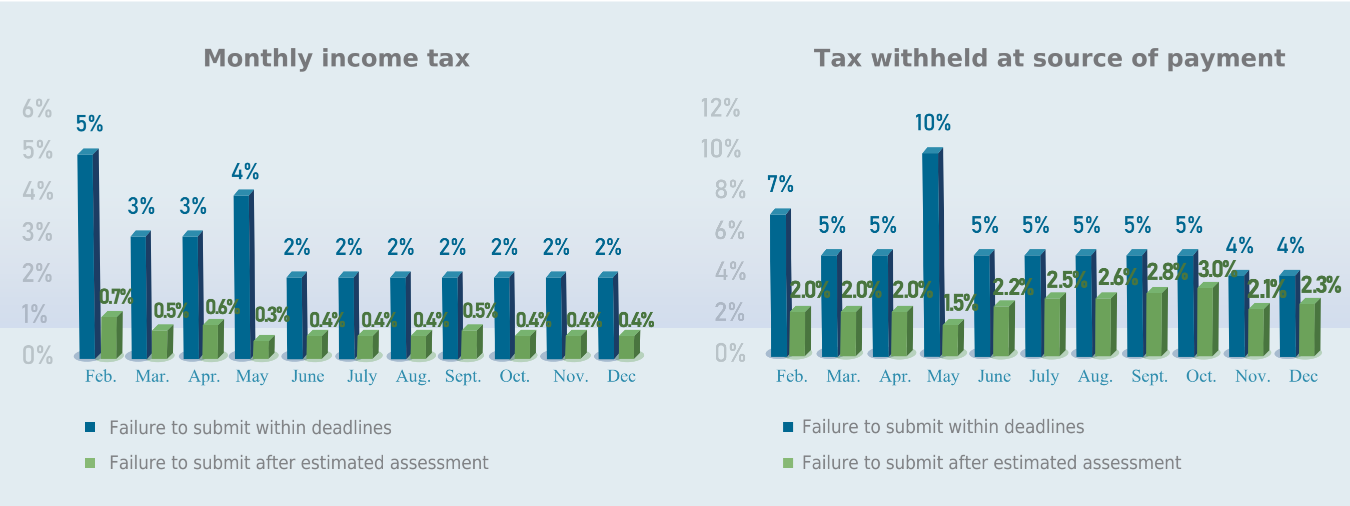
In 2022, as part of the program to control the accuracy of tax returns, 20 949 tax returns on withholding tax, monthly profit tax and VAT submitted by taxpayers were studied. As a result of the assessment of declarations, the amount of tax voluntarily specified by taxpayers amounted to 94 749 061 GEL.



EXTENSION OF THE ESTIMATED ASSESSMENT MECHANISM

Estimated assessment implies accounting and reporting of tax for a specific tax period by the Revenue Service on the main personal registration card of the taxpayer, who has not submitted a tax return for the relevant period within the terms prescribed by the law.

Estimated assessment from the reporting period of February 2022, in addition to VAT tax returns, is carried out with respect to monthly income tax returns and returns for taxes withheld at the source of payment not submitted by taxpayers registered as VAT payers (except for natural persons). Therefore, after the default assessment in these two taxes the non-filing significantly reduced.



ADMINISTRATION OF LARGE CATEGORIES OF TAXPAYERS

In 2022, the revised Strategy for the Administration of Large Taxpayers for 2022-2024 was approved, which is aimed at improving the process of tax administration of large taxpayers through centralized, fair, and transparent approaches. To achieve this objective, implementation of following tasks was scheduled:

- Development of services tailored to large taxpayers.
- Strengthening the process of managing risks related to legal compliance.
- Improving human resource capacity.

Within the framework of the administration of large taxpayers, the following measures were implemented:

- Within the scope of reducing the risks related to the controlled operations of large taxpayers, the first Advance Pricing Agreement (APA) was signed.
- A standard reporting system in the BI environment was introduced to monitor the main tax data of large taxpayers, through which various types of information are monitored on a daily basis.
- A form of the register on tax risks associated with large taxpayers has been developed.
- A data exchange form for feedback was developed for the assessment of identified risks.

Furthermore, within 2022, work was actively underway on the implementation of the task management system for the office of large taxpayers.

MODERNIZATION OF CUSTOMS DATA INFORMATION SYSTEM

Through the support of the Export Control and Related Border Security Program (EXBS) and participation of NU Borders, Customs Information System Modernization Project is ongoing at the Revenue Service; within the framework of this project, the Revenue Service working group presented to the representatives of the NU Borders a vision regarding new system capabilities, as well as provided detailed information/documentation regarding forms to be filled in within the new system and the key business processes. In 2022, in order to simplify the process of filling out declarations, NU Borders developed a user interface for customs declarations, which was tested by the working group of the Revenue Service.

CUSTOMS RISK MANAGEMENT AND ADVANCE INFORMATION EXCHANGE SYSTEM DEVELOPMENT

The system of advance electronic data exchange for the international movement of vehicles and goods has been implemented with the Republic of Armenia, and the advance exchange of electronic information regarding the vehicles and cargo moved on the territory of the two countries is carried out in real regime. The exchange of advance information facilitates the effective and efficient implementation of customs risk management and customs control procedures, which in turn ensures the development of the transit potential of the country.

Within the framework of a bilateral agreement, a technical document on information exchange was developed and sent to the Turkish side regarding the implementation of the system of exchange of information on the customs value of the goods moved between Georgia and Turkey.

Within the framework of the implementation of the customs information exchange system between Georgia, Azerbaijan and Turkey, the trilateral technical document on the exchange of advance information on cargo moved by railway was discussed and comments/suggestions were presented to the Turkish and Azerbaijani sides.

COOPERATION BETWEEN THE CUSTOMS ADMINISTRATIONS OF THE REPUBLIC OF UZBEKISTAN AND GEORGIA

A protocol was signed between the Revenue Service of the Ministry of Finance of Georgia and the State Customs Committee of the Republic of Uzbekistan on the organization of the exchange of advance data on goods and vehicles moved across the state border. Furthermore, “2023-2024 cooperation plan between the State Customs Committee of the Republic of Uzbekistan and the Revenue Service of the Ministry of Finance of Georgia” was signed between the Revenue Service and the State Customs Committee of the Republic of Uzbekistan, which implies the sharing of experience between customs administrations in different directions.

INTRODUCTION OF eTIR SYSTEM

In February 2022, a new version of the eTIR platform was approved by the UN, information about which was provided to all parties to the TIR Convention. In addition, the second meeting between Georgia-Azerbaijan-Turkey regarding the implementation of the eTIR platform was held in a trilateral format.

Following has been developed by the working group of the Revenue Service: the rule of electronic management of the statuses of TIR holders in the International TIR Data Bank (ITDB), draft legislative amendments to be implemented regarding the conditions of admission, status suspension, cancellation and control of the business operator to the TIR procedure and technical document for the software module on persons eligible for the TIR procedure.

ELECTRONIC LICENSING SYSTEM STRATLINK

For the purpose of strengthening the mechanisms for detecting, preventing and avoiding customs law violations, in 2022, the electronic licensing modern information system for strategic goods - "STRATLINK" began operation in real regime, through which the business operator has the opportunity, after authorization on the website of the Revenue Service, to fill out an application for obtaining a permit for dual-use products. After the complete submission of the necessary information, the permit is issued by the Customs Department, which shall be sent to the permit seeker through the website of the Revenue Service.

DEVELOPMENT OF A NEW FORM OF CUSTOMS DECLARATION OF PHARMACEUTICAL PRODUCTS

Development of a new form of customs declaration of pharmaceutical products implies unification of pharmaceutical product registration form and the pharmaceutical products customs declaration. Within the framework of this project, for the purpose of eradication of mechanical errors made in the prescription form of the pharmaceutical product, in 2022, the service of electronically receiving information (descriptive part) about the registered pharmaceutical product from the Regulation Agency for Medical and Pharmaceutical Activities was added to the pharmaceutical product registration form.

ROBOT CUSTOMS OFFICER

The process of automating customs processes using artificial intelligence and robotics is underway in the Revenue Service. The program will have the ability to automate significant processes related to filling out the declaration, for example: processing of documents filled in different languages, comparison of information in documents, translation, assignment of commodity code, comparison with existing databases and intellectual analysis. Based on the information processed by the robot, declaration filling, registration, verification of the need for permission/certificate, search of documents mentioned in the relevant module, verification/comparison with different modules, etc., shall be carried out.

The abovementioned technologies ensure the automation of processes that are subject to predefined logical rules. The system will help the customs officer to work efficiently and save human/time resources significantly.

IMPROVING THE TAX DEBT MANAGEMENT SYSTEM

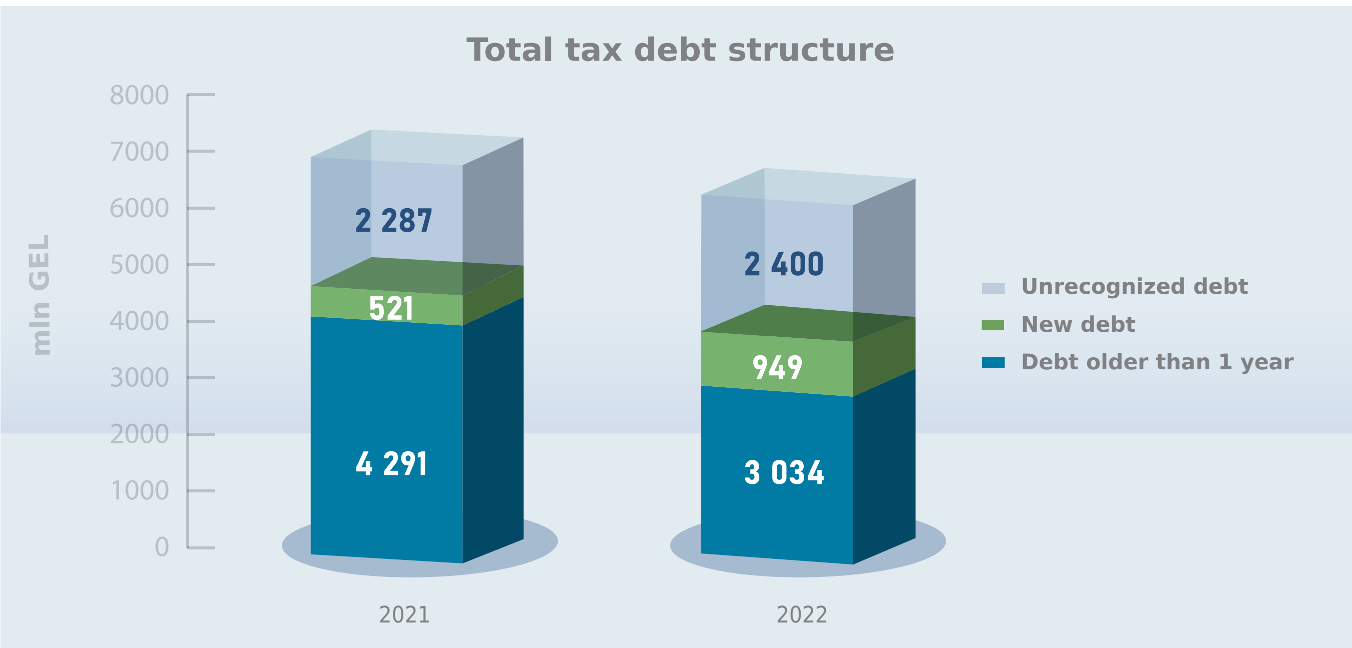
Within the framework of the debt management reform, in 2022:

- Procedural documents for tax debt management were approved and corresponding structural changes were made in the Debt Management Department.
- All employees of the Debt Management Department were trained in coercive measures and the procedure for producing a personal registration card, and about 60 employees were trained in the use of the task management system.
- Initiation of tasks and communication with delinquent taxpayers was carried out in pilot regime.

As a result of the fulfillment of the event scheduled in 2022, the transition to the new tax debt management system was implemented in June and was in pilot regime until the end of the year. In 2022, the total tax liability is significantly reduced compared to 2021, both in terms of recognized tax liability and total tax liability. This was facilitated by both the significant improvement in tax debt collection indicators as well as the process of writing off uncollectible debts based on the legislative changes implemented in 2022.

Tax arrears indicators have improved. Compared to previous years, within 2022:

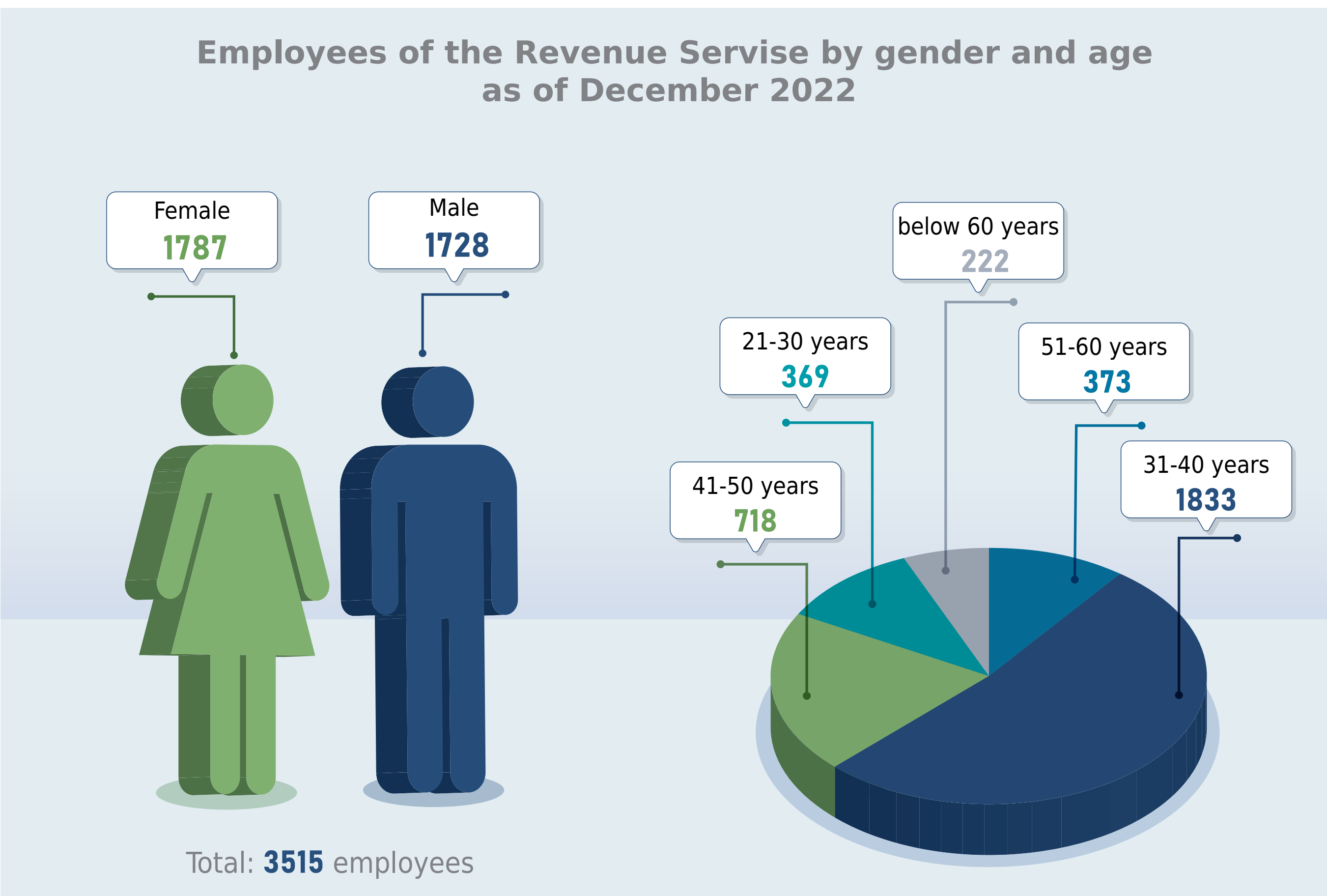
- Total tax debt decreased by 10.1%.
- Recognized tax debt decreased by 17.2%.
- Recognized tax debts older than 1 year decreased by 29.3%.



