Maksym Stepanenko

Georgia: 1% Tax, the Virtual Zone, and the Most Open Country for Business

How to legally pay 1% of turnover and live in one of the best places for digital nomads

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CHAPTER 1

Why Georgia Is the Best Place for Freelancers and Startup Founders

Georgia, a small country in the South Caucasus with a population of 3.7 million, has become one of the most popular destinations for digital nomads, freelancers, and entrepreneurs from the CIS and Europe. There are several reasons, and all of them are very practical.

Visa-free entry: citizens of most countries can stay in Georgia for up to 365 days without a visa. This is the most liberal visa regime in the region. Citizens of the EU, the US, Ukraine, Russia (until the recent restrictions), and Israel can all stay a year without a visa. Extension: leave for 1 day to Armenia or Turkey and come back for another 365 days. Many nomads have lived in Tbilisi for years on this arrangement.

Low taxes: Small Business Status is 1% of turnover (for income up to 500,000 GEL, about $175,000 per year). Virtual Zone IT Company is 0% tax on income from foreign clients. These are legal, official regimes written into the Tax Code of Georgia. No schemes, just proper registration.

Low cost of living: Tbilisi is one of the most affordable European-feeling cities. A 1BR apartment in the center: $400–800 per month. Lunch at a restaurant: $5–15. Khinkali (the national dish): $0.50–1 apiece. A taxi across the city: $2–5. All of this makes Georgia ideal for bootstrapped entrepreneurs.

Fast registration: a sole proprietor (Individual Entrepreneur) registers in 1 day at any House of Justice (the state one-stop service center). An LLC takes 1–2 days. Cost: $50–100. No notaries, agents, or complications. A bank account: TBC Bank or Bank of Georgia open one in 1–2 days with minimal documents.

A Russian-speaking environment: Tbilisi is a de facto bilingual Russian-Georgian city. Most services, restaurants, and shops

understand Russian. Russian-speaking communities: tens of thousands of Ukrainians, Russians, and Belarusians live in Tbilisi. Telegram groups, Facebook groups, meetups. If you don’t speak Georgian, it’s not a problem.

The downsides of Georgia: it is not an EU jurisdiction (which matters if you need an EU bank account or EU clients). Banks are limited in international operations (limited SWIFT capabilities). Road infrastructure outside Tbilisi is weak. Winters in the mountain regions are harsh.

CHAPTER 2

Virtual Zone: 0% Tax on IT Income from Foreign Clients

The Virtual Zone is a special tax regime in Georgia for IT companies that work exclusively with foreign clients. A company that receives Virtual Zone status pays 0% tax on profit from foreign clients, 0% VAT on turnover, and 0% withholding tax on dividends to non-residents.

What counts as IT activity for the Virtual Zone: software development. Mobile apps. SaaS products. Web development. IT consulting. Cybersecurity. Cloud services. Data processing. Game development. AI/ML services. Important: purely consulting services without a technical component may not qualify. You need genuinely technological activity.

What does NOT qualify for the Virtual Zone: trading. Financial services (non-IT). Marketing without a technology component. Medical services. Construction.

The “foreign clients” requirement: all income must come from clients outside Georgia. If you sell to Georgian companies, that income is not covered by the Virtual Zone. For most international freelancers, 100% of income comes from foreign clients, so 100% falls under the regime.

The process of getting Virtual Zone status: register an LLC at the House of Justice. Submit an application to the Revenue Service of Georgia (the tax service). Attach a description of your activity (IT services). Wait for the decision: 10–20 business days. Receive the Virtual Zone Person Certificate. LLC registration cost: about 100 GEL (about $35).

In practice, here is how a business in the Virtual Zone works. A foreign client (US, Europe, Israel) pays your Georgian LLC. The money arrives in a Georgian bank account. 0% tax on this profit. Dividends to the Georgian director (you): 5% withholding tax. But

note: if you live in Georgia, dividends from a Georgian company are subject to a 5% Georgian dividend tax. Total: 5% on personal income (dividends from your own Georgian company). This is the “1% scheme” that is often mentioned, but for the Virtual Zone it is more accurate to speak of a 5% dividend tax.

An example calculation: annual income from clients: $100,000. Virtual Zone LLC tax: 0%. Dividends withdrawn for yourself: $80,000. Dividend tax at 5%: $4,000. Net income: $76,000, or 76% of turnover. Compare a Ukrainian FOP (sole proprietor) at 5%: $95,000 (but VAT is added if turnover is >1M UAH).

