



Ministry of Finance of Georgia State Treasury



Single Treasury Tax Code

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DEPOSIT OPERATIONS DEPARTMENT



Functions

- Identification of flows into the Treasury Single Account and distribution of funds among their owners.
- Management of money owners' subaccounts.
- Refund of overpaid amounts of money (including taxes) and/or correction of errors.
- Operations with budget entities' deposits.
- Operations with temporarily idle funds of money owners.



MONEY OWNERS



- **Government budget**
- **Territorial units**
 - Local budgets (a total of 69)
 - Autonomous republics' budgets (2)
- **Legal entities governed by public law and noncommercial organizations (NCO) —**
(about 3,100 organizations, including schools)
- **State-owned enterprises —** (37 organizations)
- **Reserve account designed for tax refunds**



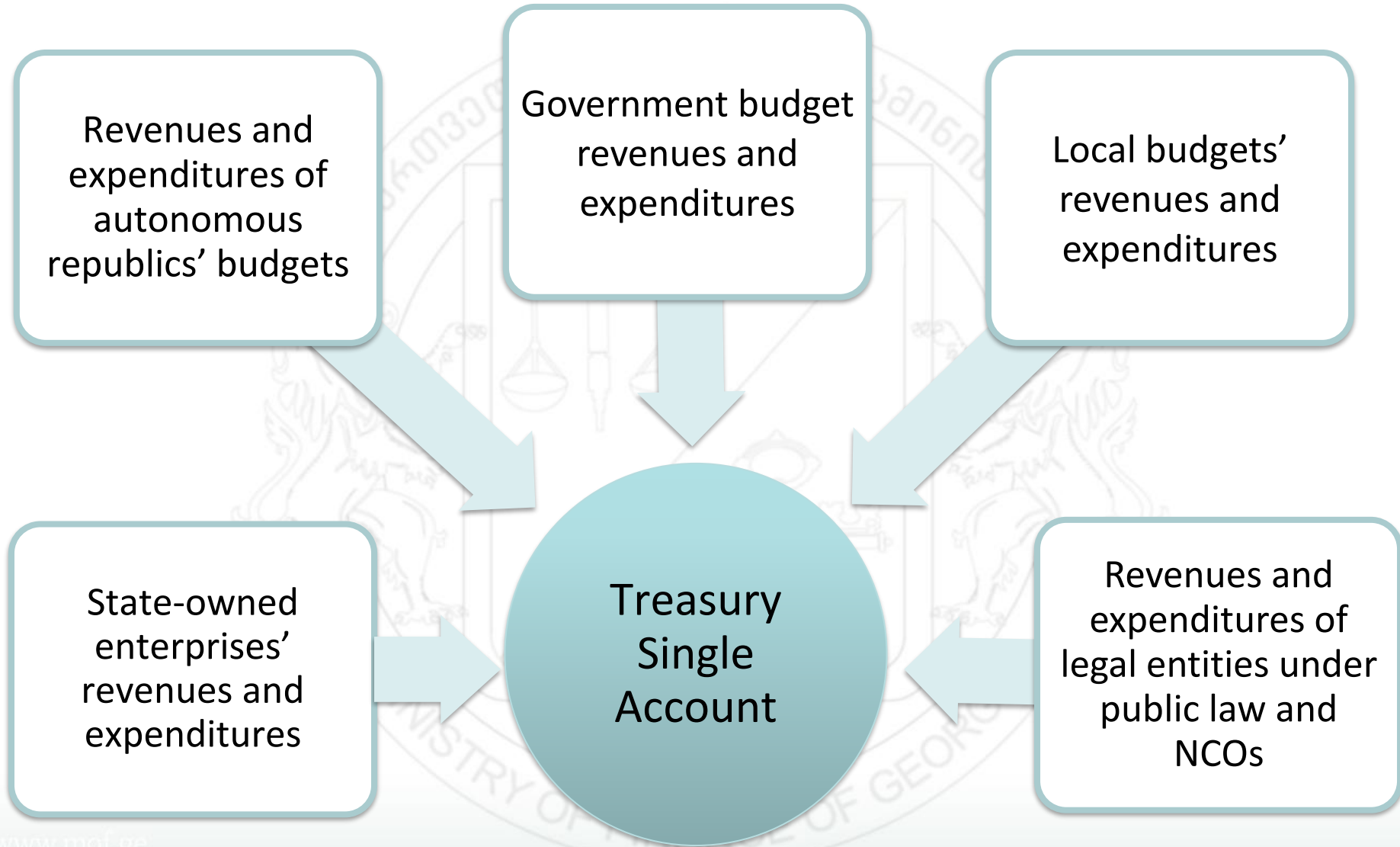
TREASURY SINGLE ACCOUNT (TSA)