STRATEGIC OBJECTIVE II
DEVELOPMENT AND SUSTAINABILITY OF THE INSTITUTIONAL CAPACITY OF THE ORGANIZATIONჲ

IMPLEMENTATION OF MODERN APPROACHES IN THE FIELD OF HUMAN RESOURCES MANAGEMENT

- As a result of legislative changes, the status of the Customs Department has changed and therefore, the rules for hiring, completing the service, dismissing employees, awarding state special rank and remuneration for work in the Customs Department have changed.
- In order to improve the process of analyzing, forecasting and planning workforce supply and demand, Workforce Planning (WFP) of Operational Departments was ensured within the Revenue Service.



- A basic training course on "Labor Safety and Health Protection at the Workplace" was developed. Employees of the Customs and Service Departments underwent online training.
- As part of the internal trainer selection process, 14 employees were selected and underwent Training of Trainers (TOT), and 5 of them were involved in the process of training employees of the Tax Monitoring Department.
- In order to improve their professional and personal skills, about 1500 employees were trained.
- Taking into consideration the needs of various structural units, in order to train potential employees, 210 persons were selected and appointed as interns within the internship program.
- Following the internship program, according to the relevant procedures, 257 new employees were selected, among them, 85 successful trainees were appointed as customs officers.
- On the basis of an open and transparent competition, 170 employees were selected and appointed to vacant positions through the website administered by the Public Service Bureau - www.hr.gov.ge.
- Taking into account the quarterly and annual results of the employee performance evaluation system, 880 employees were transferred/promoted to another position/structural unit.
- As a result of the official inspection carried out in 2022, disciplinary measures have been used towards the employees: Remark 42, Warning 12, Wage percentage restrain due to violations related to attendance at work 57 and Dismissal from work 6, Instead of disciplinary liability measure, in 114 cases oral warning was used.

CAPACITY BUILDING OF EMPLOYEES WITHIN INTERNATIONAL LEVEL EVENTS

- With the organization of the mechanism created by the member countries of the Belt and Road Initiative (BRITACOM), online trainings were held for Revenue Service employees on the following topics: taxpayer services, risk management and VAT reform.
- CEF organized online trainings on tax debt management, audit risk management, revenue mobilization quality data analysis and tax fraud within the digital environment.
- Within 2022, following was held by the Intra-European Organisation of Tax Administrations (IOTA) and OECD for the Revenue Service employees:

- Workshops on the topic: the impact of the COVID-19 pandemic on international taxation, telecommuting and tax obligations; as well as in relation to managing the compliance risks posed by crypto-assets and virtual currency and facilitating the simplification of the interaction with the taxpayers.
- Forums on the topics, such as: improving trust towards the tax administration, combating VAT fraud, using data in the process of automatic exchange of information and fulfilling the standard of base reduction and profit shifting.
- Webinars on topics: providing services to taxpayers through social media, identifying corruption risks and opportunities for their elimination in the tax administration.
- Training seminars: human resource management, practical application of international insolvency procedures, fundamental concepts of transfer pricing, assessment, and use of tax losses - latest developments, latest monitoring methods and best practices used in e-commerce.
- Conference on “Building a Hybrid Tax Administration”.

- Through the support of the International Finance Corporation of the World Bank, employees of the Customs Department of the Revenue Service underwent trainings on issues of implementation of the Authorised Economic Operator (AEO) Manual. With the assistance of the World Bank (WB), a draft methodological document of the AEO program was developed.
- Through the support of the EU TAIEX program, for the purpose of capacity building in terms of the Authorised Economic Operator, working meeting was held. 13 employees of the Customs Department and the EU experts participated in the event.

- Within the framework of the EU P2P Export Control program, an interagency training on the technical aspects of identifying dual-use goods was held for the employees of the Revenue Service and the Ministry of Defense of Georgia.
- Through the support of the US Embassy and the Defense Threat Reduction Agency (DTRA), an interagency training on operations and planning of the Public Safety Management Center was held, in which employees of the Customs Department of the Revenue Service took part.
- Training was held through the support of the US National Intellectual Property Rights Coordination Center, the Anti-Counterfeiting Network (REACT) regarding the trademark infringement and copyright. Employees of the Customs Department participated in the training and discussed practical aspects and existing challenges.
- 30 customs officers of the Revenue Service participated in the learning seminar – “Strategic Cargo Control” conducted with the support of the World Customs Organization (WCO).
- Transnational Threats Department of the Organization for Security and Co-operation in Europe (OSCE) organized interagency training, where the participants from the Customs Department, Staff Monitoring Department, and International Relations Department of the Revenue Service, as well as Patrol Police Department and General Inspection of the Ministry of Internal Affairs took part. The training was also attended by the representatives of internal control departments of law enforcement and border agencies of the Western Balkans, Ukraine, and Moldova under the Regional Anti-Corruption platform. The Regional Anti-Corruption platform is a forum, the main purpose of which is to strengthen cooperation between member agencies, as well as to improve the overall capabilities of internal control departments and effectively deal with corruption-related challenges for the purpose of prevention.

- Through the assistance of the US State Department Export Control and Related Border Security (EXBS) program and participation of the representatives of the Customs Department of the Revenue Service, Criminal Police and Patrol Police Departments of the Ministry of Internal Affairs of Georgia and Ministry of Defense, another interagency training was held within the framework of the Wisconsin project. Practical and theoretical training held with the involvement of the international expert shall help the participants in the process of enforcement of sanctions, licensing related to international trade and monitoring of their enforcement. Through the support of the US State Department Export Control and Related Border Security (EXBS) program, training was also held on the topic: "Detection of illegal cargo in commercial vehicles and image recognition of scanners".

COOPERATION WITH THE INTERNATIONAL ORGANIZATION FOR MIGRATION (IOM)

- Within the framework of the project - Support to Integrated Border Management in Georgia (SAFE), which is financially supported by the EU, the interagency seminar was held, which was dedicated to studying the latest methods of open-source analysis and sharing successful experiences between countries.
- Within the framework of the project - Integrated Border Management (SAFE IBM), for the employees of the Revenue Service of the Ministry of Finance as well as the employees of the Ministry of Internal Affairs, interagency training was held on the detection and verification of forged documents, which is aimed at raising the awareness in the direction of recognizing fake international travel documents.
- Through the support of the European Union, the International Organization for Migration (IOM) handed over 80 units of radio transmitters and 60 badge cameras to the Customs Department. The mentioned equipment shall contribute to effective border control and smooth communication by customs officers.

INTRODUCTION OF THE OPERATIONAL RISK MANAGEMENT SYSTEM OF THE ORGANIZATION

- In 2022, the process of introduction of the operational risk management system of the organization began in the Revenue Service. An organizational risk management policy document was prescribed, and a risk register of 2 structural units was developed. Revenue Service further plans to gradually establish the principles of properly informed and risk-based decision-making, and to make risk management an integral part of managerial accountability.

BRINGING THE INFORMATION SECURITY SYSTEM INTO COMPLIANCE WITH MODERN STANDARDS

- As a result of the full implementation of the measures of the medium-term action plan of the Service, the information security policy document of the Revenue Service is in full compliance with the main requirements of the Law of Georgia on Information Security.
- Furthermore, in terms of bringing information security into compliance with ISO standards, some of the processes have been implemented and transferred to the information security management system, while other processes are being actively worked on.
- In the direction of strengthening information security, the Revenue Service was actively involved in the implementation of relevant measures within the agency, as well as in coordination with other agencies. In order to raise awareness on information security issues, an annual mandatory training course was held for employees of the Revenue Service.

STRENGTHENING THE PROJECT MANAGEMENT SYSTEM

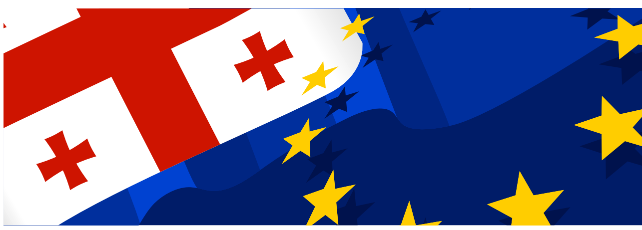
- In 2022, the Project Management Manual was approved in the Service, which completely changes the approaches; and the introduction of a new unified project management methodology has begun. In accordance with the Manual, the project life cycle management process is changing. Programs and portfolios were identified, where relevant projects will be united thematically. The roles and responsibilities of the persons involved in the project management process were defined.
- The purpose of the Manual is to make the process of implementing projects at work systematized and consistent, and to support the project manager in the process of managing the entire life cycle of the project. The manual covers the components of globally recognized best practices in the project management field and helps the project manager and team to plan and execute the project efficiently/effectively.
- Within the process of developing the Project Management Manual, the PM² Project Management Methodology developed by the European Commission Project Management Center, the PMBOK Guide of the Project Management Institute and the PRINCE2 (Projects in a Controlled Environments) methodology for managing information systems projects developed as a UK standard were used.

STRATEGIC OBJECTIVE III
INTERNATIONAL COOPERATION

PRESIDENCY OF IOTA IS FULFILLED BY GEORGIA

In 2022, in accordance with the decision of the 26th General Assembly, for the first time, the presidency of the Intra-European Organization of Tax Administrations (IOTA) is fulfilled by Georgia, for a period of one year. It should be noted that IOTA was founded in 1996 and unites the tax administrations of 44 countries in the European region.

The election of the Revenue Service as the Presidency of IOTA will give Georgia the opportunity to clearly represent the priority issues of its own as well as the agenda of the tax administrations of different countries in the region. Moreover, within the Presidency, in 2023 Georgia will host the General Assembly and heads of tax administrations of the member states of the Intra-European Organization of Tax Administrations in the city of Tbilisi.



SUPPORT FOR THE INTEGRATION PROCESSES WITH THE EUROPEAN UNION

INTRODUCTION OF NEW COMPUTERIZED TRANSIT SYSTEM (NCTS)

With regard to the support for the integration processes with the European Union and in accordance with the recent changes in the Common Transit Convention (CTC), the working group of the Revenue Service has updated the comparative analysis document of the customs legislation of the European Union and Georgia.

Within the framework of the introduction of the New Computerized Transit System (NCTS), the following was ensured:

- Work was ongoing on the development of the national transit application by the representative of the United Nations Conference on Trade and Development (UNCTAD). Presentations were delivered on the options of the application and the operation of the program; several working meetings were held with customs officers and business operators to familiarize themselves with the NCTS application and common transit procedures.

- UNCTAD experts have developed manuals on various components of NCTS, such as: transit declaration, authorizations, guarantees and general options of the system.
- Testing of various components of the application and submission of relevant comments/suggestions to the UNCTAD representative was carried out by the working group of the Revenue Service.

ACCESSION OF GEORGIA TO THE EU TAXATION AND CUSTOMS PROGRAMS

Within the framework of cooperation between the European Union and Georgia in the field of taxation and customs, agreements on the participation of Georgia in the EU taxation and customs programs were signed. Programs were launched in the mode of temporary use, after which, Georgia shall have the opportunity to participate in the activities provided by the programs. Herewith, in accordance with the legislation of Georgia, the process of ratifying agreements has been completed. The procedure of receiving a grant envisaged by participation in the programs has been started, for which it is necessary to sign a corresponding grant agreement.

The purpose of the taxation program is to protect the financial interests of member states and the conscientious taxpayer. Within the framework of the program, best practices will be shared between tax administrations and EU tax legislation will be implemented at the national level. Furthermore, a cooperation network composed of national representatives of European countries will be created.

Engagement in the customs program shall facilitate the simplification of international trade procedures and the development of new and effective services based on modern technologies. In turn, the program will give stimulus to the development of the transit and trade potential of the region, the attractiveness of Georgia and the creation of new investment opportunities.

Participation within the programs allows financing of such activities as:

- Development of information technologies, in particular, creation of new components of EU information systems, development of existing systems, ensuring operation, exploitation and quality control.
- Improvement of cooperation between representatives of tax agencies (seminars, workshops, expert groups, joint missions of representatives of the European Commission and countries participating in the program, etc.).
- Human resource development through training and sharing of best practices.

DRAFT STANDARD FOR AUTOMATIC EXCHANGE OF FINANCIAL INFORMATION

Through the financial assistance of German Agency for International Cooperation (GIZ) and with the support of the Global Forum on Transparency and Exchange of Information for Tax Purposes of the Organization for Economic Co-operation and Development (OECD), the pilot project for the automatic exchange of financial information continues. In 2022, Common Transmission System (CTS) User Agreement was signed, based on which, the CTS Secretariat shares the technical features necessary for the development of technical documentation and the subsequent automatic exchange of financial information. German Agency for International Cooperation (GIZ) held a meeting with financial institutions and delivered information regarding the reporting platform.

EXCHANGE OF INFORMATION FOR TAX PURPOSES

Revenue Service is actively involved in the process of fulfilling the international obligations undertaken by the country for the purpose of mutual assistance in tax matters.

Georgia is a member country of the 1988 Convention on Mutual Administrative Assistance in Tax Matters jointly adopted by the OECD and the Council of Europe. In accordance with the Article 5 of this Convention, Georgia is obliged to exchange with the member countries of the Convention the information that is considered necessary for the fulfillment of the provisions of the agreement or for the purpose of administering domestic legislation, in relation to the taxes provided for by this Convention.

Herewith, Georgia has signed agreements with 57 countries on Avoidance of Double Taxation and Prevention of Fiscal Evasion, which also provide for mutual assistance in tax matters and

exchange of information. Obligation for exchange of information also derives from bilateral agreements concerning the exchange of information in tax matters.

One important component of the exchange of information for tax purposes is the Exchange of Information on Request (EOIR). On 11 April 2011, the country has become a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes, which ensures the exchange of information between countries in accordance with international standards.

Within 2022, for taxation purposes and/or assistance in debt collection, Revenue Service exchanged information with 28 countries.

CONFERENCE DEDICATED TO THE APA PROGRAM

Revenue Service hosted conference dedicated to Advance Pricing Agreement (APA) project, within the framework of which, Memorandum of Understanding was signed between the Revenue Service and the Italian tax administration, which laid a solid foundation for the new project initiated under the auspices of the Tax Inspectors Without Borders (TIWB) program.

The abovementioned conference was aimed at providing extensive information to the interested parties regarding the events conducted by the Revenue Service within the framework of the introduction of the APA program, as well as at familiarizing the taxpayers with the advantages of participating in the mentioned program and responding exhaustively to the issues of their interest.

Advance Pricing Agreement (APA) is an international instrument developed for the purpose of avoiding the disputes related to internationally controlled transactions. The Agreement is aimed at defining pricing methods and approaches, which are used by the tax agency in the process of taxation. Furthermore, the Agreement promotes raising of credibility towards the taxation methods used by the tax authority.

ENSURING FURTHER PROGRESS OF THE SANITARY, PHYTOSANITARY AND FOOD SAFETY SYSTEM IN Georgia

To implement the third component of the project, within the framework of the EU-funded Twinning Project, the employees of the Revenue Service underwent trainings in Estonia. As a result, veterinary control procedures were evaluated, and appropriate recommendations were developed. Within the framework of the project, theoretical and practical training on veterinary border control procedures was conducted in Tbilisi and Batumi for the employees of border inspection points of Western and Eastern Georgia. Practical training was carried out at the Red Bridge and Sarpi (Adlia) border inspection points. 30 employees of the Revenue Service and 4 representatives of the National Food Agency participated in the training.