CHAPTER 3

Small Business Status: 1% of Turnover for Everyone Else

If your activity does not qualify for the Virtual Zone (not IT), Georgia offers an alternative: Small Business Status. It is a regime with a 1% tax on turnover for entrepreneurs with income of up to 500,000 GEL per year (about $175,000 USD).

Who can get Small Business Status: a registered individual entrepreneur (IE). Any type of activity except prohibited ones (production of excise goods, some licensed activities). IT freelancers, consultants, coaches, designers, and marketers can all qualify. Income: up to 500,000 GEL (about $175,000) per year.

Rates: turnover up to 500,000 GEL: 1% tax on turnover. No VAT at turnover up to 100,000 GEL. Above 100,000 GEL, VAT registration is voluntary, or mandatory once you exceed the threshold. Above 500,000 GEL: a switch to the standard regime (Corporate Tax of 15% or Personal Income Tax of 20%).

Advantages of Small Business vs. the Virtual Zone: it is easier to get (no IT activity requirement). It works for an individual entrepreneur (not only an LLC). It does not require a Certificate from the Revenue Service. You can start immediately after registering as an individual entrepreneur.

Disadvantages: 1% of turnover (not of profit). If your expenses are high, 1% may be unfavorable compared with 15% of profit. Example: turnover $100,000, expenses $90,000, profit $10,000. Small Business: $1,000 tax. Standard: $1,500 (15% of $10,000). Small Business is better. Another example: turnover $100,000, expenses $20,000, profit $80,000. Small Business: $1,000. Standard: $12,000. Clearly Small Business is better at a high margin.

How to register: go to the House of Justice, which has branches in all major cities. Passport plus a Georgian tax ID (issued on the

spot). Registering as an individual entrepreneur: about 50 GEL (about $17). Submit an application for Small Business Status to the Revenue Service (online through rs.ge or at an office). Receive an approval notification (usually the same day). Start issuing invoices.

Tax returns: a monthly return and payment of 1% by the 15th of the following month. Bookkeeping: minimal, a ledger of income and expenses. No auditor for an individual entrepreneur with Small Business Status.

CHAPTER 4

Opening an Account at TBC Bank and Bank of Georgia

The Georgian banking system is one of the most accessible for foreigners. Opening an account at a Georgian bank is much easier than in most EU countries.

TBC Bank: the largest bank in Georgia. An excellent mobile app (TBC Business). Easy to open for foreigners. Space by TBC is a fintech platform. Online banking on the level of the best EU neobanks. Dollar and euro accounts are available. SWIFT transfers work.

Bank of Georgia: second in size. Also good. More conservative. International transfers are reliable. MBANK is its mobile solution.

What you need to open an account: a passport (no notarized translation needed). A Georgian tax ID (issued by the Revenue Service for free). For an LLC: additionally, the company's registration documents. A personal visit is mandatory. You can open the account on the day you register the individual entrepreneur or LLC.

Currencies: GEL (the lari) is the national currency. USD and EUR accounts are available. Currency exchange in Georgia: excellent rates, better than at exchange offices in the CIS. There are many exchange points in Tbilisi with minimal spreads.

Limitations: Georgian banks are not EU banks. SEPA transfers are unavailable (Georgia is not in the SEPA zone). Transfers to and from Georgia: SWIFT ($20–30 fee, 1–3 days). Wise works with Georgia. To get an EU IBAN, you need Wise Business or a separate EU bank (for example, Estonian Wise plus Georgian TBC makes a good combo).

Crypto in Georgia: there is no special crypto regulation. Crypto taxation: crypto income is taxed as capital gains or as income. Under Small Business Status, it is 1% of crypto turnover. In

practice: Binance, Bybit, and OKX work. There are local crypto exchangers in Tbilisi. Not the most advanced crypto jurisdiction, but it doesn’t prohibit it either.

P2P transfers: Wise supports GEL. PayPal works in Georgia to a limited extent. Stripe does NOT work for Georgian entities (only for EU and US companies). This is a significant minus for SaaS products: you need an external EU structure to accept card payments.

CHAPTER 5

Life in Tbilisi: Culture, Food, and Community

Tbilisi is the capital of Georgia, with a population of about 1.2 million. It is one of the most soulful cities to live in: a rich history, wonderful food, friendly locals, and a fast-growing expat community.