- The Treasury is a party to the Real Time Gross Settlement (RTGS) system.
- The Treasury has a unique BIC / SWIFT code.
- The Treasury Single Account (TSA) is compliant with the IBAN standard.
- The TSA is held at the National Bank of Georgia (NBG).
- The National Bank of Georgia provides services to the Treasury free of charge.
- The Treasury uses a single general account to manage all financial flows.
- All revenues and expenditures to/from budgets of all levels are handled exclusively through the TSA.
- Budget entities are prohibited from opening accounts with commercial banks.



TREASURY SINGLE ACCOUNT





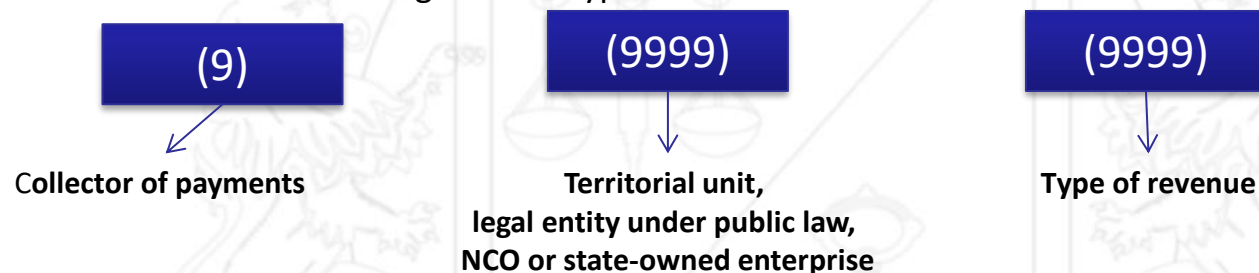
IDENTIFICATION OF REVENUES



Flows into the TSA are identified using treasury codes.

A treasury code is a combination of 9 characters with the following structure:

- The 1st character indicates who collects the payment.
- Characters from 2 to 5 indicate territorial units and show whether the payer is a legal entity under public law, NCO or state-owned enterprise.
- The last four characters designate the type of revenue.



Before 2016, to create a complete treasury code a taxpayer had to consider the following aspects:

1. **Collector of payments** — Customs Service, Tax Service or Large Taxpayer Unit.
2. **Territorial units** — In what territorial unit the taxpayer had to pay the tax.
3. **Type of revenue** — The type of tax, for example, *profit tax, VAT, property tax, etc.*



KEY ISSUES WITH THE PREVIOUS SYSTEM



- Too many treasury codes and a complicated process of their creation.
- High error rate.
- Incorrect tax accounting.
- Inaccurate distribution of funds between budgets.
- Complicated and long process of error correction.
- Inconvenience and difficulties for taxpayers in making payments.
- Each tax had to be paid separately.
- Different personal taxpayer cards for different taxes.
- Accounting of payments in personal taxpayer cards was done for payments rather than for declared obligations.
- Adjustments in personal taxpayer cards were made manually.



KEY REFORM AREAS

- Strengthening coordination between the State Treasury and the Tax Service and creating an effective cooperation platform.
- Developing a uniform data processing standard.
- Creating a protocol for bilateral data sharing between the Tax Service System (RSS) and IFMIS.
- Cancelling treasury codes.



RESULTS AND IMPACT



- Creation of a single treasury code.
- Taxpayers pay their tax obligations in one payment using the single code 101001000.
- The system automatically distributes payments by tax obligations; accordingly, the system automatically distributes tax revenues by tax types.
- Tax adjustments are made automatically (both for the purpose of accounting by the Treasury and in personal taxpayer cards by the Tax Service) and do not require intervention from employees.
- Single personal taxpayer cards have been introduced.