COOPERATION BETWEEN THE CUSTOMS ADMINISTRATIONS OF KOREA AND GEORGIA

Customs Administration Modernization Consulting Project envisages the evaluation of the current situation in the customs administration of the beneficiary country and the preparation of relevant recommendations to create the ideal customs model of the country. CUPIA - Customs Uni-Pass International Agency was selected by the Korea Customs Service to implement the project.

Within the framework of the project, Korean experts visited the Revenue Service, andwere provided with complete information regarding the activities of relevant Departments of the Revenue Service. Therefore, the Customs Department of the Revenue Service was consulted on the elimination of the identified deficiencies and the necessary changes. The indicative budget for the consulting project was 700,000 USD and was fully funded by the Korean government. The project was implemented in the period from 4 April 2022 to November 2022.

During the project, the Revenue Service delegation also visited Seoul, Korea. Within the framework of the visit, members of the delegation received information regarding the specifics of the work of the Korea Customs Service, operation of the customs risk management system, passenger information advance notification system, as well as visited the express delivery center

Within the framework of the visit, the members of the delegation got to know the specifics of the work of the Korean customs administration, the functioning of the customs risk management, passenger information advance notification systems, and visited the express shipment clearance center. Meetings were held with the Korea Customs Service managers and issues of cooperation between the customs administrations of Korea and Georgia were discussed.

TECHNICAL ASSISTANCE PROVIDED BY INTERNATIONAL ORGANIZATIONS

International Monetary Fund (IMF)

The technical assistance provided by IMF experts to the Revenue Service in 2022 included 4 main directions: further development of compliance risk management, implementation and operation of the office of large taxpayers, tax audit reform and further institutional development of the Revenue Service.

German Agency for International Cooperation (GIZ)

In 2022, the Caucasus, Central Asia, and Mongolia Regional Capacity Development Center planned and implemented a project aimed at sharing the best experience of the customs of Georgia and Latvia via a virtual tour. Within the framework of the project, 7 thematic videos (each in English and Russian languages) were developed regarding simplified procedures. Presentation of videos and corresponding discussion took place in Almaty city.

OTHER SIGNIFICANT EVENTS IMPLEMENTED IN 2022

COOPERATION BETWEEN THE REVENUE SERVICE AND THE BUSINESS SECTOR

Electronic information exchange system

The employees of the Customs Department of the Revenue Service met with the representatives of the business sector to receive more information regarding the planned innovations in the direction of the implementation of the electronic system for the exchange of goods and information moved by air across the state borders of Georgia. Within the framework of the meeting, the parties discussed in detail the terms and conditions of the electronic information exchange system in order to implement customs formalities much faster and more efficiently using communication technologies, and to give the interested parties the opportunity to easily trace the information of their interest.

EU-funded project - Facility for the Implementation of the EU-Georgia Association Agreement (AA Facility)

Within the framework of the Deep and Comprehensive Free Trade Area Agreement (DCFTA) with the European Union, with the organization of the EU-funded project - Facility for the Implementation of the EU-Georgia Association Agreement (AA Facility) and through the support of the Revenue Service, a meeting was held with business representatives. At the meeting, the employees of the Revenue Service, together with the invited expert, delivered presentations to the business representatives regarding the simplified customs formalities already introduced in the European Union, which are planned to be implemented in Georgia in the nearest future.

Authorised Economic Operator (AEO)

In accordance with the Association Agreement signed between the European Union, Georgia undertook a legal commitment to gradually bring customs procedures closer to European regulations. Herewith, these regulations also envisage implementation of the concept of

Authorised Economic Operator, and it is based on the partnership relationship between the customs system and business. In 2022, the Revenue Service issued certificates of Authorised Economic Operator (AEO) status to companies registered in Georgia. The new status offers companies new simplified customs possibilities.

Changes in customs service fees

At the initiative of the Revenue Service of the Ministry of Finance, in accordance with the amendment to the government resolution, along with the other directions, in order to encourage the use of self-service and electronic services, preferential, different service fees were established for the registration of goods declared by the customs declaration by the persons authorized in the automated data system – “eCustoms”.

The representatives of the Revenue Service held working meetings with business operators in Tbilisi, Batumi and Poti in order to get acquainted with the changes made in the fees for the services to be provided in the customs direction. Within the framework of the meeting, the representatives of the Revenue Service delivered a presentation to business operators on the changes and, along with other changes, introduced customs procedures, using which it becomes possible to pre-declare the goods before they are imported into the customs territory of Georgia.

INTERNATIONAL CUSTOMS DAY

On 26 January, the Revenue Service together with more than 180 member customs administrations of the World Customs Organization celebrated International Customs Day. In 2022, the common slogan of the International Customs Day was: Scaling up Customs Digital Transformation. Within the framework of the event, the US Ambassador and the Minister of Finance signed a Memorandum of Understanding between the US Department of State and

the Ministry of Finance of Georgia on Cooperation and Support for the Modernization of the Information Technology Platform of the Revenue Service. At the event, WCO Certificates of Merit were awarded to customs officers of the Customs Department, as well as to representatives of partner agencies, international donor organizations, and the Banking Association of Georgia.

CONSTRUCTION AND RECONSTRUCTION OF MOTORWAY CUSTOMS CHECKPOINTS

Since Georgia has the significant transit country status, the transit potential development projects are constantly considered.

On the Georgia-Armenia border, a new motorway customs checkpoint – “Ninotsminda” was opened. 11 exits equipped with modern control systems were arranged for freight vehicles, passengers and light vehicles carrying out international shipments. About 70 customs officers will work at the checkpoint. During twenty-four hours, both directions are designed to handle at least 600 freight vehicles, 3000 light vehicles and 8000 passengers. As part of infrastructure works, about 4000 sq.m. area was renovated, a new underground communications, a drainage system and a vehicle viewpoint hangar were built.

The construction works of the new building of Lagodekhi checkpoint near the border with Azerbaijan have been completed.

In order to expand and develop the customs infrastructure in the country, it is planned to build a new, joint customs checkpoint “Silk Road - Ipek Yolu” on the border of the Republic of Georgia-Azerbaijan, the concept of which was created by an expert of the Asian Development Bank (ADB).

LEGISLATIVE AND PROCEDURAL NOVELTIES

For the purpose of effective tax administration, the following methodological guidelines have been developed:

- The purpose of the Methodological Guidelines on the Change of Classification of a Business Transaction is to establish a unified methodological approach, in order to ensure high quality of argumentation and determination of relevant tax liabilities, within the process of the tax audit, in case of change of classification of a business transaction by the taxpayer. Herewith, for the tax authority, the abovementioned document represents a hierarchically connected procedural and legal framework, so that the essence and purpose of changing the classification of a business transaction, as well as the importance of other related administrative proceedings, are clear, unambiguous, and predictable for the parties.

- On Non-Consideration as Shortage of Insubstantial Losses of Non-Food Items Revealed in Trade Outlets - 0.5% was defined as the norm of loss of non-food items. Herewith, a norm may be used by the trade outlet (market, supermarket, or hypermarket), where the retail sale of non-food items is carried out on “open outlet” principle. Provided that all listed conditions are met, an open outlet is a trading space:

  A) Where the entrance and exit of customers are identified.
  B) Where non-food items intended for sale are presented in a place accessible to customers - on shelves, counters and other storage areas.
  C) Where the customer independently and/or with the assistance of the cashier-consultant chooses the desired non-food item.
  D) Where the purchase and sale of non-food items is recorded by means of barcodes and software, and with this recording, both the cost price of the purchased non-food item and the amount received from the sale of the same non-food item can be identified.

- Write off fragile items – Large taxpayers within the accounting value of 25 000 GEL per month, and mid-income taxpayers within the accounting value of 3 000 GEL have the possibility of writing off fragile construction and repair items (tile, metal, glass, ceramic materials and other similar construction and repair goods) without carrying out the examination.

- “Good Faith” delegating - the methodological reference on the application of paragraph 7 of the Article 269 of the Tax Code of Georgia and the paragraph 11 of the Article 163 of the Customs Code of Georgia was approved, which defined the following:

A) Based on paragraph 11 of the Article 163 of the Customs Code of Georgia the measures to release a person from the sanctions envisaged with the Article 165, paragraph 3 of the Article 167 and paragraph 1 of the Article 172 of the same Code.

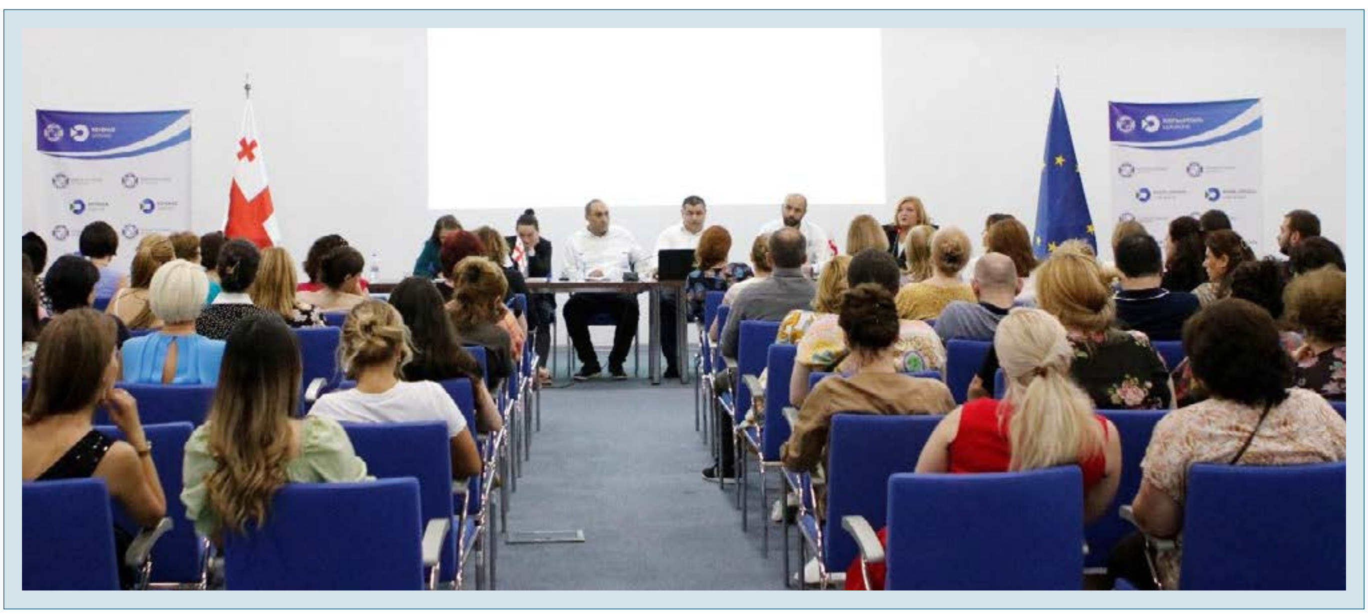
B) Based on paragraph 7 of the Article 269 of the Tax Code of Georgia the measures to release a person from the sanctions envisaged with the Article 274 and the paragraph 1 of the Article 282 of the same Code.

C) Measures to exempt natural persons from sanctions for the fact of reducing the tax amount in the property tax filings revealed within the framework of the tax audit

D) Measures to exempt the taxpayer from the sanction for the action corresponding to the position issued by the tax authority.

The abovementioned initiative is aimed at delegating the authority to waive sanctions for relevant violations at the level of operational departments.

- In accordance with the amendments to the Order N257 of the Minister of Finance, the term of transportation of goods exported from Georgia by sea, declared in the appropriate manner, from the customs warehouse to the port has been increased from 12 hours to 24 hours. Registration of cargo to be transported shall be carried out in a simplified manner and does not require sealing during the process of transportation from the customs warehouse to the port.



EXPENDITURES INCURRED IN TERMS OF REFINING AND DEVELOPMENT OF CUSTOMS AND TAX SERVICES

In total, in 2022, approximately 17.1 million GEL was spent on the construction/repair works of the Revenue Service facilities, the purchase of various service equipment, machinery and software, as well as the partial renovation of the carpark of the Service (increase in non-financial assets). Inter alia, the following should be mentioned:

- Repair/rehabilitation and maintenance works were carried out at the following facilities: “Tbilisi” and “Batumi” clearance economic zones, as well as “Ninotsminda”, “Red Bridge”, “Sadakhlo”, “Sarpi”, “Kazbegi” and “Kutaisi International Airport” customs checkpoints, Dedoplistskaro, Akhalkalaki, Mtskheta and Isani-Samgori Service Offices.

- In order to carry out the customs control procedures smoothly, customs checkpoints “Batumi Airport” and “Kutaisi and Senaki Airports and Kutaisi free industrial zone were additionally equipped with X-ray baggage scanners; and clearance economic zones – “Tbilisi 2” and “Batumi” were equipped with pallet X-ray scanners. Moreover, customs checkpoints “Kazbegi”, “Red Bridge”, “Sarpi”, “Lagodekhi” and “Kartsakhi” were equipped with new truck scales.

- 107 units of routers were purchased to ensure uninterrupted internet connection of customs checkpoints and economic clearance zones.
- For “Sarpi” and “Kartsakhi” checkpoints as well as “Tbilisi” clearance economic zone, due to the importance of the mentioned facilities, diesel generators were purchased for the purpose of ensuring the continuous energy supply.
- Based on the growing dynamics of the data in the Revenue Service, in order to ensure the smooth operation of the system within the next 3 years, as well as to expand the disk array of the existing physical servers, 24 units of hard disk drives intended for the server was procured.
- In accordance with the Information Technology Strategy of the Revenue Service and the Strategic Document of the 2020-2025 Investment Plan, 450 computers, 250 printers and 800 uninterruptible power supplies have been purchased.
- Repair/rehabilitation works have started in the administrative building of the Audit Department. Within the framework of the project, the workspaces shall be fully renovated, the building will be equipped with a new heating and cooling system and all necessary inventory/equipment.

SOCIAL ACTIVITY

COOPERATION WITH THE STATE CUSTOMS SERVICE OF UKRAINE

Through the support of the Revenue Service and the involvement of the State Customs Service of Ukraine, from 25 August to 3 September 2022, the Revenue Service hosted the children of customs officers of the State Customs Service of Ukraine. During their stay in Georgia, the children visited interesting places, visited museums and various entertainment centers, as well as participated in fun activities.

BOOKS AS A GIFT TO THE PUBLIC SCHOOL

Revenue Service of the Ministry of Finance is actively involved in the “Palitra L” project, within the framework of which it is possible to exchange wastepaper for desirable and interesting books.

The units of electronic "seedlings" accumulated by the agency were reflected in new books and together with the representatives of the National Parliamentary Library of Georgia, the employees of the Customs Department handed over cognitive, extracurricular reading and fiction literature to the public school library in the village of “Koda”.

