
PwC Georgia Tax & Law Brief

11 October 2017

The Order #137/04 of the President of the National Bank of Georgia

Prepayment and refinancing of credit

- The financial organization may impose the commission fee or liquidated damages for full or partial prepayment or refinancing of credit.

Alienation of the loan to the third party

- In case of transfer of loan receivables or otherwise assign loan agreements, the Financial Organization shall put in the transfer contract obligation of the transferee to follow ethical rules in accordance with Code of Ethics of the Financial Organization.
- The Financial Organization shall adhere to the rules of recording, consideration and report to the NBG of customer claims even in cases when the loans are transferred or otherwise assigned.

Financial expenses

- Under the amendments the following shall also be qualified as financial expense:
 - Expenses defined/claimed by a Financial Organization due to failure to comply with any of the terms provided for by the Agreement, if the requirement / inspection of this condition can be made before the credit / deposit product is issued.
 - Expenses defined/claimed by a Financial Organization for any conditional receipt of the financial product, if this condition is already envisaged by the content/nature of the financial product.

Similar amendments related to the financial expenses are also made in the Order #2/04 of the National Bank of Georgia on Interpretation of the Effective Interest Rate and Financial Expenses Imposed on the Borrower for the Purpose of Article 625 of the Civil Code of Georgia.

The amendments will enter into force from 1 November 2017.

Source: Legislative Herald of Georgia, 26 September 2017

The Order # 23 of the Georgian State Insurance Supervision Service

A new Article has been added to the rule of enforcement of the insurer's compulsory administration, liquidation and bankruptcy proceedings, which determines the rules of realization of assets discovered/recovered after completion of bankruptcy/liquidation proceedings, in particular:

Realization of newly discovered / recovered assets

- Such asset will be automatically deemed to bankrupt / liquidated insurance company's property and the Supervisory Service will have the right to dispose it for the purpose of distribute the asset to the insurer's creditors.
- If such asset is a cash, it will transfer to a special account of the liquidated / bankrupt insurer's unclaimed amount for the purpose of further distribution according to the adjusted sequence of the insurer's obligations.
- If such asset is a non-monetary material asset, the Supervisory Service will issue an individual administrative act defining the rules its further disposal to fulfill the insurer's obligations.

Source: Legislative Herald of Georgia, 14 September 2017

Amendments to the Georgian Tax Code

Adjustment of creditable Corporate Income Tax amount for January 1, 2008 - January 1, 2017 reporting periods

- The annex #1¹ was added to the III part of the monthly Corporate Income Tax (CIT) Return. The annex should be filled in with a purpose to adjust creditable CIT amount on dividends, which are distributed from the net profits related to January 1, 2008 - January 1, 2017 periods. Particularly, it should be filled in the following circumstances:
 - If CIT liability accrued on the profits of January 1, 2008 - January 1, 2017 reporting periods was paid after the dividend distribution and/or
 - If CIT liability on the profits for January 1, 2008 - January 1, 2017 reporting periods was accrued after distribution of dividends from the same period profits.
- The instruction how to fill the annex is also provided in the amendment.

Source: The Legislative Herald of Georgia, 4 September 2017

Amendments to the order N290 issued by the Minister for Finance of Georgia “About approval of the instructions for movement and registration of products on the customs territory of Georgia”

Time for temporary storage of goods/Terms for defining a customs procedure

- After defining customs procedure (other than export), period for storage of goods in the customs warehouse, also in the event of temporary storage of goods in the customs warehouse, the period for submitting customs declaration is decreased from 5 years to 180 calendar days. This will effect legal relations raised from 14 July, 2017. In terms of goods delivered for storage in the customs warehouse before 14 July, 2017 this rule will effect from the 1st January, 2018. The Georgian Revenue Services is entitled to increase this term no longer than by 180 calendar days.

Guarantee

- Presenting a guarantee becomes necessary while importing fuel, lubricants and other auxiliary materials intended for supply onboard for the domestic civil flights or aviation works.

Source: The Legislative Herald of Georgia, 4 September 2017

The Order #15 of the Head of Accounting, Reporting and Audit Supervision Service

Financial Statements

- The rule for submission of the statements and audit opinion, as well as rules for simplified submission of the financial statements, publication of the submitted information, reporting portal structure and customer registration for the third category enterprise has been approved.

