

EY TAX & LAW BRIEF

June - July 2020

Law of Georgia on Collective Investment Undertakings

- ▶ On 22 July 2020, the Law of Georgia on Collective Investment Undertakings was published on official website of the Legislative Herald of Georgia.
- ▶ The purpose of the Law is to develop the investment fund market in Georgia, to ensure free competition in the market and to protect the interests of investors.
- ▶ The law applies to:
 - ✓ Investment fund incorporated in Georgia, as well as asset management companies of the fund.
 - ✓ Foreign investment fund, the units of which are offered in Georgia, as well as asset management companies of the fund.
 - ✓ Asset management company incorporated in Georgia, regardless of whether or not an investment fund under its management is based in Georgia.
 - ✓ Other natural and legal persons involved in the activities related to the investment, management, storage, administration and accounting-registration of investment fund assets.
- ▶ The law will become effective gradually and enter into full force from the 90th day of its publication.

Source and date of publication: official website of the Legislative Herald of Georgia, 22/07/2020.

Law of Georgia on Introduction of Anti-Dumping Measures in Trade

- ▶ On 21 July 2020, the Law of Georgia on Introduction of Anti-Dumping Measures in Trade was published on the official website of the Legislative Herald of Georgia.

- ▶ The Law determines the basic rules for the establishment and use of anti-dumping measures in trade, as well as the conduct of the study.
- ▶ The Law also determines the authorities, entitled to conduct the study and make decision regarding introducing of a preliminary/special anti-dumping measure/tariff.
- ▶ The Law will become effective gradually and enter into full force on 1 June 2021.

Source and date of publication: official website of the Legislative Herald of Georgia, 21/07/2020.

Rule of Registration, Storage and Submission of the Information Regarding Transaction to the Financial Monitoring Service of Georgia by the Accountable Person Has Been Approved

- ▶ On 8 June 2020, the Order No. 1 of the Financial Monitoring Service of Georgia "on Approval of Rule of Registration, Storage and Submission of the Information Regarding Transaction to the Financial Monitoring Service of Georgia by the Accountable Person" was published on the official website of the Legislative Herald of Georgia.
- ▶ The Order applies to the accountable persons determined by the Law of Georgia on Facilitating the Prevention of Money Laundering and Terrorism Financing.
- ▶ The Order defines the information related to the transaction (operation), which must be registered and stored by the accountable person.
- ▶ The Order establishes the rules and conditions for submitting information on suspicious transactions and certain types of transactions (operations) to the Financial Monitoring Service of Georgia (the "Financial Monitoring Service").
- ▶ Along with other accountable persons, the insurance broker, the reinsurance broker, the loan holding entity, the lawyer, the law firm, which have been operating prior the Order becomes effective, have to submit a completed accounting form to the Financial Monitoring Service. Such form shall be submitted no later than 1 month after the Order becomes effective.
- ▶ According to the Order, the accountable person who will begin operating after the order becomes effective shall submit an accounting form to the Financial Monitoring Service. Such a form must be submitted to the supervisory authority no later than 10 working days after obtaining the license, registration or permit.
- ▶ The order will become effective on 1 September 2020.

Source and date of publication: official website of the Legislative Herald of Georgia, 08/06/2020.

Rule of Identification and Verification of the Client by an Accountable Person Has Been Approved

- ▶ On 8 June 2020, the Order No. 2 of the Head of the Financial Monitoring Service of Georgia on Approval of Rule of Identification and Verification of the Client by an Accountable Person was published on the website of the Legislative Herald of Georgia.
- ▶ The Order applies to the accountable persons determined by the law of Georgia on Facilitating the Prevention of Money Laundering and Terrorism Financing.
- ▶ In order to identify and verify the client and the person acting on behalf of the client, the identification data, information and documents to be obtained by the accountable person have been determined.

- ▶ The Order established the rules for verification, accounting, storage and updating of identification data, information and documents.
- ▶ For business relationships established prior the Order becomes effective, the accountable person should ensure that the identification data and documents obtained for the purpose of identification and verification of clients are in compliance with the rules established by the Order.
- ▶ The Order will become effective on 1 September 2020.