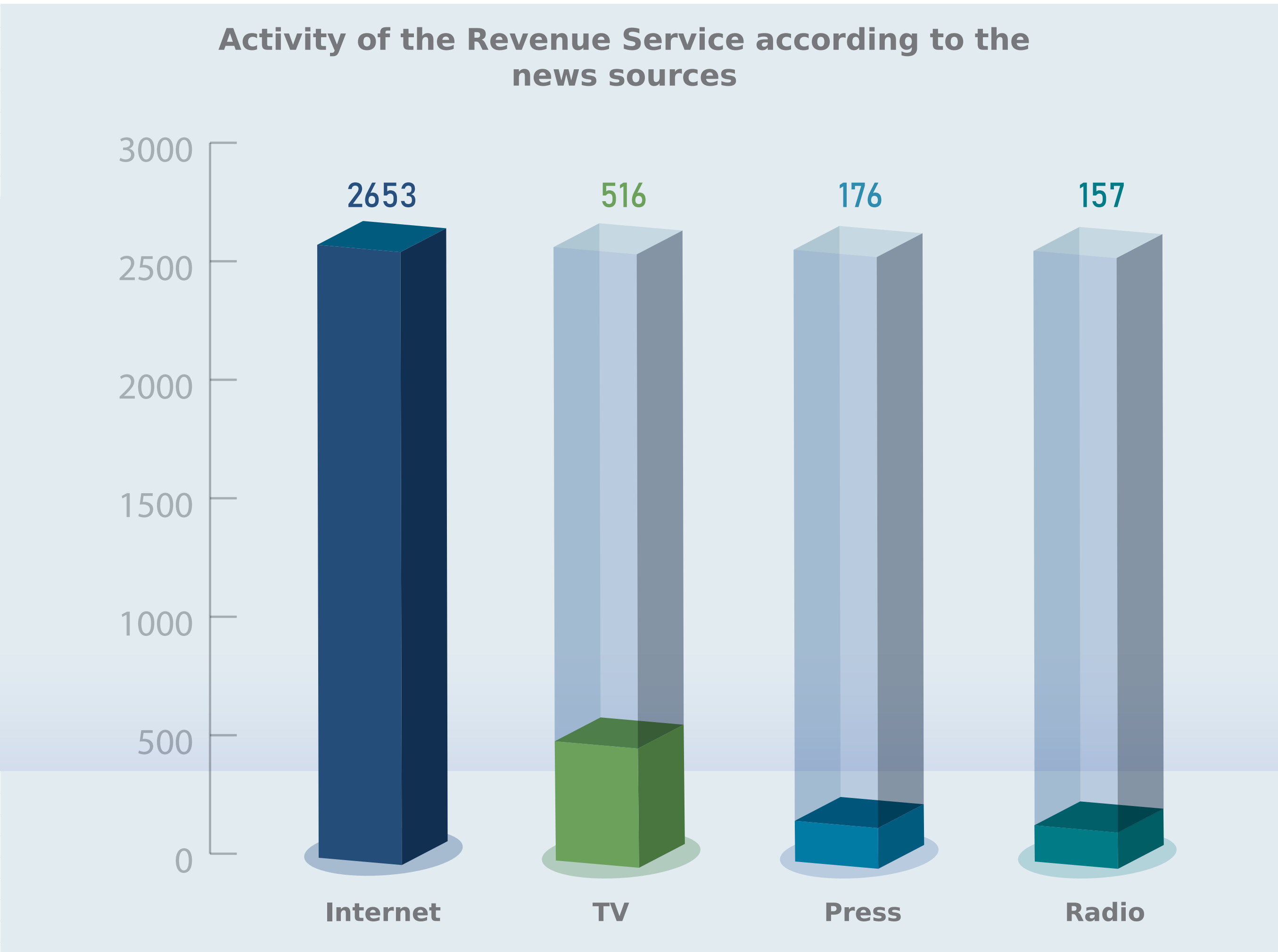
ANNUAL EMPLOYMENT FORUM

Representatives of the Revenue Service took part in the annual employment and career development forum initiated by Ivane Javakhishvili Tbilisi State University and Caucasus International University. They delivered exhaustive information to students regarding the activities of the agency, internship, and practice programs, as well as employment and career development opportunities. The employment forum was held for students with different specialties and both public and private sector representatives participated in it.

MEDIA SEMINARS FOR JOURNALISTS

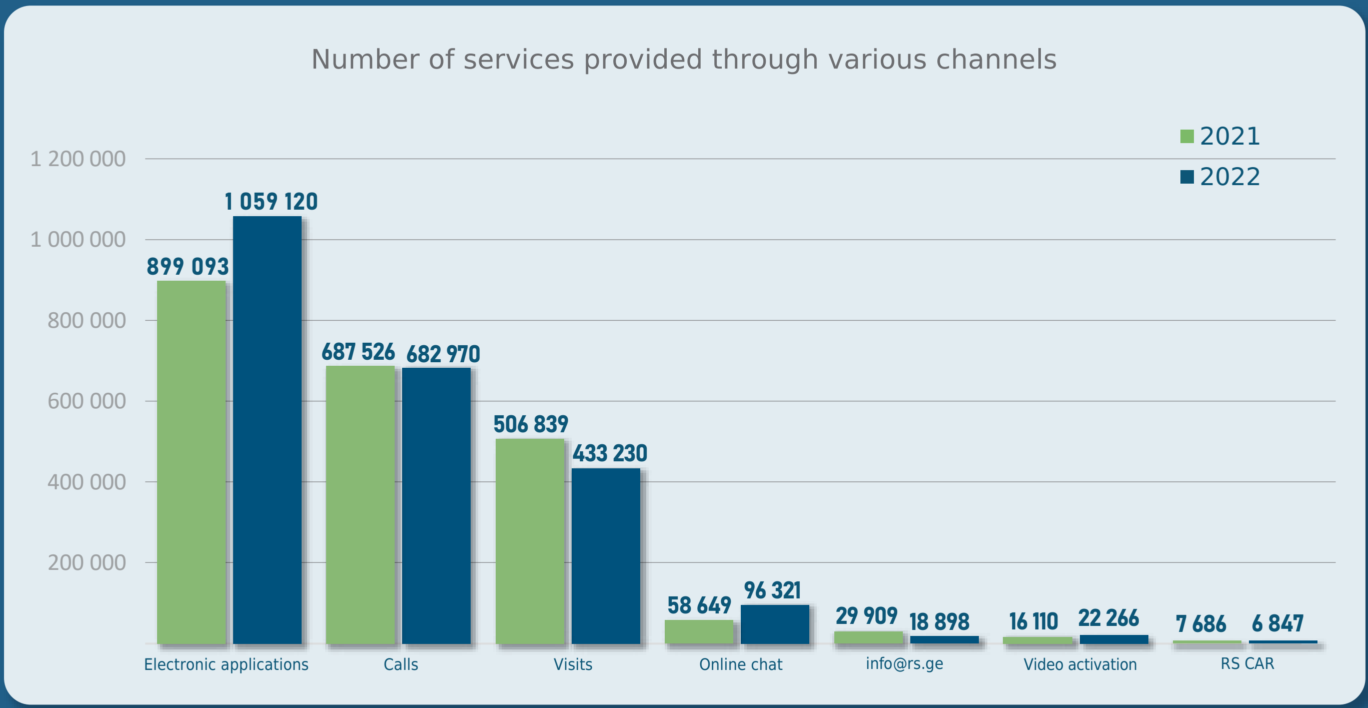
To raise the awareness of the taxpayers, within the framework of the Revenue Service project - "Communication with the Media”, media seminar was held for the journalists with economic background. Within the seminar, the representatives of various departments of the Revenue Service informed the representatives of the media concerning the reforms implemented in the Revenue Service in 2022 as well as the planned new projects. Issues of the discussion covered topics related to remote services, new search system for commodity codes, Authorized Economic Operator (AEO), e-clearance economic zone, automation of customs processes, possibility of using artificial intelligence, and others. Media representatives visited "Tbilisi" clearance economic zone and familiarized themselves on the spot with the necessary customs formalities for the procedure of releasing the goods into free circulation.

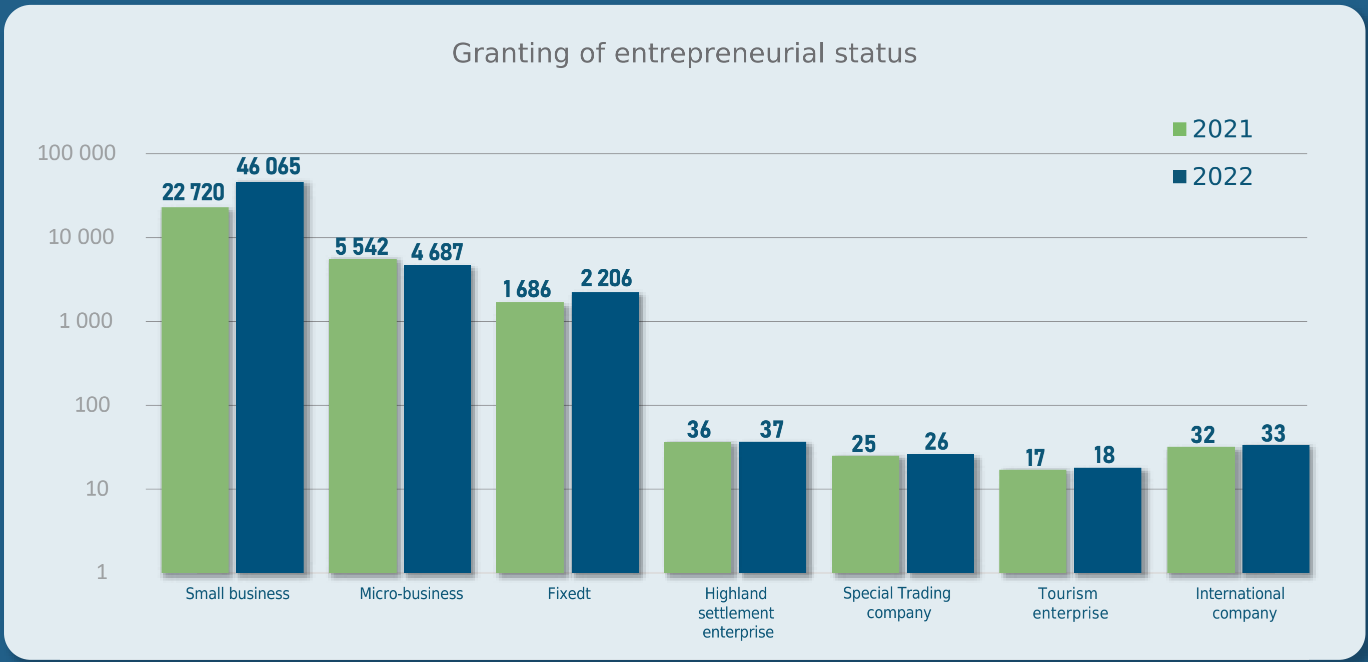
ACTIVITY OF THE REVENUE SERVICE ACCORDING TO THE NEWS SOURCES



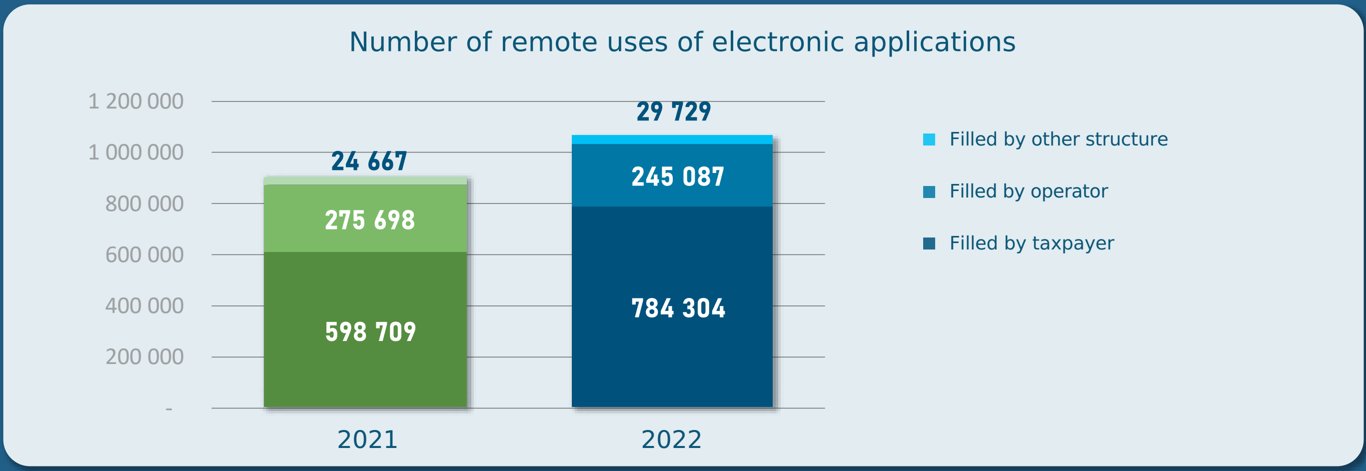
ANNEX - STATISTICAL DATA

SERVICE

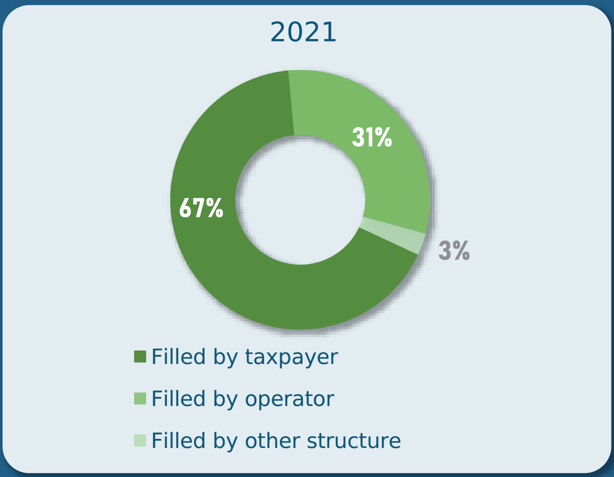

Number of services provided through various channels
2021
2022
1 200 000
1 000 000
800 000
600 000
400 000
200 000
899 093
1 059 120
687 526
682 970
506 839
433 230
58 649
96 321
29 909
18 898
16 110
22 266
7 686
6 847
Electronic applications
Calls
Visits
Online chat
info@rs.ge
Video activation
RS CAR

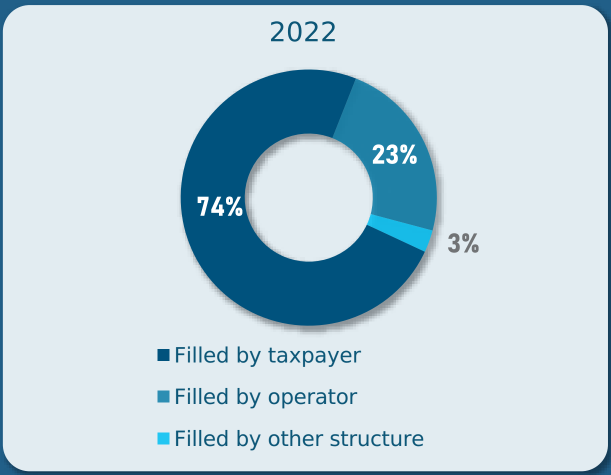

Granting of entrepreneurial status
2021
2022
100 000
10 000
1 000
100
10
1
22 720
46 065
5 542
4 687
1 686
2 206
36
37
25
26
17
18
32
33
Small business
Micro-business
Fixedt
Highland settlement enterprise
Special Trading company
Tourism enterprise
International company

