
PwC Georgia Tax & Law Brief

20 June 2017

The Amendments to the Law of Georgia on Entrepreneurs

As of 29th May 2017, the following amendments entered into force:

Pre-emption in LLC and JSC

- Unless otherwise provided for by the charter, in case of share transfer by the LLC's partner, other partners shall have pre-emption right to purchase such shares in proportion with his/her own shares.
- In the JSC, in case of new share issuance, the general meeting is entitled to abolish the partner's pre-emption right to purchase the new shares. According to the amendments, abolition of this right shall be made based on the Director's or the Supervisory Board's written and substantiated report.
- The rules regulating pre-emption right to purchase the shares will also be applicable for issuing of securities convertible into shares and obtaining the loan liabilities as well, but not for the right to use of conversion or transfer rights from these securities/liabilities.

Exemptions from pre-emption

- The pre-emption right is not applicable to the following cases, unless otherwise provided by the Charter:
 - the shares issued in exchange for non-monetary contributions or as means of performance of obligations;
 - For the redeemed shares by the company with intention for onward placement;

Information on the company transactions

- The shareholder of 5% of any class of shares may request from the competent management body copies of transactions conducted on behalf of the company and/or information on transactions to be conducted;

Source: Legislative Herald of Georgia, 29 May 2017

The Amendments to the Law of Georgia on Insolvency Proceedings

As of 29th May 2017, the following amendments entered into force:

Request of rehabilitation

- A debtor may request through insolvency application opening of bankruptcy as well as rehabilitation proceedings. In case of rehabilitation, the debtor has to submit the rehabilitation plan to the court.

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***Easing criteria for
creditors to request
insolvency
proceedings***

- Any creditor may request opening of insolvency proceedings if he/she justifies necessity of opening the insolvency proceeding. The previous version of the law stated, that only certain creditors, who meet the criteria defined by the law, are entitled to submit application to the court to commence insolvency proceeding against the debtor.
- Creditors have right to request information related to an insolvency proceeding.
- The period for certain action by the company that are restricted as being damaging to the creditors is extended. In particular, certain action within 1 year of opening up the insolvency proceedings would be deemed as damaging to the creditors interests.

***Extending the
period of restricted
actions***

Source: Legislative Herald of Georgia, 29 May 2017

The Amendments to the Law on Regulatory Fees

Regulatory Fees

As of 2th June 2017, the following amendments entered into force:

- The amendments provide for fees and payment rules for use of natural resources, oil refining, natural gas processing and transportation. Under the previous version of the law, the fees and payment rules were provided under the respective regulations of the National Environmental Agency and Gas Agency.

Source: Legislative Herald of Georgia, 2 June 2017

The Draft Amendments to the Law of Georgia on Entrepreneurs

***Single
shareholder
entity***

The Parliament of Georgia has passed the draft amendments on the first hearing, according to which:

- Using a renewable micro power plant connected to the electronic distribution network by an individual and legal entity shall not be considered as an entrepreneurial activity.
- The draft law clarifies that a Limited Liability Company (LLC) and a Joint Stock Company (JSC) can be established by one person;
- As a result of transfer of all shares to one partner, an entity becomes a single shareholder enterprise and shall be recorded as such in the Public Registry or relevant independent registry for JSCs.
- In a single shareholder entity, the decision of Partners' Meeting shall be made in writing.

***Shareholder's
meeting in the
single
shareholder
enterprise***

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**Agreement
between an entity
and its single
shareholder**

- The agreement between an entity and its sole partner shall be made in writing, unless the contract is concluded within the ordinary business of company.
- For the companies whose turnover does not exceed 1 mln EUR the obligation to have partners' resolutions and contracts in writing shall be effective from 1 September 2018.

Source: The Parliament of Georgia, 16 June 2017

The Draft Amendment to the “Administrative Offences Code of Georgia”

The Parliament of Georgia has passed the draft amendments on the second hearing, according to which:

**An administrative
offence for the
excess of noise**

- The administrative responsibility will apply in case of noise above established level during the day (07:00-23:00) and night (23:00-07:00) in the residential houses and public buildings.
- The Government of Georgia shall approve the technical regulation on “Acoustic Noise Norms in Residential Houses and Public Buildings and Territories” until 1 July 2017.
- The responsibility measures include:

| | An individual | A legal entity |
|---|------------------|------------------|
| Committing the offence for the first time | A verbal warning | A verbal warning |
| In case of repeat offence within one year | 150 GEL | 500 GEL |
| In case of committing the same offence for the third time within the one year | 300 GEL | 1000 GEL |

- The relevant protocol for the above-mentioned offence will be drafted and examined by the Ministry of Internal Affairs until 1 April 2018. Until then the function will be exercised by the local self-government bodies.

Source: The Parliament of Georgia, 16 June 2017

The Draft Amendments to the Civil Code

The Parliament of Georgia has passed the draft amendments on the second hearing, according to which:

Health Insurance

- Health insurance covers the costs related to the deterioration of health condition and medical treatment, as well as other medical service costs defined by the contract.

Source: The Parliament of Georgia, 16 June 2017

Let's talk

For a deeper discussion of how this issue might affect your business, please contact PwC Georgia

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