

EY TAX AND LAW BRIEF

September 2020

The amendments to the Labor Code of Georgia Has Been Approved

- ▶ On 5 October 2020, the Law on Amendment of the Labor Code of Georgia was published on the website of the Legislative Herald of Georgia.
- ▶ The Law offers new regulation of different issues of labor law, including:
 - ✓ prohibition of discrimination;
 - ✓ verbal and termed labor agreement;
 - ✓ material terms and conditions of labor agreement;
 - ✓ legal status of an intern;
 - ✓ part-time work;
 - ✓ right to rest;
 - ✓ working in shifts;
 - ✓ night work;
 - ✓ childcare leave, which includes the right of fathers of the leave;
 - ✓ remuneration and nominal salary;
 - ✓ mass dismissal;
 - ✓ transfer of enterprises;
 - ✓ right to strike;
 - ✓ collective labor mediation;
 - ✓ information and consultation on working place;
 - ✓ carrying out state supervision regarding the labor rights and sanctions.
- ▶ The Law on Amendment of the Labor Code of Georgia will become effective gradually and enter full force from 1 September 2021.
- ▶ The package of amendments to the Labor Code also foresees related legal amendments to other acts, including the Law of Georgia on Occupational Safety, Administrative Procedural Code of Georgia etc.
- ▶ The Law of Georgia on Labor Inspection was also approved within the framework of the labor law reform.

- ▶ The Law on Labor Inspection determines main principles and directions of the activities of LEPL Labor Inspection Service, its authorities and the issues related with the effective application of labor norms.

Source and date of publication: the Legislative Herald of Georgia; 05/10/2020.

Amendments to the Law on Competition Were Approved

- ▶ On 21 September 2020, the Law on Amendment of the Law of Georgia on Competition was published on the website of the Legislative Herald of Georgia.
- ▶ The Law amends the concept of an economic agent. In particular, it is specified that the economic agent may also be a physical person.
- ▶ Along with other amendments, the Law determines the penalty to be imposed due to the failing to submit mandatory notice about concentration on the persons, who are obliged to submit the notice in case of existence of corresponding preconditions. Amount of such penalty shall not exceed 5% of the annual turnover of an obliged person during the financial year preceding that of adopting corresponding decision by LEPL Competition Agency.
- ▶ The Law establishes the right of LEPL Competition Agency to demand cancellation of concentration by applying to the court, should the Agency consider it materially restricting effective competition.
- ▶ The Law determines the cases, when LEPL Competition Agency is authorized to carry out control of observance of the Law on Competition in the regulated field of economy. For example, regulated field of economy is comprised of those determined with the Organic Law of Georgia on the National Bank, as well as by the Law on Activities of the Commercial Banks. According to the Amendments, in the event of existence of corresponding grounds, LEPL Competition Agency will be able to investigate the issues in these fields.
- ▶ According to the Law, in the event of reviewing the issues of observing the Law on Competition in the field of regulated field of economy by the Agency, involvement of a regulator in the review of the case is mandatory. As for the review of the same issue by the regulator, involvement of the Agency in the process is also mandatory.
- ▶ The Law shall become effective gradually and enter full force from 1 June 2021.

Source and date of publication: the Legislative Herald of Georgia; 21/09/2020.

The Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors published

- ▶ On 25 September 2020, the Law of Georgia on Rehabilitation and Collective Satisfaction of Creditors was published on the website of the Legislative Herald of Georgia.
- ▶ Objective of the Law is collective satisfaction of creditors through achieving rehabilitation, and in the event of impossibility to achieve rehabilitation - by distribution of the amounts received through realization of the insolvency mass.
- ▶ The Law regulates insolvency issue of the following subjects:
 - the entities established under the Law on Entrepreneurs, except private entrepreneurs;
 - non-entrepreneurial (non-commercial) legal entity under the Civil Code of Georgia, nonregistered union, joint venture (partnership);

- legal entity established in compliance with the law of the foreign country, and other formation, carrying out economic activity, the center of main interest of which is located in Georgia.

▶ The Law shall become effective gradually and enter full force from 1 April 2021.

Source and date of publication: the Legislative Herald of Georgia; 25/09/2020.

Rule and Terms of Exchange of State Property

- ▶ On 8 September 2020, the Order No. 1-1/362 of the Minister of Economy and Sustainable Development of Georgia on the Approval of the Rule and Terms of Exchange of State Property was published on the website of the Legislative Herald of Georgia.
- ▶ According to the Order, by virtue of the consent of the Government of Georgia, LEPL National Agency of State Property carries out exchange of the state property in the property owned by a physical person or/and a legal entity of private law registered in Georgia, as well as that of the National Bank of Georgia.
- ▶ Along with other issues, the Order determines the terms of evaluation of the property to be exchanged and the terms of signing corresponding agreement.
- ▶ The Order became effective from 8 September 2020.

Source and date of publication: Legislative Herald of Georgia, 08/09/2020.

LEPL Pension Agency Approved the Document of Investment Policy

- ▶ On 28 September 2020, the Order No. 004 of the Director of LEPL Pension Agency on the Approval of the Investment Policy Document was published on the website of the Legislative Herald of Georgia.
- ▶ Investment Policy Document prescribes the framework of management and investment of pension assets of the participants of funded pension scheme by the Investment Board of LEPL Pension Agency.
- ▶ Investment Policy Document is of transitional nature. It will be reviewed and updated in line with the events developed on the capital markets of Georgia and organizational maturity of LEPL Pension Agency.
- ▶ The Order became effective upon its publication.

Source and date of publication: Legislative Herald of Georgia, 28/09/2020.

