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Payroll Guide 2023



Georgia

GEORGIA

1. Applicable Laws

The applicable laws related to payroll in Georgia is the Tax Code of Georgia, Order #996 on Tax Administration issued by the Minister of Finance, Labor Code of Georgia and Law of Georgia on Public Service.

The Tax Code regulates general principles of the formation and functioning of the tax system of Georgia, legal relations related to meeting tax liabilities, legal status of taxpayers and tax agencies, responsibility for the violation of tax legislation, procedures and conditions for appealing illegal actions (inaction) of tax agencies and officials thereof. Order #996 on Tax Administration is an implementing regulation of the Tax Code.

The Labor Code regulates employment and employment associated relations.

Employment issues specifically related to public servants are regulated by the Law on Public Service.

2. Social Insurance

A Pension reform was initiated by the Government of Georgia and entered into force on January 1, 2019. This scheme consists of the activation of a so-called “funded pension”, to which everyone will make a minor contribution - the employee, the employer and the state treasury.

Participation in the new scheme contributions is mandatory and is imposed on employers, resident persons, citizens of Georgia, foreign citizens and stateless persons permanently living in Georgia.

The total percentage of the installment varies from 4% to 6%, depending on the annual taxable salaries and / or self-employed income.

Amount of salary and / or self-employment income [GEL]	Amount to be contributed by an Employer [%]	Amount to be contributed by an Employee [%]	Amount to be contributed by the state [%]	Total [%]
Below 24,000 GEL	2	2	2	6
>24,000 and <60,000	2	2	1	5
Exceeding 60,000 GEL	2	2	0	4

3. Personal Income Tax

Personal income tax rate is 20%. To arrive at a tax base, taxpayers are allowed to deduct all expenses contributing to generation of taxable income except for non-deductible or partially deductible expenses. Expenses incurred for the receipt of employment income cannot be deducted from an individual's taxable income.

4. Employment Procedure

The employment agreement is executed in writing or verbally, for definite, indefinite or for the period of employment duration.

A written employment agreement shall be made in writing if labour relations continue for more than three months. A written employment agreement is executed in a language understandable to the parties though it may be executed in several languages. If a written employment agreement is executed in several languages, it should contain the acknowledgement of the prevailing language in case of divergence between the provisions of the agreement. Application of a person and the document issued by the employer on its basis, which certifies the intention of the employer to hire a person, has the same power as execution of the employment agreement. The employer issues a certificate of employment upon request of the employee which includes data on performed labour, labour compensation, and duration of the employment agreement. The employment agreement states that the operations manual represents the part of the agreement. In such case the employer must introduce the operations manual to the employee if such exists prior to execution of the employment agreement, and any further amendments thereon. If several employment agreements are concluded with the employee, which merely complement and do not fully substitute each other, all such agreements remain in force and are construed as a singular employment agreement; Prior employment agreement remains in force to the extent its provisions are not amended by the subsequent agreement; In case of existence of several employment agreements with the employee under the same terms, the latest agreement prevails.

An employment agreement for the probation period is concluded with the candidate only once, for no longer than six months. An employment agreement for the probation period is made only in writing, in other cases such agreement shall be deemed as the employment agreement. With the exception of few compulsory elements, the Labor Code empowers parties to regulate issues upon mutual agreement. Employment issues of public servants are regulated in a stricter manner by the Law on Public Service.

5. Protection of Employment

Business trip: Sending an employee on a business trip by the employer is not considered as change of the employment conditions if the business trip period does not exceed 45 calendar days per annum. In cases when this duration is exceeded it is deemed as modification of the employment agreement terms. The employer must fully compensate the expenses of the employee associated with the business trip.

Paid leave: An employee is entitled to a paid leave of not less than 24 working days and 15 calendar days as nonpaid leave per year. An employee has the right to be fully paid during official holidays that are set by Law.

Leave for the reason of pregnancy, childbirth and childcare: An employee shall, upon her request, be granted paid maternity leave of 126 calendar days, and in the case of complications during childbirth or the birth of twins, maternity leave of 143 calendar days. Employees may distribute the period of this leave at their discretion over the pregnancy and postnatal periods.

An employee shall, upon his/her request, be granted parental leave of 604 calendar days, and in the case of complications during childbirth or the birth of twins, a parental leave of 587 calendar days. 57 calendar days of the leave shall be paid. A period of parental leave may be used in whole or in parts by the mother or the father of the child. When taking a period of parental leave, an employee shall notify the employer thereof 2 weeks prior to taking the leave.

Leave for the reason of adoption of the newborn: An employee adopting a newborn younger than 12 months, upon his/her request, is entitled to take a leave for the reason of adoption of the newborn – for 550 calendar days after the birth of a child. Out of this leave, 90 calendar days are paid.

Compensation of the leave taken for the reason of pregnancy, childbirth and childcare also for adoption of the newborn: Leaves taken for the reason of pregnancy, childbirth and childcare also for adoption of the newborn are compensated from the state budget up to the amount of 1000 GEL, according to the rule prescribed by the legislation. Employer and employee may agree on additional compensation.

Additional leave for childcare: An employee, upon his/ her request is entitled to take not less than successive two weeks in a year (or in portions) of unpaid leave for childcare for the period 12 months before the child turns five. Additional leave for child care may be given to any person who actually takes care of a child.

Unused leave: If the employment agreement is terminated for the reasons set forth in the Labour Code Law, the employer shall pay the employee any unused leave calculated in proportion to the duration of labour relations.

6. Payroll Calculation Procedure

Remuneration shall be paid out once a month. Remuneration and benefits paid by a Georgian employer or non-resident employer with permanent establishment in Georgia are generally taxed through periodic (monthly) payroll withholding taxation, simultaneously with the payment of such amounts.

7. Termination of Employment

Options for the termination of a labour agreement are available for both parties. If the initiator of the termination is the employee, then he must warn the employer about the termination not less than 30 calendar days prior in written form.

If the initiator of the termination is the employer, he shall give the employee at least 30 calendar days' prior written notice. Besides, the employee shall be granted a remuneration pay of at least one month's salary within 30 calendar days after the termination of the labour agreement.

If a labour relation is terminated, the employer shall make final payment to the employee no later than seven calendar days, unless otherwise directed by the labour agreement or law.

8. Contact details

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