NUMBER OF REMOTE USES OF ELECTRONIC APPLICATIONS

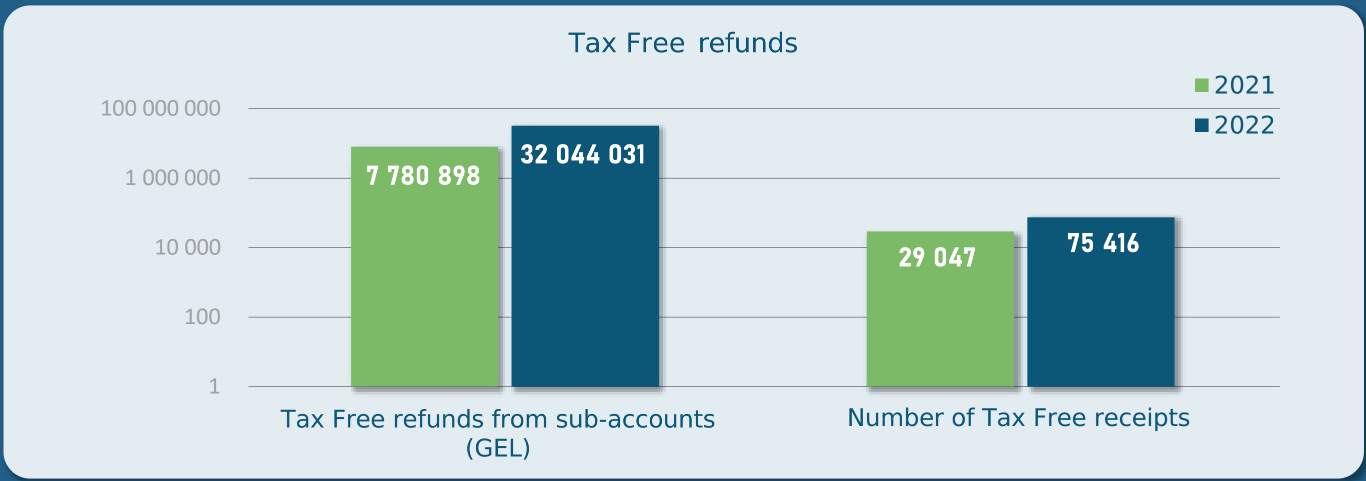


SHARE OF REMOTE USE OF ELECTRONIC APPLICATIONS



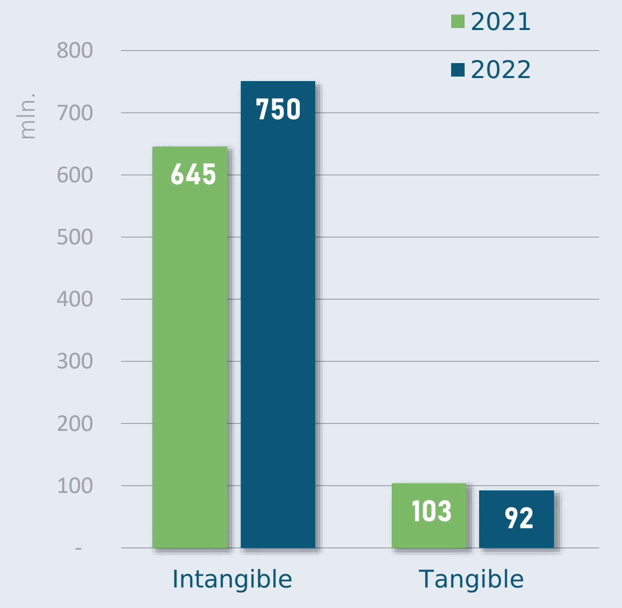


Tax Free REFUNDS

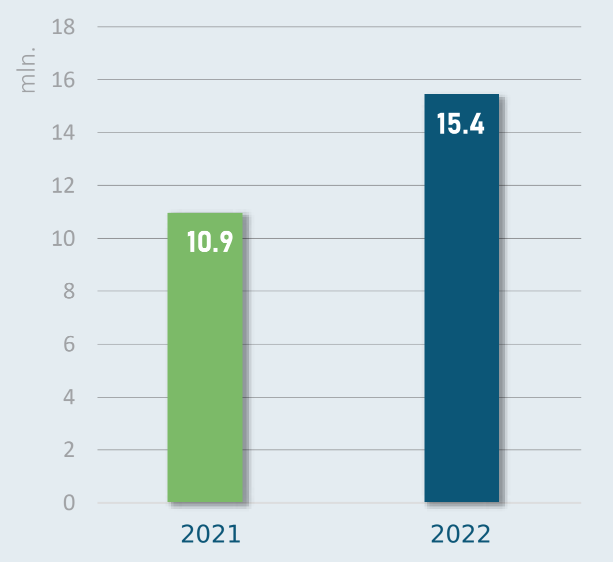


EXCISE OR NON-EXCISE STAMPS ISSUED

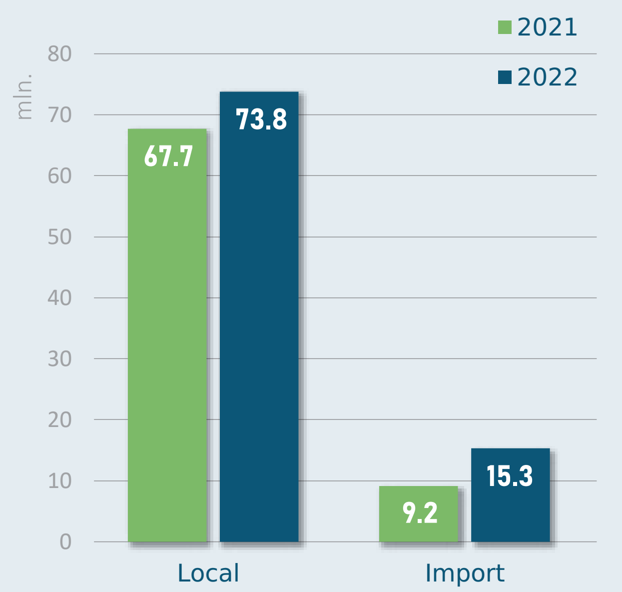
Number of non-excise stamps issued for non-alcoholic beverages



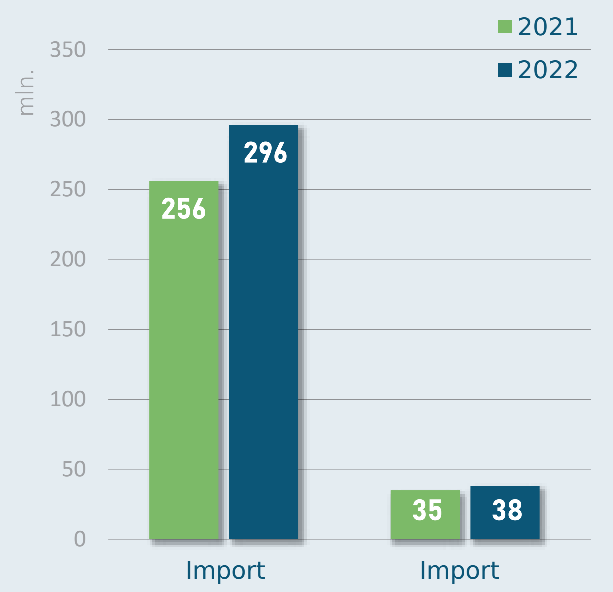
Number of excise stamps issued for alcoholic beverages (local and import)



Number of excise stamps issued for beer



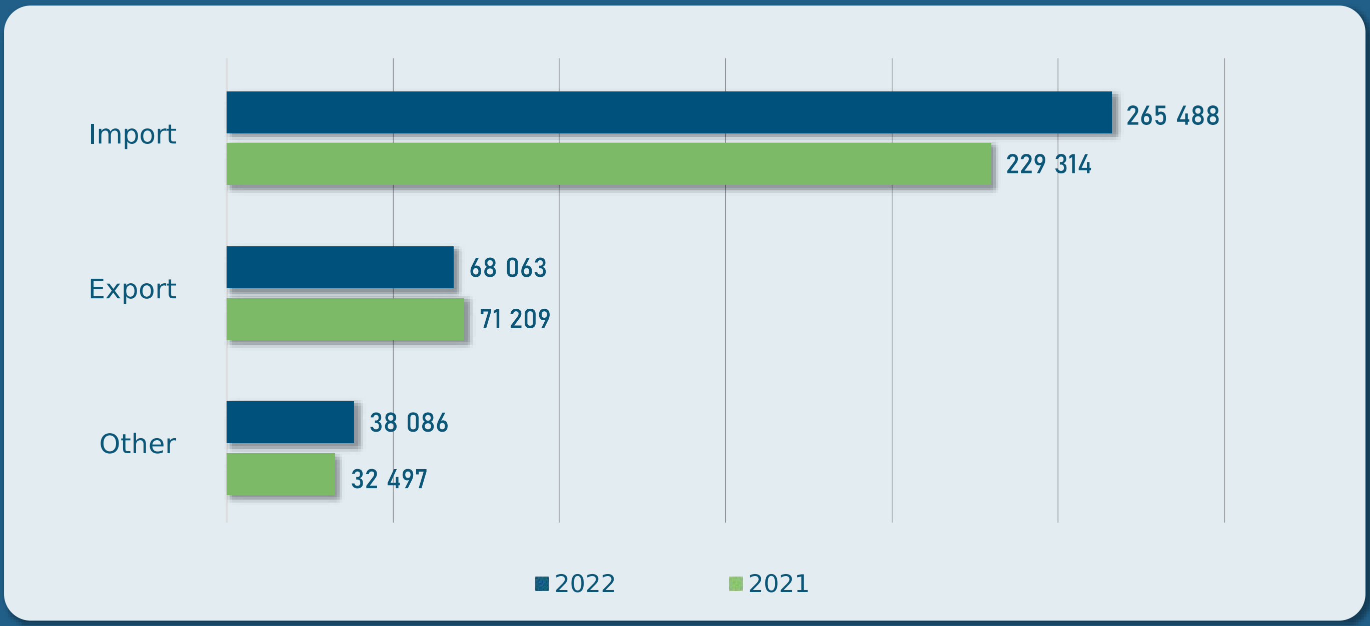
Number of excise stamps issued for tobacco



CUSTOMS

Customs declarations of cleared goods

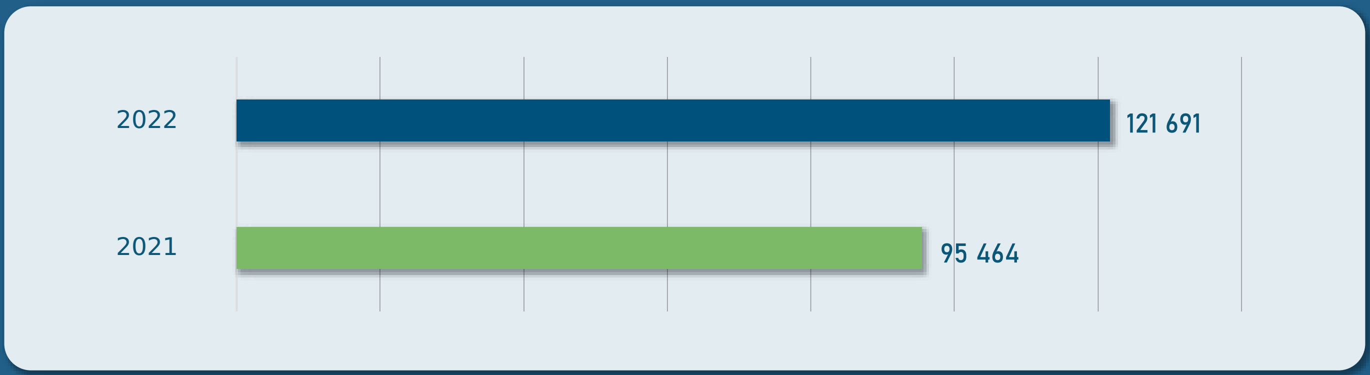
371 637 customs declaration of goods were cleared in 2022, including - 265 488 in free circulation (import) procedure, and 68 063 – in the export procedure. It should be noted, that compared to the previous year, in total, the number of customs declarations of goods increased by 12%, inter alia, in free circulation procedure - by 16%.



Advance declarations

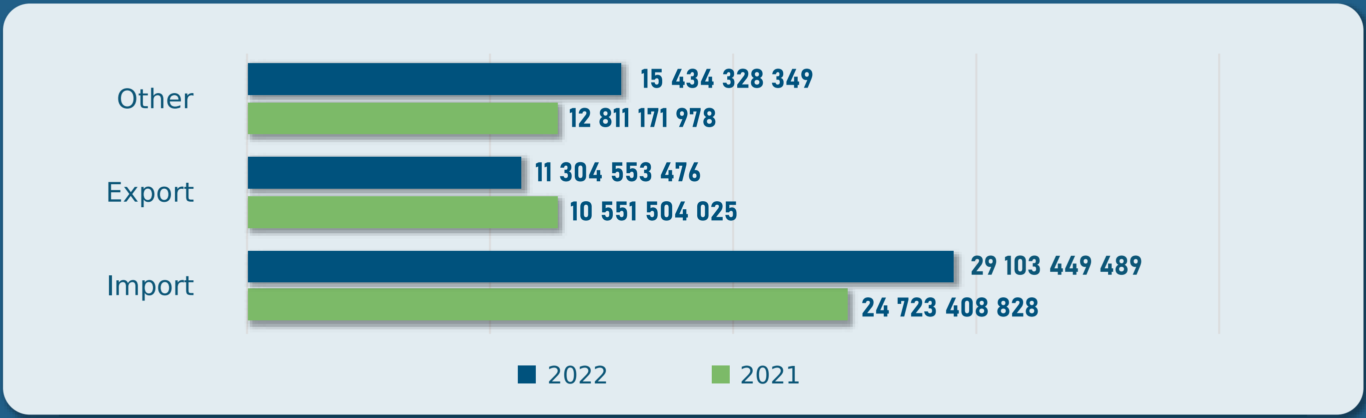
In 2022, number of advance customs declarations, compared to the previous year, is increased by 27%.

46% of declarations were advance declarations for the procedure of release in free circulation. This figure was 42% in 2021.



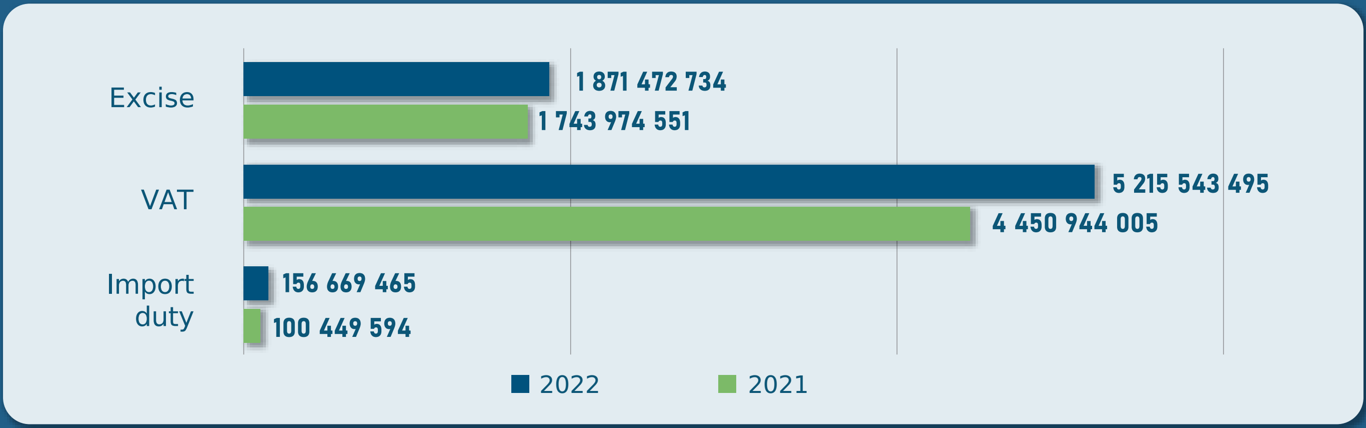
Value of goods cleared by customs declarations of goods

As of 2022, goods worth 55 842 331 313 GEL had been registered and in 2021 – 48 086 084 831 GEL.



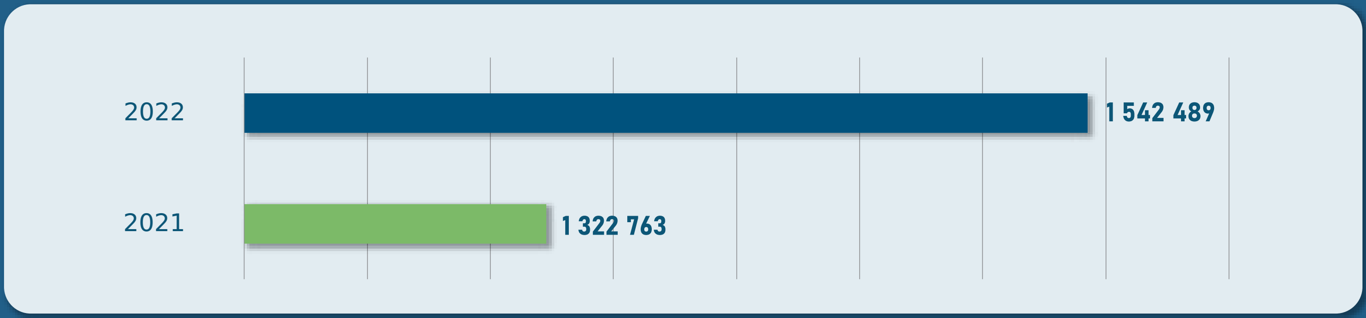
Imposed import duty

The amount of import duty imposed in 2022, was 7 243 685 695 GEL.



