

INITIATIVES AND LEGISLATIVE AMENDMENTS FOR PROMOTING BUSINESS ACTIVITIES IN GEORGIA

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AMENDMENT TO THE LAW OF GEORGIA ON AGRICULTURAL LAND OWNERSHIP

The Georgian Parliament declared a temporary restriction on the sale of agricultural lands to foreign citizens until a constitutional ban comes into force. Respective amendments were made to the Law of Georgia on Agricultural Land Ownership on June 16, 2017.

During the moratorium, foreign nationals will not be allowed to register their property rights on agricultural lands in Georgia. The restriction does not affect the sales of lands to foreigners, predating the introduction of the moratorium.

During moratorium agricultural lands cannot be sold to:

- ✦ Foreign citizens;
- ✦ Foreign-registered companies;
- ✦ Companies registered by a foreign national in Georgia.

AMENDMENTS TO THE LAW OF GEORGIA ON ENTREPRENEURS

On June 30, 2017 the following amendments were introduced to the Law of Georgia on Entrepreneurs.

- Article 5⁸ has been added to the Law, which established the concept of One Person Company (OPC) in Georgian legislation. In accordance with the amendments, a Limited Liability Company or a Joint Stock Company may be established by one person. If all shares of Limited Liability Company or Joint Stock Company are transferred in ownership of one person, the entity qualifies as OPC. The respective information shall be submitted to the Register of Entrepreneur and Non-entrepreneur Legal Entities, in case of Limited Liability Company and to the Share Register- in case of Joint Stock Company. This information shall be publicly available.

If a corporate entity has only one partner, the authority of General Meeting is granted to that partner. A decision made within the scope of this authority shall be executed in writing. Corporate entity shall execute a written agreement with its sole partner, except the case, when the agreement concerns the ordinary course of business. Until September 1, 2018 aforementioned provisions regarding the authority of General Meeting and the written agreement between corporate entity and its sole partner do not apply to the corporate entity, annual turnover of which does not exceed the equivalent of 1 000 000 Euros in Georgian Lari for the previous tax year.

- ✦ The list of the activities, not qualifying as “entrepreneurial” has been extended to include the usage of the micro power plant, which is connected to the electricity distribution network, by natural or legal persons.

AMENDMENTS TO THE LAW OF GEORGIA ON VINE AND WINE

On June 15, 2017 the Parliament of Georgia adopted the amendments to the Law of Georgia on Vine and Wine. The amendments were introduced with the aim of harmonizing the existing legislation with the regulations of the European Union and the International Organization of Vine and Wine.

The amended law defines the list of the "recommended vine species" according to the zones and sub-zones, specifies the vineyard categories and redefines spirit categories and production rules. It also offers new - terminologies – "Pitcher Wine", "Amber Wine", "Ice Wine", "Vine Genetic Resources" etc. The definitions have been contextually improved (technically revised) in order to prevent the misinterpretation of some provisions. Changes have also been made to the labeling rules of wine and alcoholic beverages.

TAXATION OF EMPLOYEE SALARIES IN FREE INDUSTRIAL ZONE COMPANIES

On June 15, 2017 the Government of Georgia issued Decree N291 regulating taxation of the salaries of employees working for the enterprise of Free Industrial Zone. The decree indicates terms for paying income tax and tax reporting rules.

The enterprise of Free Industrial Zone does not have to act as a withholding agent; its obligation includes the submission of the information to the tax authority regarding the amount of money paid to employees, their names and identification numbers within 30 calendar days or 15 calendar days (in case of liquidation) after the end of the accounting year.

An employee is obliged to pay income tax monthly, no later than 15 days after the end of the accounting month and submit annual declaration of income tax to the tax authority no later than April 1st of the year following the accounting year.

NEW ELECTRONIC TENDER RULES

On June 14, 2017 the Chairman of the State Procurement Agency approved a new Rule for Conducting Electronic Tender. The Rule consists of six chapters, 40 Articles and 3 annexes.

The amendments have refined the terminology, detailing the decision-making procedures to be followed by tender commissions, and trying to balance the rights and interests of a procuring entity and a supplier.