Source and date of publication: official website of the Legislative Herald of Georgia, 08/06/2020.

The Rule on Licensing, Administration and Market Exit of the Interim bank Has Been Approved

- ▶ On 30 June 2020, the Order No. 132/04 of the President of the National Bank of Georgia was published on the website of the Legislative Herald of Georgia.
- ▶ According to the Order, for the use of the resolution instrument of interim bank established by the Ministry of Finance of Georgia, the following issues are defined in the interim bank licensing rule:
 - ✓ Simplified procedures for interim bank licensing.
 - ✓ Issues related to the documents to be submitted after the issuance of a banking license to the interim bank.
 - ✓ Additional requirements related to the administration and operations of the interim bank.
 - ✓ Issues related to the elaboration and implementation of a market exit plan for interim bank.
- ▶ The interim bank is the temporary commercial bank established directly or indirectly by the Ministry of Finance of Georgia and to which the license is issued by the National Bank.
- ▶ The interim bank is established for the purpose to transfer in part or in full the shares, assets, obligations and/or critical functions of the bank in resolution regime, to fulfill the aims determined by the Organic Law of Georgia on the National Bank of Georgia.
- ▶ The order will become effective from 1 January 2021.

Source and date of publication: official website of the Legislative Herald of Georgia, 30/06/2020.

Rule of Elaboration and Evaluation of the Commercial Bank Recovery Plan Has Been Approved

- ▶ On 30 June 2020, the Order No. 131/04 of the President of the National Bank of Georgia on Approval of the Rule of Elaboration and Evaluation of the Commercial Bank Recovery Plan was published on the website of the Legislative Herald of Georgia.
- ▶ The purpose of the rule approved by the Order is to define the main elements of the recovery plan, as well as to establish the requirements related to the processes of elaboration of the recovery plan, recovery and preparatory measures.
- ▶ The recovery plan is a plan elaborated by a commercial bank that mainly includes the measures to be taken by the bank to improve its financial condition in the event of significant financial difficulties.
- ▶ The commercial bank recovery plan also includes measures to be taken to restore and maintain critical functions in case of their hindering or cessation.

- ▶ According to the Order, the elaboration of a recovery plan and submission to the National Bank is mandatory for all commercial banks and branches of foreign banks operating in Georgia.
- ▶ The law will become effective gradually and enter into full force on 1 January 2022.

Source and date of publication: official website of the Legislative Herald of Georgia, 30/06/2020.

Rule of Evaluation of the Assets and Liabilities of a Commercial Bank for the Purpose of the Resolution Has Been Approved

- ▶ On 20 June 2020, the Order No. 128/04 of the President of the National Bank of Georgia on Approval of the Rule of Evaluation of the Assets and Liabilities of Commercial Bank for the Purpose of the Resolution was published on the website of the Legislative Herald of Georgia.
- ▶ The rule approved by the Order defines the rules, procedures and methodology for the evaluation of assets and liabilities of a commercial bank and a branch of a foreign bank operating in Georgia. The rule also sets out the qualifications of an independent valuer.
- ▶ For the purpose to achieve the resolution aims, the National Bank of Georgia is authorized to introduce the resolution regime towards the commercial bank. Along with other aspects, the resolution aims include ensuring the continuous functions of the commercial bank, avoidance of the negative influence on the financial system stability, protection of the resources and assets of the customers.
- ▶ The Order became effective upon its publication.

Source and date of publication: official website of the Legislative Herald of Georgia, 30/06/2020.

Rule on Simplified Procedures for the Acquisition of a Significant Share of a Commercial Bank in the Resolution Regime Has Been Approved

- ▶ On 30 June 2020, the Order No. 130/04 of the President of the National Bank of Georgia on Approval of the Rule on Simplified Procedure for the Acquisition of the Significant Share of a Commercial Bank in Resolution Regime was published on the website of the Legislative Herald of Georgia.
- ▶ The rule approved by the Order defines the simplified procedure for the acquisition of a significant share of a commercial bank in resolution regime.
- ▶ According to the Order, the simplified procedure for the acquisition of a significant share implies a reduction of the timeframe for the National Bank of Georgia to review the conformity declaration. This also includes simplifying the requirements for the information to be submitted for the first time prior to the final evaluation.
- ▶ The Order will become effective on 1 January 2021.