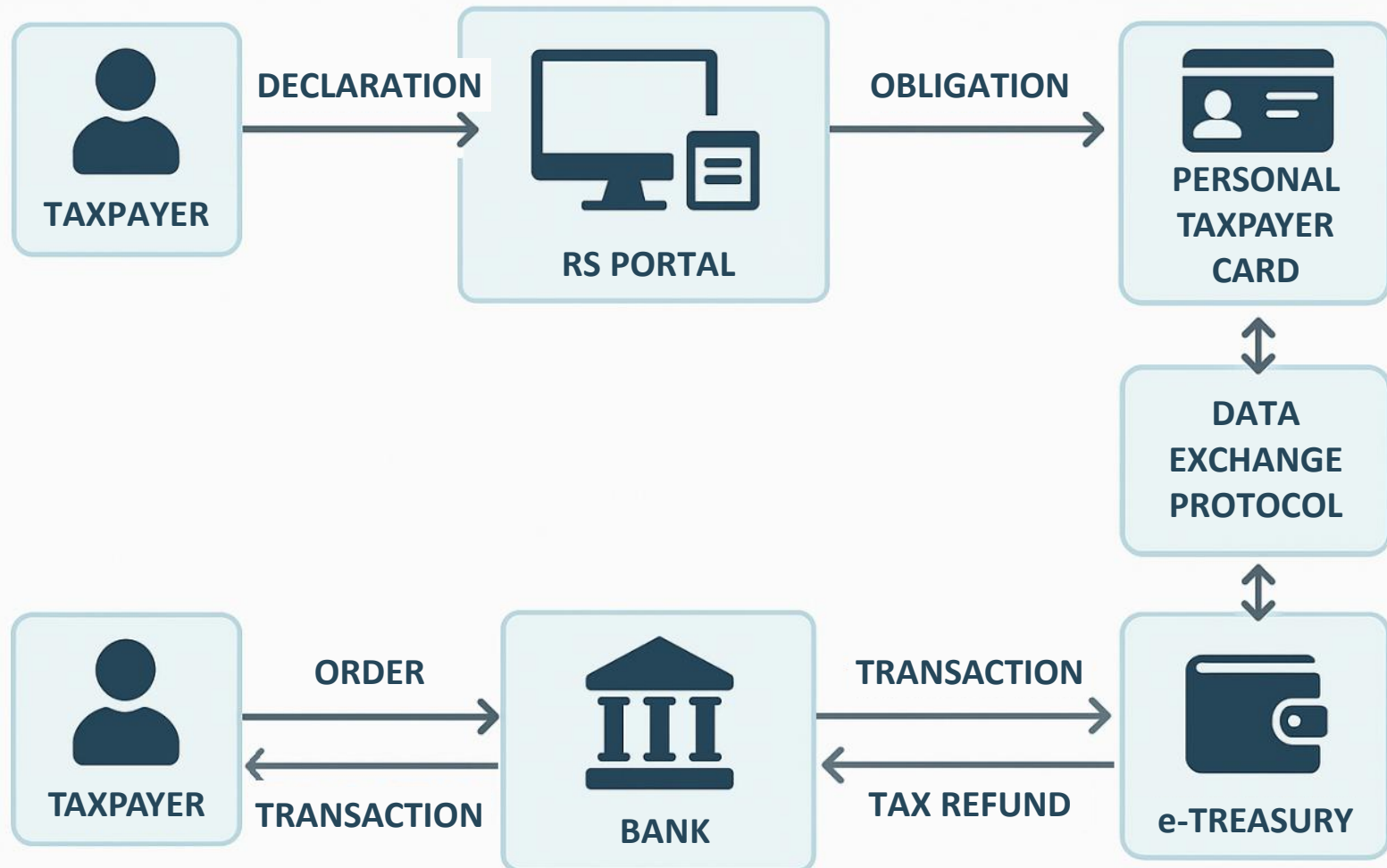


RESULTS AND IMPACT (2)

- The accuracy of tax accounting and reporting has improved.
- Tax revenues are distributed between budgets in a timely and accurate manner.
- Savings achieved for the State as a result of giving up unnecessary paper work and reducing corrective operations.
- Enterprises have benefited from a reduction of bank operations with taxes.
- Tax refunds have been automated.