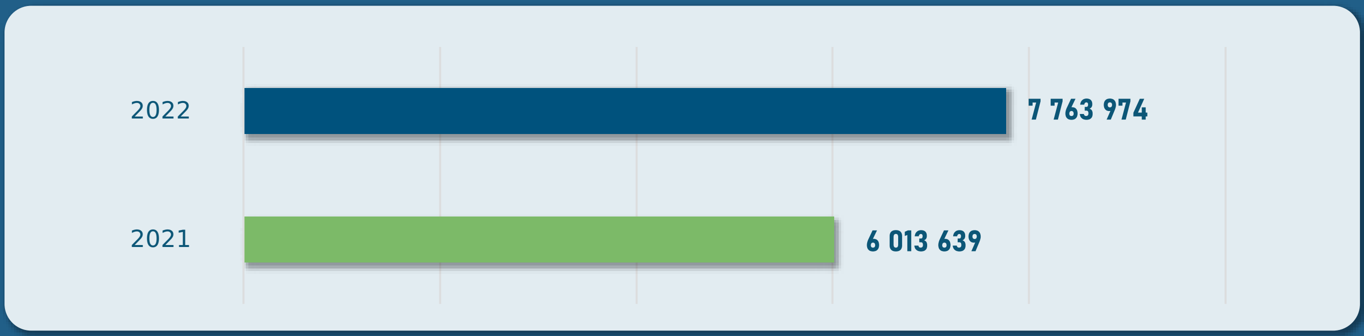
Freight vehicles moving across the customs border

In 2022, the number of freight vehicles moving across the customs border of Georgia increased by 17% compared to the previous year.



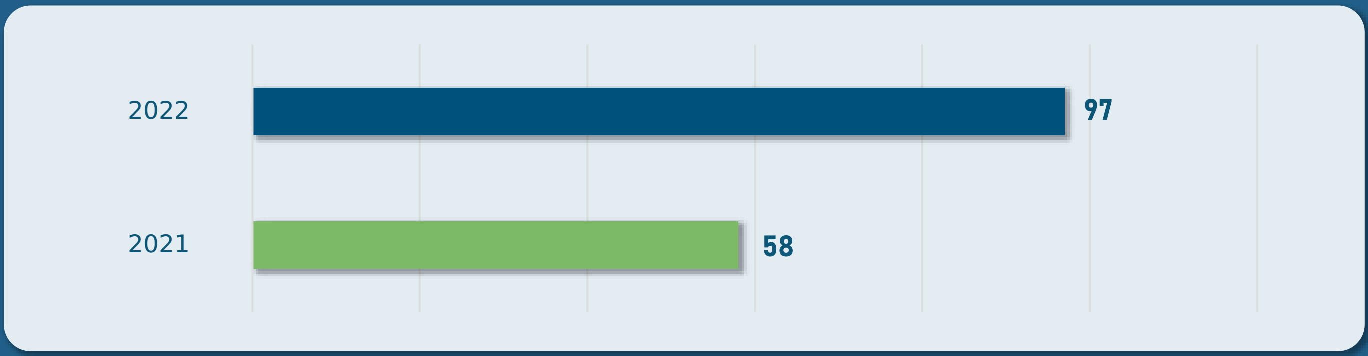
Postal items

In 2022, the number of postal items increased by 29% compared to the previous year.



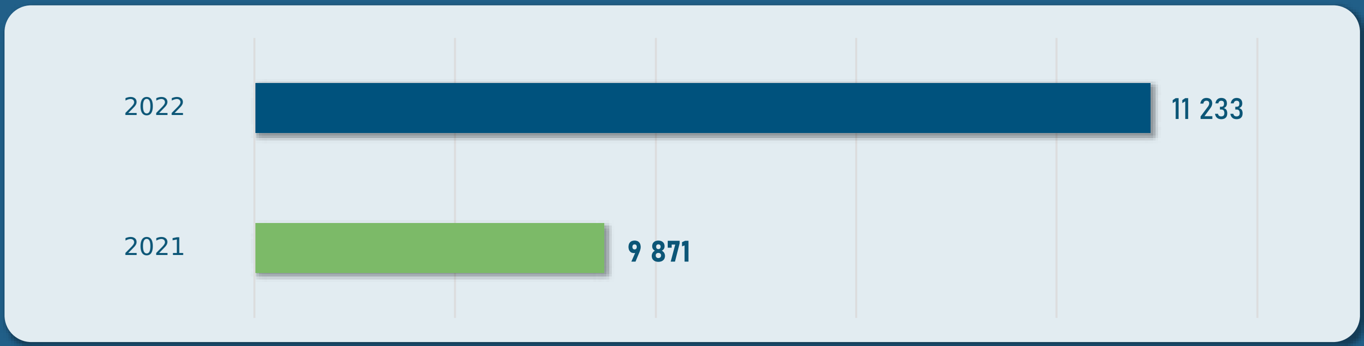
Advance rulings

In 2022, 83 advance rulings were made to determine the commodity code for goods and 14 decisions to determine the country of origin of goods.



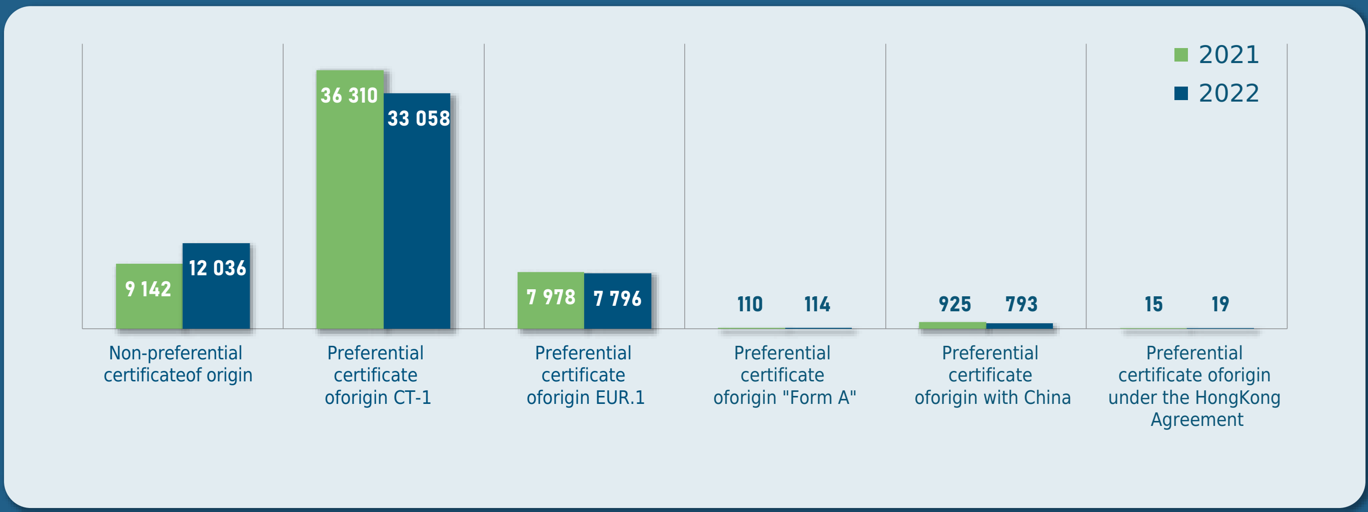
Commodity examinations

11 233 commodity examinations were concluded in 2022; the annual growth rate was 14%.

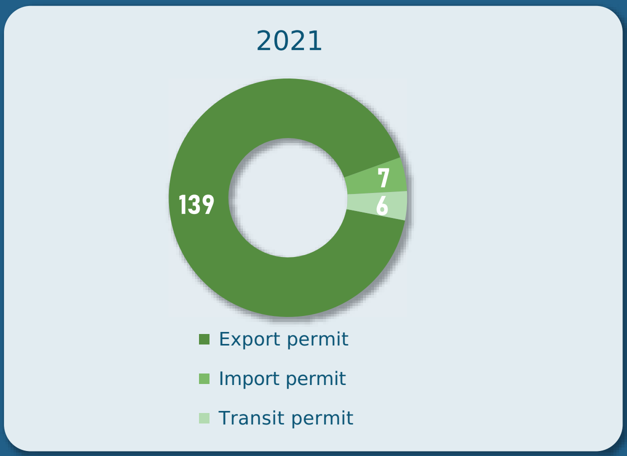


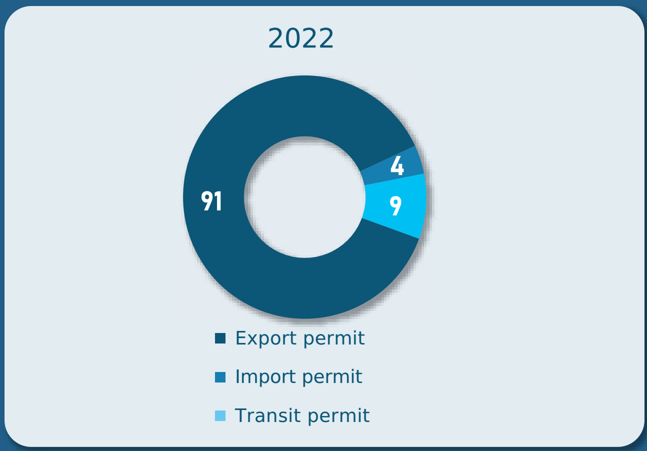
Certificates of origin

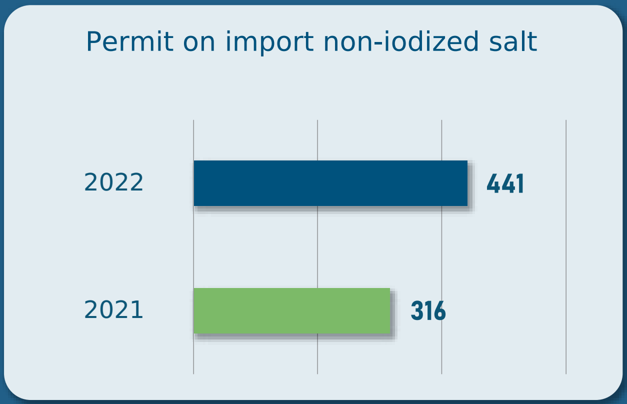
53 818 certificates of origin were issued in 2022.

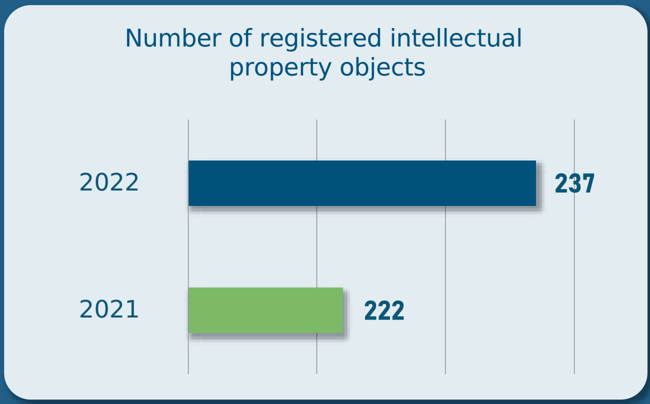


Permits on dual-use goods





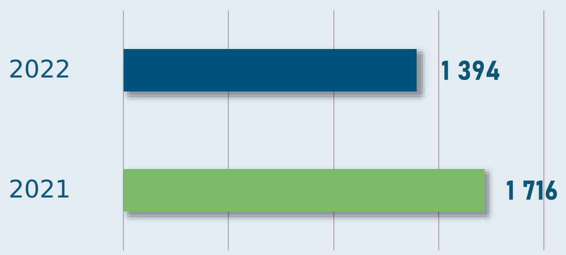




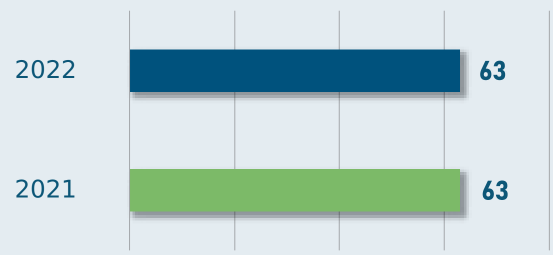
Veterinary border quarantine control

Veterinary border quarantine control was carried out on 15 352 commodity batches in 2022.

Number of samples taken for laboratory examination



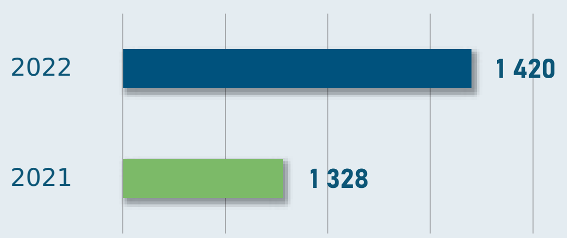
Number of commodity batches where the violation was detected



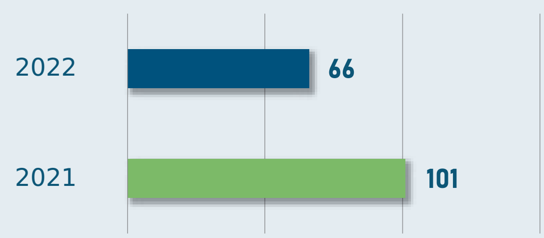
Phytosanitary border quarantine control

Phytosanitary border quarantine control was carried out on 22 785 commodity batches in 2022.