Tbilisi districts: Vera is quiet and prestigious, with good infrastructure. Many expats. Prices are higher. Vake is residential, green, and calm. Popular with families. Saburtalo is a business district with a lot of new construction. Old Tbilisi (the Old Town) is historic and touristy. Beautiful but noisy. Didube/Gldani are cheaper, far from the center, and less expat-friendly.

Cost of living (2025 data): rent for a 1BR in the center: $400–700 per month. Rent for a 1BR outside the center: $250–450 per month. A week of groceries: $30–60. Lunch at a cafe: $5–12. Taxi across the city: $2–5 (Bolt is active). Coworking: $80–200 per month. Home internet: $15–20 per month (100–300 Mbps). Mobile service: $10–20 per month, unlimited.

Food and restaurants: Georgian cuisine is part of the world's culinary heritage. Khinkali, khachapuri, shashlik, kharcho, mtsvadi. Wine: Georgia is one of the oldest wine-producing countries. Natural, organic, unique grape varieties. Restaurants: Tbilisi has excellent restaurants of various cuisines, including Italian, Japanese, and Mexican. Nightlife: Tbilisi is known for its nightclub Bassiani, one of the best electronic music clubs in the world. Liberali Bar, Mtkvarze, and Fabrika are popular places.

Expat & nomad community: Nomad List ranks Tbilisi in the top 20 world nomad destinations. Telegram groups: "Tbilisi Digital Nomads," "Moving to Georgia," "IT Tbilisi." Facebook: "Expats in Tbilisi." Monthly meetups in coworking spaces. A mixed community: Ukrainians, Russians (fewer since 2022), Israelis,

Americans, and Europeans.

Coworking spaces: Impact Hub Tbilisi. Fabrika (also a hostel plus restaurants and shops). Business Centre on Rustaveli Avenue. Cost: $80–200 per month. Coffee shops as offices: Linville, Entree, and Voilà, with good wifi and a working atmosphere.

Safety and quality of life: Georgia is one of the safest countries for tourists and expats in the region. A low crime rate. The police were reformed (since 2003) and are generally professional. Nighttime safety in Tbilisi: good. Mountains and nature: Georgia is a country of fantastic nature. Kazbegi, Svaneti, and Kakheti are weekend trips. Ski resorts: Gudauri is 2.5 hours from Tbilisi.

CHAPTER 6

A Practical Plan for Moving to Georgia

Concrete steps for an entrepreneur who has decided to move to Georgia. Real timelines and amounts.

Days 1–3 after arrival: register at your place of residence (not mandatory but useful). Buy a Georgian SIM card (Magti, Geocell, Beeline: $5–10). Open a Georgian bank account at TBC Bank or Bank of Georgia (passport). Get a Georgian tax ID (Revenue Service, free, passport). Pick a coworking space or a coffee shop to work from.

Days 3–7: register an individual entrepreneur or LLC at the House of Justice ($20–50). Apply for Small Business Status (1%) or the Virtual Zone (if IT plus foreign clients). Rent long-term housing (through Airbnb for the first weeks, then Imedi.ge and Facebook Marketplace). Sort out a bank account for receiving international payments (set up Wise or Payoneer as a complement to your Georgian account).

The first month: set up business processes (invoicing, bookkeeping). The first tax return (for the first working month). Open Wise Business for an EU IBAN (for EU clients). Set up Stripe through a foreign company if you need online payments. Get to know the local expat community.

Long-term residence: the visa-free regime lets you live in Georgia for 365 days without a visa. Every year, cross the border and come back. Many nomads have done this for years. For legal long-term residency (without annual border crossings): a residence permit through business (if you have a Georgian LLC and real activity). A residence permit through real estate purchase (from $35,000). A residence permit through employment at a Georgian company.

Georgian tax residency: if you spend 183+ days a year in Georgia, you are a Georgian tax resident. Georgian PIT (Personal

Income Tax): 20%. BUT under Small Business Status you pay 1%. And Georgian tax residency works well in combination with a Virtual Zone LLC (0% on foreign IT income). Dividends from a Georgian Virtual Zone LLC: 5%.

What many people do in practice: they live in Georgia. They have registered a Georgian LLC with Virtual Zone status. They work with foreign clients. Income in the LLC: 0% tax. Dividend withdrawal: 5%. Total tax burden: 5% of the amount withdrawn. This is legal, transparent, and documented in Georgian legislation.

What next

Thank you for reading “Georgia: 1% Tax, the Virtual Zone, and the Most Open Country for Business”.

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Maksym Stepanenko, Innova Publishing.