Source: Legislative Herald of Georgia, 21 September 2017

The Draft Law of Georgia on Compulsory Insurance of Civil Liability of the Owner of a Vehicle Registered in a Foreign Country

The Parliament of Georgia has passed on the 1st hearing the draft law on Compulsory Insurance of Civil Liability of the Owner of a Vehicle Registered in a Foreign Country and Moving in the Territory of Georgia.

According to the draft law:

Compulsory Insurance Center

- The “Compulsory Insurance Center” (the Center) - a non-commercial legal entity based on the membership of insurers is established.

Civil liability insurance

- The owner (the driver) of the vehicle registered in a foreign country shall insure its civil liability on the vehicle for the full period of his stay on the territory of Georgia. The insurance shall cover any damages incurred as a result of incident involving the vehicle.

Damage that will not be compensated

- The draft law defines the compulsory insurance terms and damages that will not be compensated by the insurers, including damages caused by the other party's deliberate action, damage caused through the competition, testing and training of the vehicle within the specially allocated areas etc.

Insurance contribution

- The insurance premium, i.e. the amount of insurance contribution is determined in accordance with the categories of vehicles and the insurance period.

Damage related to the health

- The amount of insurance limit for each individual's health, working capacity and life damage is 30,000 GEL. The total limit of compensation for each insurance case is 300,000 GEL.

Damage related to the property

- The amount of insurance limit for each individual's damage to property is 25,000 GEL. The total limit of compensation for each insurance case is 50,000 GEL.

Term for apply to the Center

- In order to demand the compensation, an individual shall apply to the Center in writing within 60 calendar days from the accident date.

Center's regress right

- After compensation of the individual, the Center may issue a regress claim to the person responsible for the damage.

Electronic database

- In order to provide with the relevant information for compulsory insurance, an electronic database is created.

Source: The Parliament of Georgia, 20 September 2017

The Draft Amendments to the Law of Georgia on Agricultural Land Ownership

The Parliament of Georgia has passed on the 1st hearing the draft amendments, according to which:

Acquisition of the land plot by the Banks / MFOs

- The moratorium on the acquisition of the property rights on agricultural land plots shall not be applicable to the commercial banks / microfinance organizations whose ownership rights are established within the banking activities. In addition, commercial banks shall alienate the land plot to the authorized person within the 2 years after obtaining the property rights. The relevant term for microfinance organizations is 1 year.

Exception from the moratorium

- The Government of Georgia will have the discretionary authority to make exceptions from the moratorium.

Source: The Parliament of Georgia, 20 September 2017

The Draft Amendments to the Law of Georgia on Insurance

The Parliament of Georgia has passed on the 1st hearing the draft amendments, according to which:

Self-financing

- The financing of the LEPL State Insurance Supervision Service (the Supervisory Service) will be carried out through payment of the supervisory fee (self-financing). Under the current version of the law, the Supervisory Service is financing through the State budget.

Compulsory internal auditing

- The insurer's activities are subject to internal audit inspection, the main purpose of which is to monitor the legality of insurers' ongoing activities, its adequacy and efficiency; to assess the internal management system and control procedures.
- The internal audit authority is exercised by the Internal Auditor, or the structural unit established specially for this purpose - Internal Audit Service, whose head and staff are appointed and dismissed by the Supervisory Board
- The internal Audit Service / Internal auditor is independent while performing its activities and has the reporting obligations before the insurer's Supervisory Board. The latter also approves the annual audit program.

The Supervisory fee

- The rate of supervisory fee and the payment rules are defined. The insurer shall pay the current supervisory fee at the rate of the previous calendar year supervisory fee,
 - no later than 10 January – 25 percent,
 - no later than 10 April – 25 percent,
 - no later than 10 July – 25 percent, and
 - no later than 10 October – 25 percent.

Source: The Parliament of Georgia, 20 September 2017

The Draft Amendments to the Civil Procedure Code of Georgia

Provisional measures

The Parliament of Georgia has passed through 1st hearing the draft amendments, according to which no provisional measures will be applicable to the prize funds under the Law of Georgia on Lottery, Gambling and Winning Games, i.e. the amount whose receipt is recognized as the winning ticket holder's right.

Source: The Parliament of Georgia, 20 September 2017

Let's talk

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

Sergi Kobakhidze

Director, Tax & Law Practice
E-mail: sergi.kobakhidze@ge.pwc.com
Tel: + 995 32 250 80 50

Vano Gogelia

Head of Legal Practice
E-mail: vano.gogelia@ge.pwc.com
Tel: + 995 32 250 80 50

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