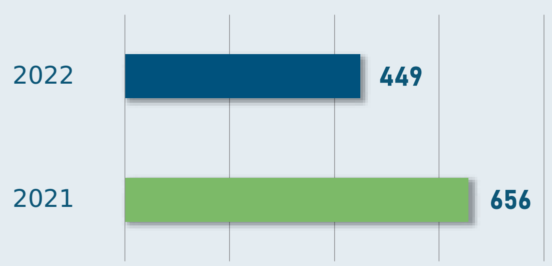
Number of samples taken for laboratory examination



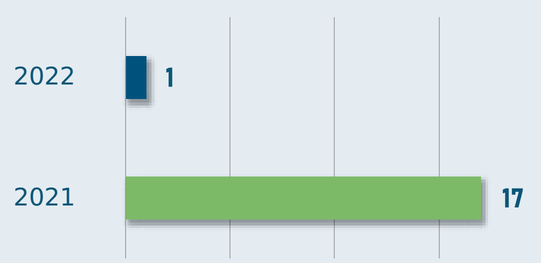
Number of commodity batches where the violation was detected

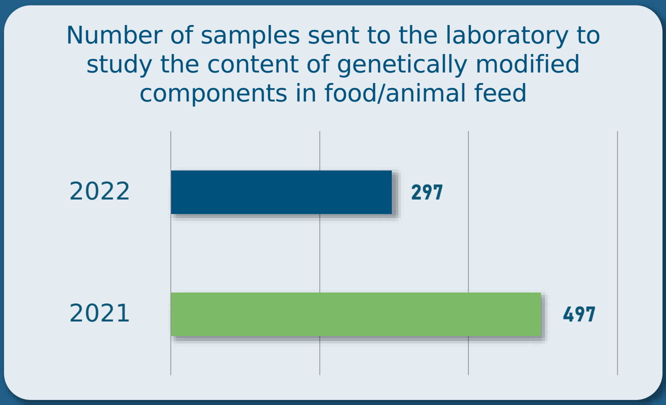


Number of samples of live genetically modified organisms sent to laboratory examination

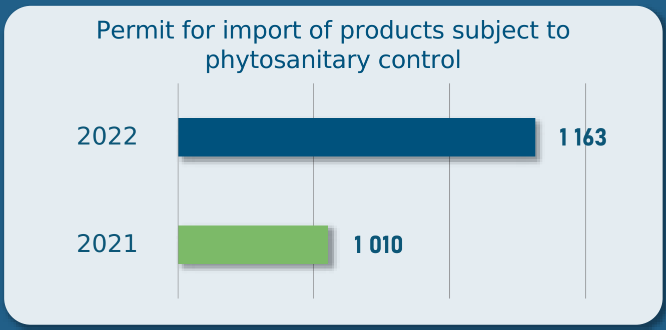


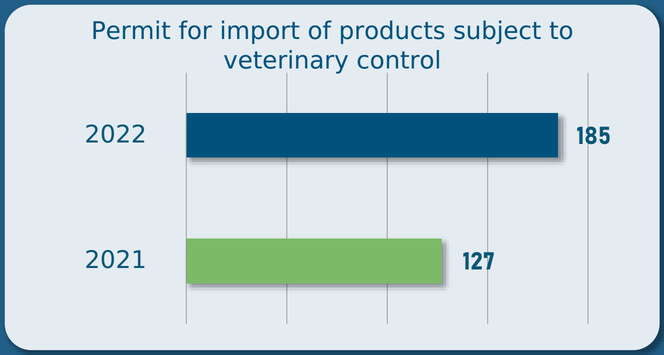
Number of GMO-confirmed cases

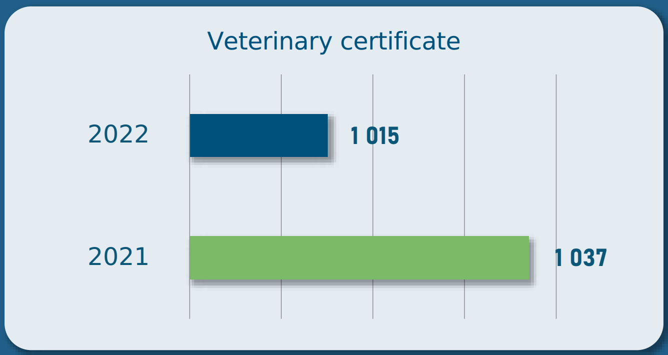


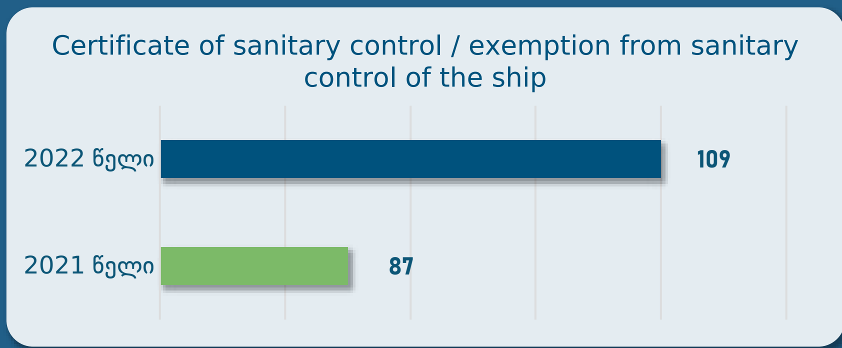


Sanitary, phytosanitary, and veterinary certificates, certificates and import permits

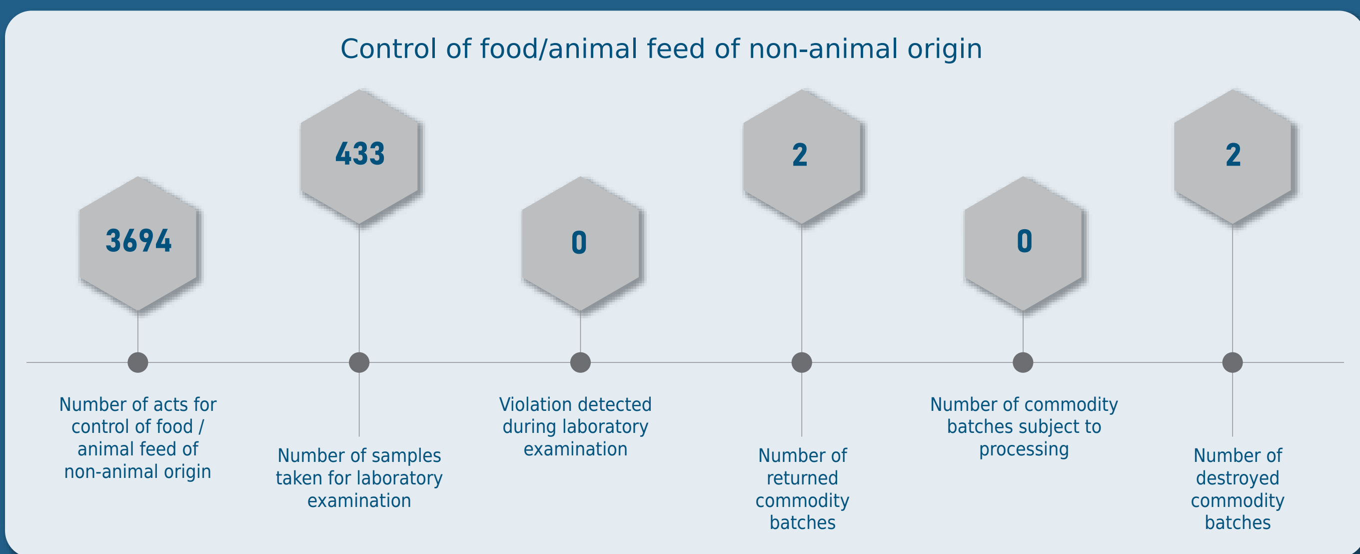






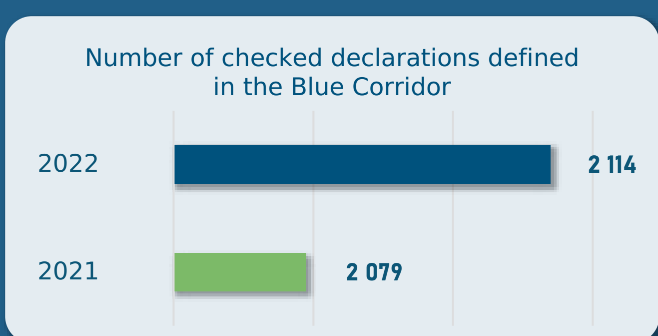


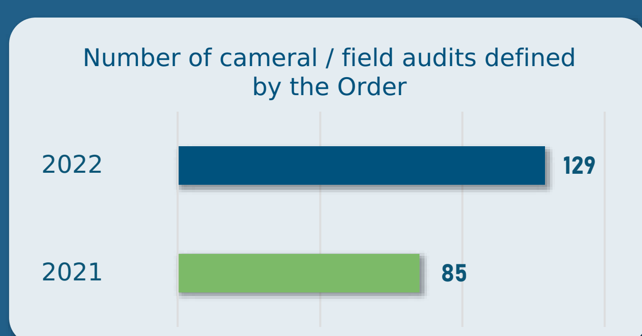
In 2022, 40 vaccination certificates were issued to persons who moved from the affected region to the border.

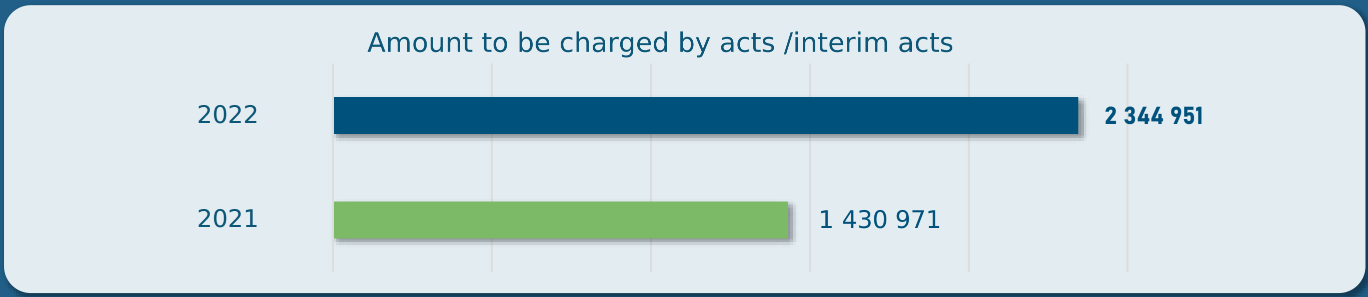


In 2022, 54 samples were subjected to a laboratory study of the content of trans fats in foods made with vegetable fat.

Post clearance control





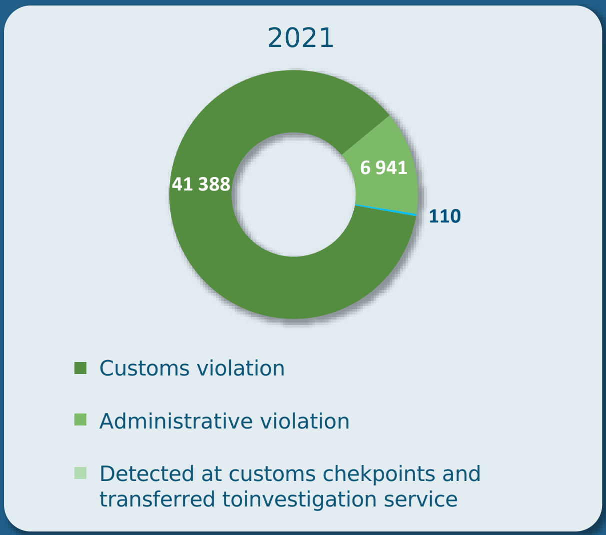


Detected customs violations

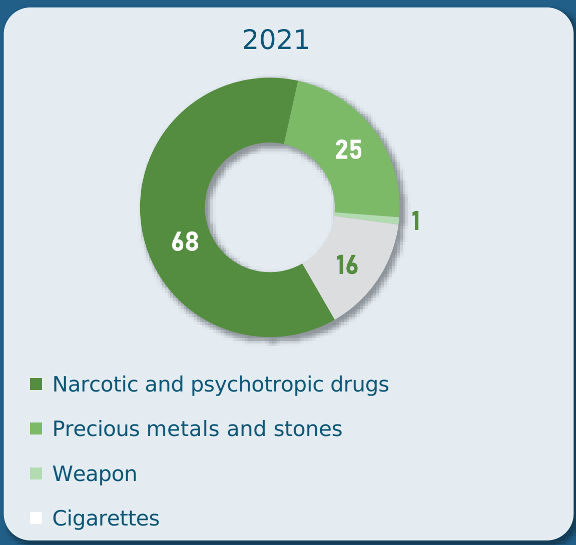
In 2022, as a result of customs control, 54 739 cases of violations were detected, the amount accrued as a sanction for 47 212 facts of customs violation amounted to 48 884 297 GEL, and the amount charged as a sanction for 7 372 facts of administrative offenses totaled to 1 554 038 GEL.

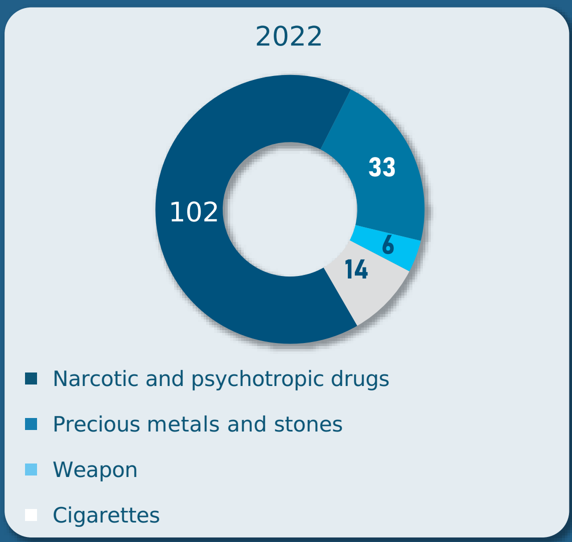
Violations

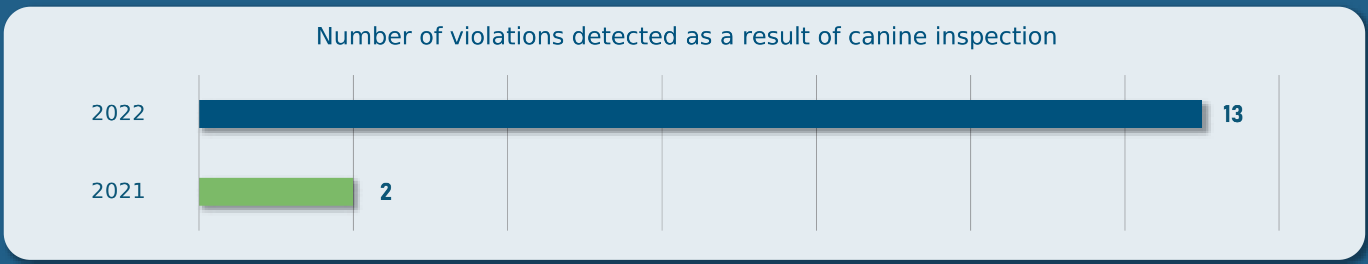
The number of detected violations increased by 13% compared to the previous year. Herewith, the number of customs violations increased by 14%.

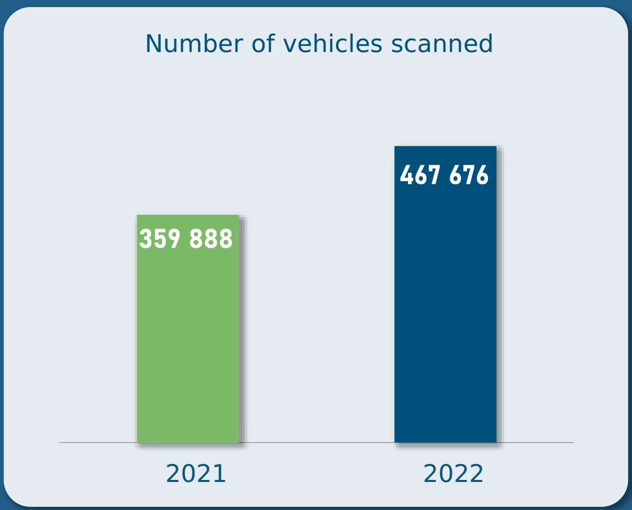


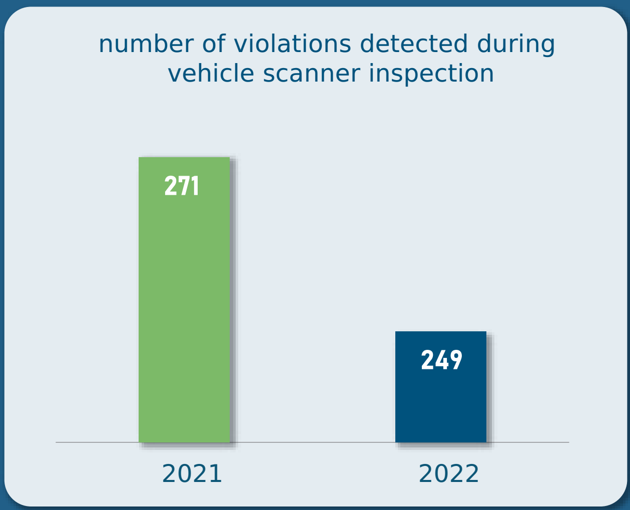
The number of offenses related to the illegal movement of narcotic and psychotropic substances, weapons, precious metals and cigarettes across the state border.





