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# **GBCR Assistance in Tax Force Majeure**

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**Date:** April 3, 2009  
**To:** Nino Kumsishvili, COTR  
**From:** Nato Beruashvili, Fiscal Reform Team Leader  
**CC:** Olin McGill, COP  
**Re:** **Results (Tax Force Majeure)**

Dear Nino:

This memo highlights post-conflict (force majeure) measures to allow businesses directly affected by the conflict to deduct casualty losses with summary an overview of issues and history.

**Result:** The new rule allowing businesses to deduct losses in relation to inventory, stock, fixed assets, or other physical property destroyed or damaged as a result of conflict is now operating.

#### **Force majeure rules in force**

**Background:** With the Project's assistance new chapter IX<sup>1</sup> added to the Tax Code and MOF Order provide for tax relief to those taxpayers whose property was damaged, destroyed or remained in the occupied territory during the emergency state from August 9 to September 3 of the last year. Now taxpayers are allowed to consider these assets as extraordinary losses and write off their value from their gross income. Consequently, such deduction will reduce taxpayers' taxable amount. In order to take advantage of this tax relief, eligible taxpayers should submit the application to the Dispute Resolution Council of the MOF, which will determine whether to grant deducting authority to the taxpayers. Prior to these legal amendments, tax legislation did not provide for the possibility of deduction of loss or damaged assets. August 2008 events in Georgia revealed the need for including post-war regulations to the tax legislation.

**Result:** Currently, the MOF has received 15 claims, 13 of which are still in the processing stage, while 2 claims have been already satisfied. 8 companies were asked to provide more evidence. Most of the claims are claims from trading companies and companies involved in services (construction, car repair, etc.) Companies claimed for losses to property located in Karaleti, Gori and Kodori. The amount of claims varies from 10,000 to 500,000 GEL.

#### **Impact:**

- The new rule will assist Georgia's taxpayers in continuing to function, and be compliant taxpayers during the crisis period. It also provides a mechanism for the Minister of Finance to declare future situations "extraordinary circumstances", in which all the same provisions would apply.
- In addition, individual taxpayers who are unable to comply with tax deadlines for reasons beyond their control will be able to seek relief based on their particular circumstances.