The Rule of Licensing, Registration, Recognition and Regulation of the Assets Management Company Approved

- ▶ On 28 September 2020, the Order No. 167/04 of the President of the National Bank of Georgia was published on the website of the Legislative Herald of Georgia.
- ▶ Along with other issues, the Rule determines the following:
 - terms and procedures of licensing, registration and recognition of assets management company, as well as their cancellation;

- financial requirements of assets management company, including requirements for nominal amount of an equity;
 - timeframe and procedures for concluding statements of assets management company and their submission to the National Bank;
 - requirements of the organizational structure of the assets management company, members of the managing body and significant shareholders;
 - other additional requirements of an assets management company.
- ▶ National Bank of Georgia carries out licensing, registration, recognition and regulation of the assets management company.
- ▶ The Order shall become effective from 19 October 2020.
Source and date of publication: Legislative Herald of Georgia, 28/09/2020.

The Rule of the Special Depository Rendering Service to the Authorized Investment Fund approved

- ▶ On 28 September 2020, the Order No. 168/04 of the President of the National Bank of Georgia was published on the website of the Legislative Herald of Georgia.
- ▶ The Order applies to the specialized depositor rendering service to the authorized investment fund.
- ▶ The rule determines the procedure for issuing consent for carrying out activities of the specialized depositor by the National Bank of Georgia and the issues of regulation of specialized depositor.
- ▶ The Order shall become effective from 19 October 2020.

Source and date of publication: Legislative Herald of Georgia, 28/09/2020.

The Rule of Authorization, Registration, Recognition and Regulation of the Investment Fund Approved

- ▶ On 23 September 2020, the Order No. 170/04 of the President of the National Bank of Georgia was published on the website of the Legislative Herald of Georgia.
- ▶ The Rule approved with the Order determines terms and procedures of authorization, registration and recognition of investment funds by the National Bank.
- ▶ The Order establishes additional requirements related to the regulation of the investment funds.
- ▶ The Order shall become effective from 19 October 2020.

Source and date of publication: Legislative Herald of Georgia, 23/09/2020.

The Rule of Keeping Register of the Owners of Investment Fund Unit approved

- ▶ On 23 September 2020, the Order No. 169/04 of the President of the National Bank of Georgia on the Approval of the Rule of Keeping Register of the Owners of Investment Fund Unit was published on the website of the Legislative Herald of Georgia.

- ▶ According to the Law of Georgia on the Investment Funds, the unit is the financial instrument such as share in the investment company or share in the joint investment fund.
- ▶ The Rule approved with the Order applies to the keeping of the register of the owners of the investment fund unit established, authorized and registered in line with the Law on the Investment Funds. Herewith, the referred Rule does not apply to the investment companies established in the form of the limited liability company or limited partnership.
- ▶ The register of the owners of the investment fund unit is kept by the manager of the investment fund assets, including based on the delegated authorities.
- ▶ The Order shall become effective from 19 October 2020.

Source and date of publication: Legislative Herald of Georgia, 23/09/2020.

Terms of Authorization of Games of Chance or/and Other Prize Games and Some Material Products/Services

- ▶ On 1 October 2020, the Order No. 239 of the Minister of Finance of Georgia was published on the website of the Legislative Herald of Georgia.
- ▶ The Rule approved with the Order determines the rule and terms of authorization of Games of Chance or/and Other Prize Games, as well as material products/services by the person selected in compliance with the Law of Georgia on Organizing Lotteries, Games of Chance and Other Prize Games and issuing authorization certificate.
- ▶ According to the Order, authorization is comprised of the 3 stages, the main steps of which are:
 - primary survey of the system;
 - integration with the system;
 - issuing certificate.
- ▶ The Order became effective upon its publication.

Source and date of publication: the Legislative Herald of Georgia; 01/10/2020.

Requirements towards Electronic System for Controlling Gambling Business

- ▶ On 1 October 2020, the Order No. 240 of the Minister of Finance of Georgia was published on the website of the Legislative Herald of Georgia.
- ▶ According to the Order, with electronic system for controlling gambling business it shall be possible to control activity of software and equipment used for organization of games of chance or/and prize games involved in it.
- ▶ Electronic system shall also allow to control activity of software and equipment used by the person providing the games of chance or/and prize games involved in it.
- ▶ If requested, the System shall timely provide LEPL Revenue Service with the information about each certain transaction or group of transactions.
- ▶ The Order became effective upon its publication.

Source and date of publication: the Legislative Herald of Georgia; 01/10/2020.

Possible Amendments to the Law on Promoting Prevention of Money Laundering and Terrorist Financing

- ▶ On 4 September 2020, the Draft Law on Amendment of the Law on Promoting Prevention of Money Laundering and Terrorism Financing was published on the website of the Parliament of Georgia.
- ▶ The Government Commission Working on the Resolutions of the UN Security Council (Governmental Commission) is the main contact agency in Georgia for UN Sanctions Committee, when implementing the activities prescribed for terrorism financing, preventing, detecting and suppressing funding for the spread of weapons of mass destruction.
- ▶ With the current edition of the Law, the Governmental Commission applies to the court with the petition for seizure of assets of the person included in the list of sanctioned persons with the decision of UN Sanctions Committee.
- ▶ The Amendment foresees increasing of the authorities of the Governmental Commission to take decisions regarding seizure or lifting of the seizure on assets of the corresponding person, without petition to the court.
- ▶ In the event of adoption of the Draft Law, it shall become effective upon publication.

Source and date of publication: the website of the Parliament of Georgia; 04/09/2020.

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