UPDATES TO THE AIR TRANSPORTATION REGULATIONS

- ✦ On June 16, 2017 Georgian Aviation Agency issued new Rule for Issuance of the Air Transportation Certificate. It provides the protection of rights of the passengers, flight safety and stability of air transportation. This rule is drafted in accordance with the regulation N 1008/2008 of the European Parliament and, by introducing new regulations Georgia fulfills its obligations under the CAA agreement. The new regulation applies to the enterprises registered in Georgia, holding the aircraft operator licenses and conducting air transportation by their own or leased aircrafts. In accordance with the rule the certificate is granted only to the enterprises, management of which has a solid reputation, no conviction for financing terrorism and/or illicit income legalization, serious and particularly serious or economic crimes or has not led companies to insolvency, etc.
- ✦ New regulations have also been adopted for the purposes of protecting the rights of passengers. In accordance with the Orders N95 and N96 issued on June 14, 2017 by the Director of Civil Aviation Agency of Georgia, which are in line with the European regulations, air carrier is obliged to provide civil liability insurance, covering the carriage of passengers, cargo and third persons, also insurance for any flights. Air carrier has to pay compensation for passenger's death or injury or loss of baggage. These rules apply to both, domestic, as well as non-resident air carriers. In case of nonperformance of aforementioned obligations, air carriers will not be allowed to land on the territory of Georgia.

ORDERS OF THE PRESIDENT OF NATIONAL BANK OF GEORGIA

- On June 13, 2017 the president of the National Bank of Georgia issued orders determining the amount of fines, the rules for imposing them and procedures for enforcing the payment. In accordance with the order N85/04 fines are imposed for violation of the obligation to provide certain information to relevant state authorities or nonperformance of certain activities, which are determined by Georgian legislation regarding securities. Order N86/04 indicates the cases, when fines are imposed to Micro finance organizations, foreign currency exchange office and money transfer operators. The amount of fines and the rules for imposing them to the payment system provider are stipulated by the order N87/04.
- Another noteworthy order of the President of the National Bank of Georgia is dated June 22, 2017. The Order N93/04 establishes a Different Pricing Rule for Offering and/or Advertising Sale of Property and/or Provision of Services by Enterprises in Georgia. In accordance with this regulation, price denomination in Georgian Lari shall not apply to offering and/or advertising sale of property and/or provision of services by entities in Georgia if it is related to:

- Sale of air tickets, hotel and tourism services if provided in the foreign language, as well as gambling business;
- International freights by water, air or land, including all types of rail freights and services related to such freights;
- Sale of property and/or provision of services in free trade areas, free industrial zones and airport terminal zones;
- Roaming services;
- Shipping services to foreign countries;
- Patenting of objects of intellectual property, services related to registration and depositing;
- Electricity, natural gas, oil and water supply import, export/re-export and/or transit;

- Provision of services and/or provision of works and/or supply of goods by non-residents (including through their permanent offices) or for non-residents;
- Provision of goods and/or services and/or works (including construction works) in the energy sector as part of the projects to be financed by international and/or foreign financial institutions and/or investors;
- Sale of goods and/or provision of services as part of activities in the energy sector on the occupied territories;
- Fulfillment of obligations assumed under international treaties/agreements and memorandums of Georgia, and in the cases prescribed by law;
- Services provided in a foreign currency by means of a foreign payment system;
- Traded securities or equivalents thereof that prove shareholding in a foreign entity; traded debt securities/obligations; other traded securities that provide the right of purchase of securities by signing, buying or exchanging them, or that can be exercised by covering the difference between the agreed and current prices or that stipulate monetary settlement; the rights issued by mutual investment funds, cash or currency market instruments; precious stones on the account; as well as the claims related to the above listed instruments, rights over such instruments or rights related to them. This paragraph applies to instruments denominated only in foreign currencies.

GEORGIA RANKS 20TH AMONG THE BEST EUROPEAN COUNTRIES FOR BUSINESS

The European Chamber, which ranks European countries based on their business environment, ranked Georgia 20th amongst 46 countries. The score used for the ranking is an assessment of the country's economic policy, legislation, business environment, social climate and business regulations.

Georgia's rating has improved by 4 positions in 2017. largely due to the advancement in the World Bank's Doing Business and Transparency International's Corruption Perception Indexes, used for revealing the best countries in terms of investment attractiveness.

GEORGIA IS TOP RANKED IN THE GLOBAL CYBERSECURITY INDEX

According to these International Telecommunication Union ranking for 2017, Georgia ranks 8th on the list of countries worldwide in the Global Cybersecurity Index. The main factor that led Georgia to this kind of success was the effort of a governmental department CERT.GOV.GE, which specializes in identifying, registering and analyzing critical computer incidents, issues recommendations and conducts prompt responses to such occurrences, playing a significant role in raising the awareness of information security issues within the country.

The Global Cybersecurity Index (GCI) measures each nation's level of commitment to the ITU's Global Cybersecurity Agenda. It analyzes each country's development within five categories: legal measures, technical measures, organizational measures, capacity building, and cooperation.



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