Source and date of publication: official website of the Legislative Herald of Georgia, 30/06/2020.

Rule on Defining and Evaluating the Critical Functions of a Commercial Bank Has Been Approved

- ▶ On 30 June 2020, the Order No. 129/04 of the President of the National Bank of Georgia on Approval of the Rule on Defining and Evaluating the Critical Functions of a Commercial Bank was published on the website of the Legislative Herald of Georgia.
- ▶ The rule approved by the Order sets out the criteria for defining and evaluating the critical functions and ancillary critical services of commercial banks and foreign bank branches.
- ▶ According to the Order, a critical function is a service or operation provided by a bank to third parties that cannot be replaced within a reasonable time or such a replacement is associated with significant difficulties.
- ▶ A critical function also entails to be the hindering or termination of the bank services or operations to third parties, which would be detrimental to financial stability and/or the real sector of the economy. Additionally, such hindering may also affect service recipients who are not linked with commercial banks or foreign bank branches.
- ▶ According to the Order, the critical functions of commercial banks and foreign bank branches shall be based on the regular work performed by the bank and the main directions of their activities.
- ▶ The Order became effective upon its publication.

Source and date of publication: official website of the Legislative Herald of Georgia, 30/06/2020.

Rule on Activity of Foreign Exchange Market Participants Have Been Approved

- ▶ On 22 July 2020, the Order No. 142/04 of the President of the National Bank of Georgia on Approval of the Rule on activity of Foreign Exchange Market Participants was published on the website of the Legislative Herald of Georgia.
- ▶ The Rule on activity of foreign exchange market participants approves the basic principles and standards of the activities on the foreign exchange market.
- ▶ The rule approved by the Order is mandatory for licensed commercial banks, licensed brokerage companies and registered microfinance organizations participating in the foreign exchange market of Georgia, which operate in accordance with the Rule on Electronic Currency Trading Using the Bloomberg Trading System.
- ▶ The law will become effective gradually and enter into full force on 1 October 2021.

Source and date of publication: official website of the Legislative Herald of Georgia, 22/07/2020.

Georgian National Energy and Water Supply Regulatory Commission Has Approved Dispute Resolution Rules

- ▶ On 10 June 2020, the Ordinance No. 24 of the Georgian National Energy and Water Supply Regulatory Commission on Approval of Dispute Resolution Rules was published on the website of the Legislative Herald of Georgia.
- ▶ The purpose of dispute resolution rules is to establish procedures for resolving disputes between enterprises as well as between consumers and enterprises.

- ▶ According to the Ordinance, any person is entitled to apply to the Commission to resolve a dispute arising within the competence of the Commission. For example, the consumer may argue that the licensee does not comply with the technical and safety rules.
- ▶ The Ordinance became effective upon its publication.

Source and date of publication: official website of the Legislative Herald of Georgia, 10/06/2020.

Rule of Notification on Licensing Rules and Energy Activities Has Been Approved

- ▶ On 4 June 2020, the Ordinance No. 22 of the Georgian National Energy and Water Supply Regulatory Commission on Approval of the Rule of Notification on Licensing Rules and Energy Activities (the "Rule") was published on the website of the Legislative Herald of Georgia.
- ▶ The Rule approved by the Ordinance defines the legal grounds for issuing a license for electricity, natural gas and water supply activities, as well as amending, suspending and revoking them.
- ▶ The Rule also determines the license conditions that must be fulfilled for each license seeker and licensee.
- ▶ The Ordinance lists the activities for which the Commission issues licenses. Apart from others, such activities include electricity transmission, distribution and transmission of natural gas.
- ▶ The Ordinance became effective upon its publication.