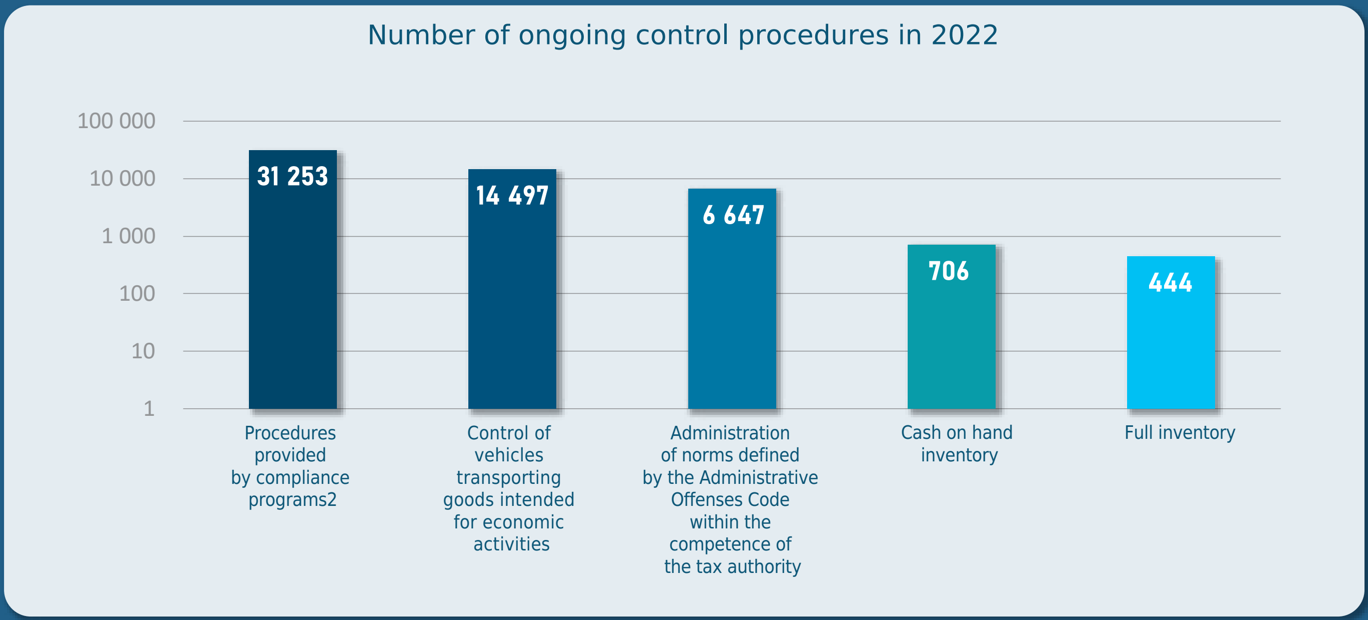




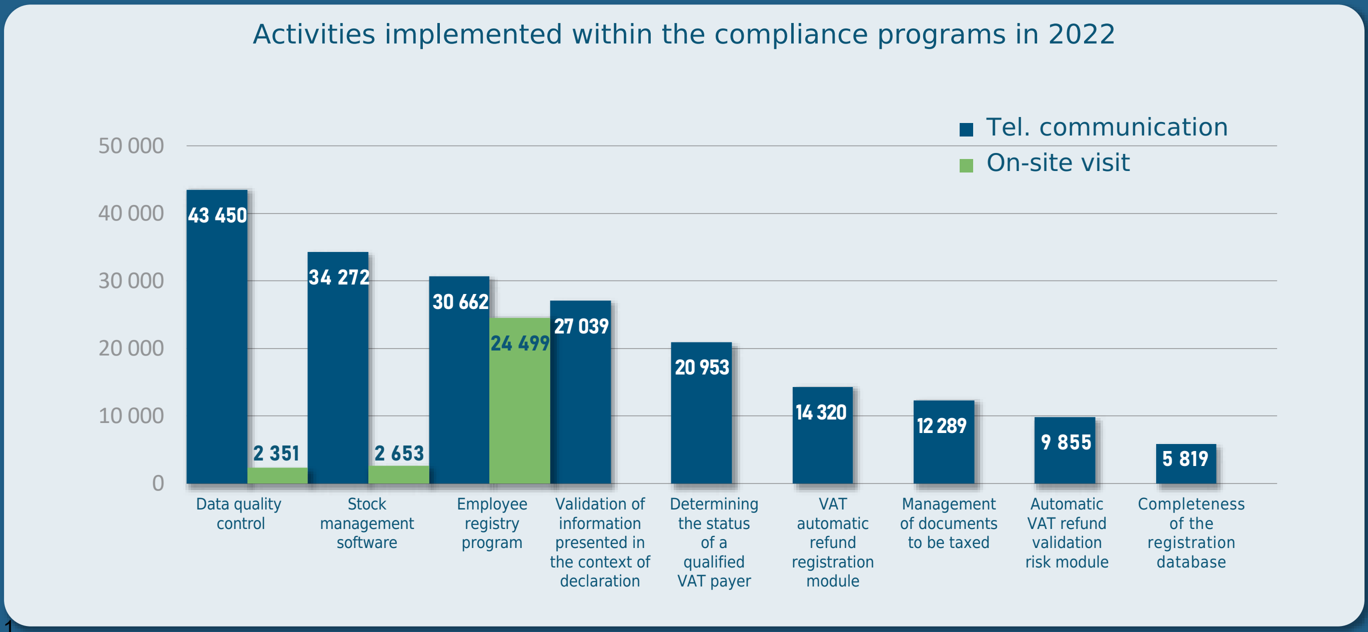


TAX MONITORING

Ongoing control procedures



Procedures provided by compliance programs[1]



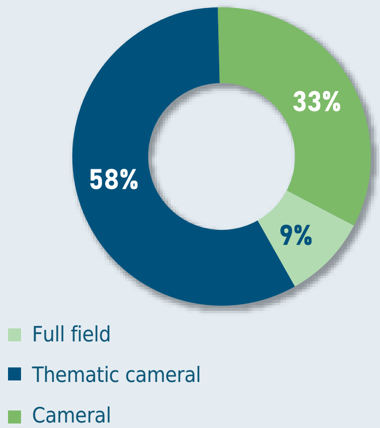
1

1 In 2022, 966 137 messages were sent in addition to the 27 039 phone calls made within the framework of the validation program of the information presented in the tax filings.

AUDIT

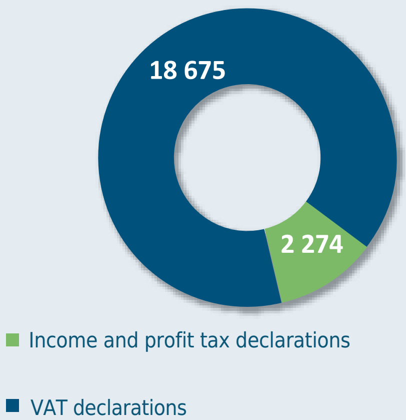
Number of completed tax audits **3 458**

Distribution of audits by type completed in 2022



Number of controls of final declarations **20 949**

Distribution of control of declarations completed in 2022 by types of taxes

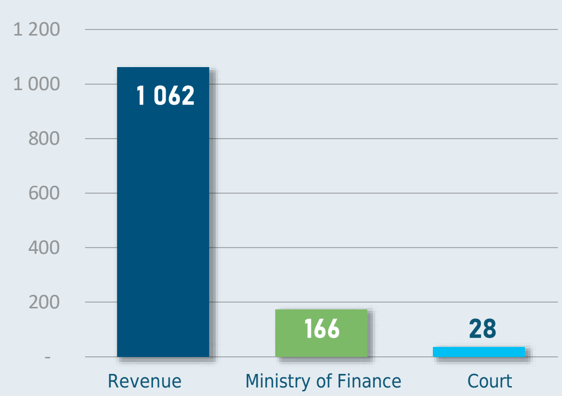


Overpaid tax refund applications considered individually **6 287**

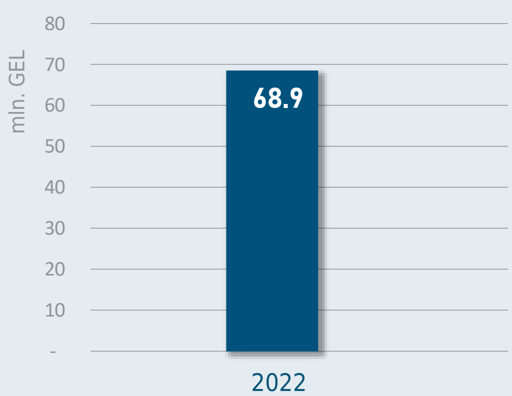
Refunded from applications considered individually **38 633 020** GEL

In 2022, the Audit Department executed 1 256 dispute decisions, and 68 941 197 GEL was reduced from the total amount of 409 315 578 GEL.

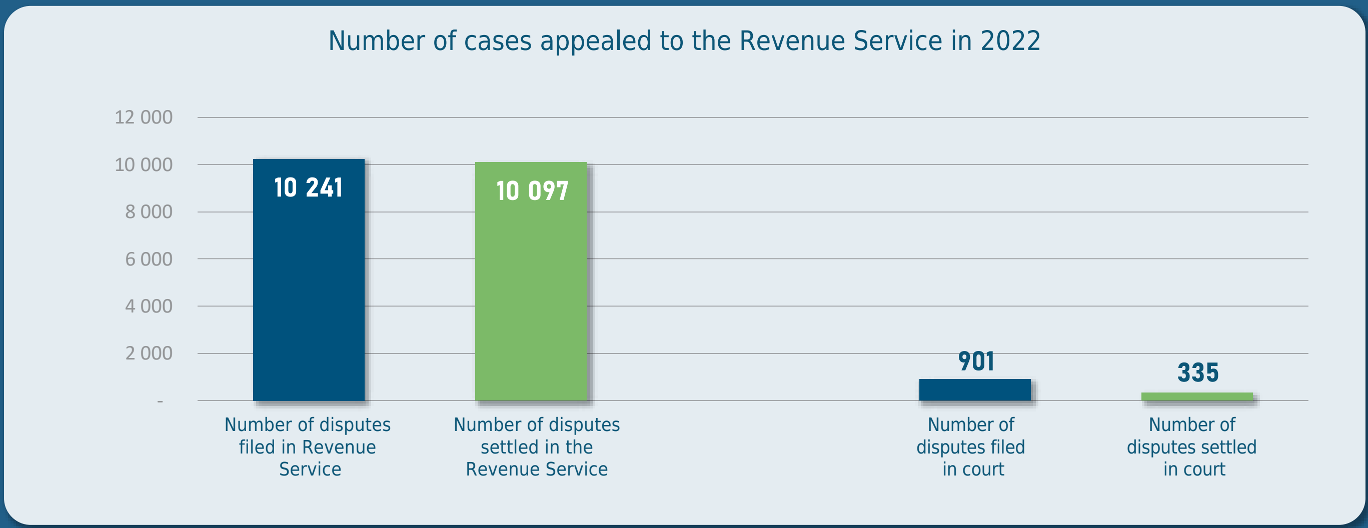
Dispute resolution decisions enforced by the audit in 2022

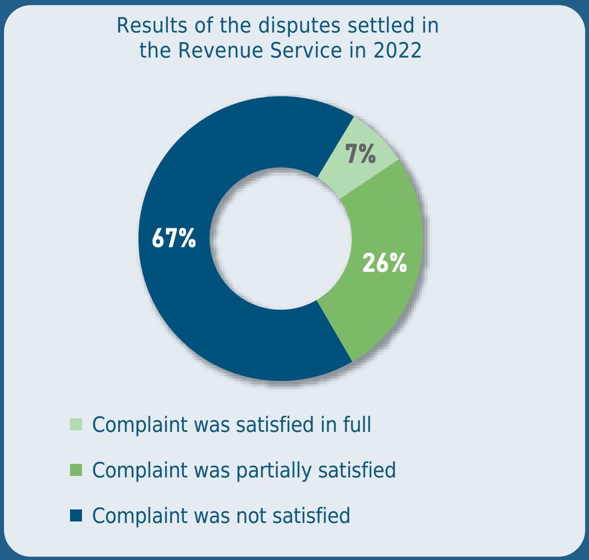


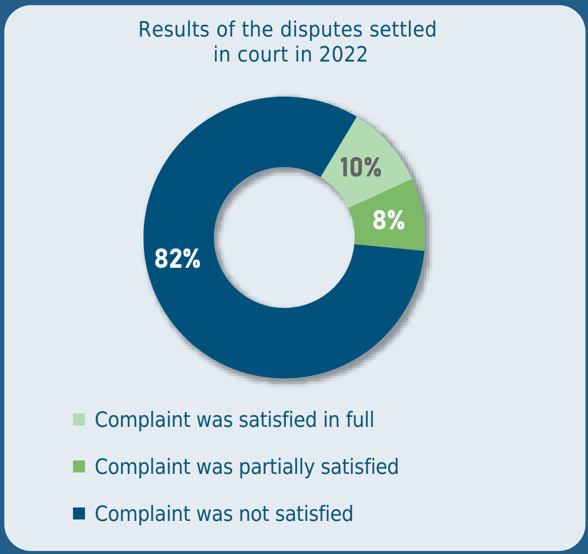
Amounts reduced by the dispute resolution in 2022

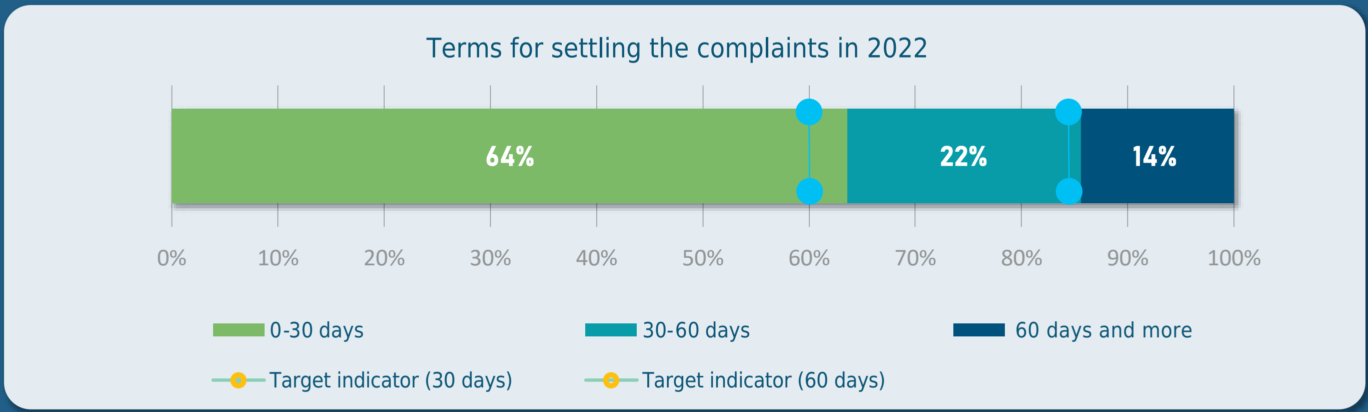


DISPUTES


Number of cases appealed to the Revenue Service in 2022
12 000
10 000
8 000
6 000
4 000
2 000
-
10 241
10 097
901
335
Number of disputes filed in Revenue Service
Number of disputes settled in the Revenue Service
Number of disputes filed in court
Number of disputes settled in court


Results of the disputes settled in the Revenue Service in 2022
7%
26%
67%
Complaint was satisfied in full
Complaint was partially satisfied
Complaint was not satisfied


Results of the disputes settled in court in 2022
10%
8%
82%
Complaint was satisfied in full
Complaint was partially satisfied
Complaint was not satisfied


Terms for settling the complaints in 2022
64%
22%
14%
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
0-30 days
30-60 days
60 days and more
Target indicator (30 days)
Target indicator (60 days)

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