PROCESS FLOWCHART





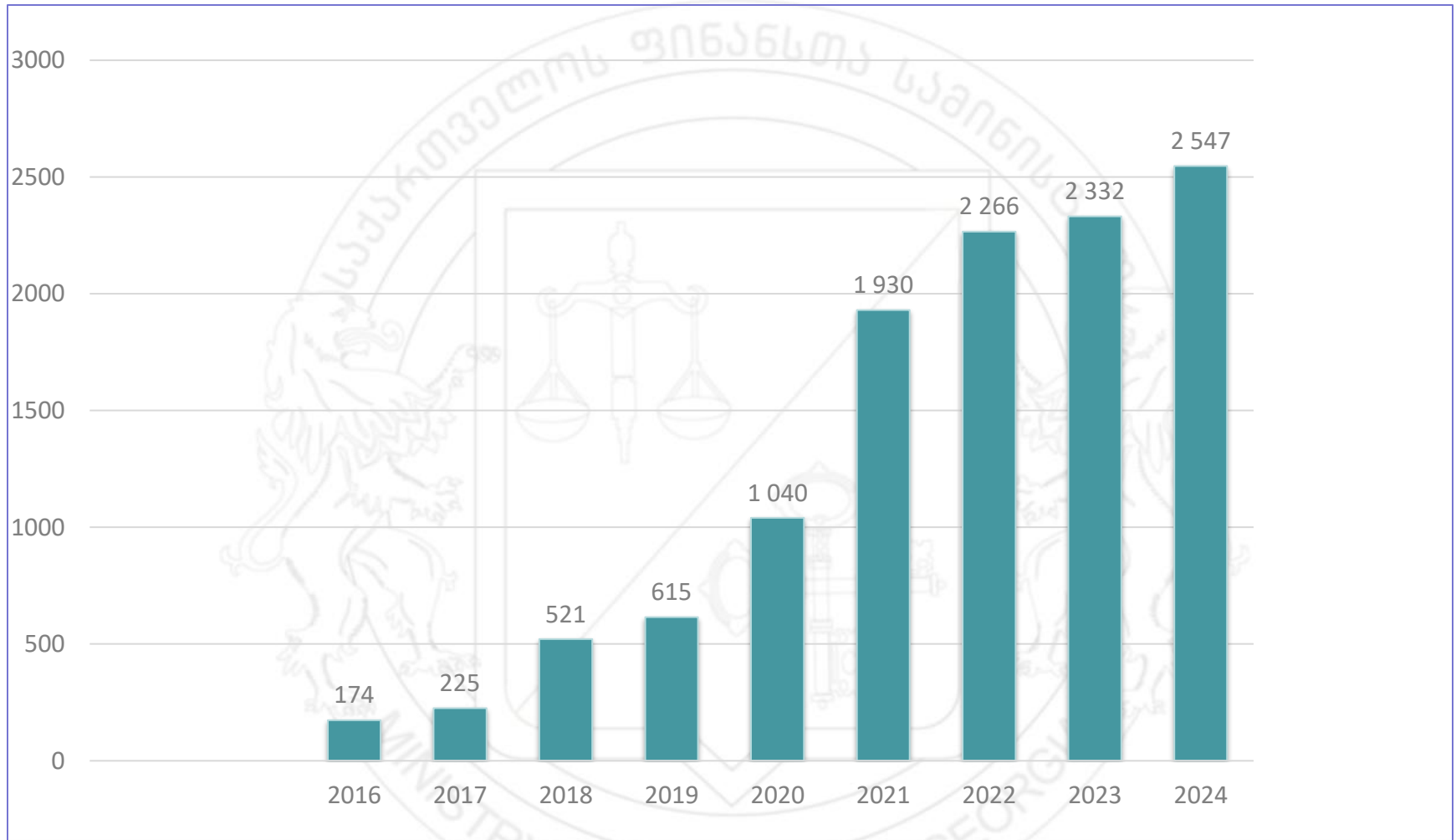
AUTOMATION OF TAX REFUNDS (VAT)



- **Old refund system**
 - The process was initiated by taxpayers.
 - It required a lot of time and resources.
 - Checks were done manually, slowing the process.
- **Transitional period of the reform**
 - A partially automated refund mechanism was introduced.
 - A risk management system was created.
 - The system itself determined the amounts to be refunded.
 - After a refund obtained the “green” status, it still required a final confirmation by the taxpayer.
- **Full automation (since 2019)**
 - Manual intervention has been fully eliminated.
 - Checks are done automatically through the risk management system.
 - Once all obligations are met, the remaining tax revenues are automatically sent to the State Treasury.
 - Tax refund timeframes have been greatly reduced.



TAX REFUND (million lari)





Thank you!

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