Source and date of publication: official website of the Legislative Herald of Georgia, 04/06/2020.

Amendments of the Law of Georgia on Electronic Communications

- ▶ On 17 July 2020, Law on Amendments of the Law of Georgia on Electronic Communications was published on the website of the Legislative Herald of Georgia.
- ▶ According to the amendments, the legal act of the Georgian National Communications Commission may be appealed in a court. Submission of a complaint will not lead to the suspension of the act, unless the court decides otherwise.
- ▶ According to the amendment, in case of violation of the requirements established under the law by the authorized person/license holder in connection with mergers or of acquisitions of ownership interests, shares or operating assets the Georgian National Communications Commission may appoint a special manager.
- ▶ A special manager may be appointed only if an appropriate fine has been applied to the authorized person/license holder at least once for this violation and this has failed to ensure enforcement of the commission decision.
- ▶ The law became effective upon its publication.

Source and date of publication: official website of the Legislative Herald of Georgia, 17/07/2020.

Amendments to the Administrative Offences Code of Georgia

- ▶ On 22 July 2020, Law on Amendments to the Administrative Offences Code of Georgia was published on the website of the Legislative Herald of Georgia.
- ▶ The import of motor fuel and/or diesel fuel to the territory of Georgia the quality of which does not comply with the qualitative norms of motor fuel and/or the norms of diesel fuel constituents determined by the Government of Georgia shall carry a fine of GEL 30,000 and an amount equal to the customs value of imported fuel multiplied by 10.
- ▶ The production of motor fuel and/or diesel fuel in the territory of Georgia the quality of which does not comply with the qualitative norms of motor fuel and/or the norms of diesel fuel constituents determined by the Government of Georgia shall carry a fine of GEL 30,000 and an amount equal to the cost of the actual volume (litre) of fuel produced multiplied by 10.
- ▶ The supply of motor fuel and/or diesel fuel in the territory of Georgia the quality of which does not comply with the qualitative norms of motor fuel and/or the norms of diesel fuel constituents determined by an ordinance of the Government of Georgia shall carry a fine of GEL 20,000 for the offender. In addition to this fine, the offense will result in a fine equal to the amount of actual delivery price (litre) at the place of delivery of the actual volume (litre) delivered to the petrol station/storage facilities of oil products multiplied by 5.
- ▶ The Law became effective on 30th day after its publication.

Source and date of publication: official website of the Legislative Herald of Georgia, 22/07/2020.

The Rules and Conditions for the Payment of Compensation for Changing the Purpose of Agricultural Land Plot and Exemption from such a Payment, as well as Rules of Change of the Category of the Agricultural Land Plot Have Been Approved

- ▶ On 1 July 2020, the Ordinance No. 396 of the Government of Georgia on Approval of the rules and conditions for the payment of compensation for changing of the purpose of agricultural land plot and exemption from such a payment, as well as rules of change of the category of the agricultural land plot was published on the website of the Legislative Herald of Georgia.
- ▶ Annex N1 to the Ordinance has approved the compensation amounts to change of the purpose of the agricultural land plot according to the municipalities of Georgia and special regulation areas.
- ▶ Annex N1 to the Ordinance has also approved the rules and conditions for payment of the compensation amount and exemption from such a payment.
- ▶ Annex N2 approves the rules and conditions for changing the category of agricultural land plot, as well as the persons authorized to request such change.
- ▶ According to Annex N2, LEPL National Agency of Public Registry is entitled to make decision on changing the category of agricultural land plot.
- ▶ The Ordinance became effective on 1 July 2020.

Source and date of publication: official website of the Legislative Herald of Georgia, 01/07/2020.

Arranging Promotional Games without the Relevant Permit Envisaged under Laws of Georgia May Result in a Fine for the Organizer

- ▶ On 2 July 2020, the Law of Georgia on Amendments to the Administrative Offenses Code of Georgia was published on the website of the Legislative Herald of Georgia.
- ▶ Arranging promotional games without having the respective permit envisaged under the laws of Georgia may result in a fine of 20,000 GEL for the organizer and 10% of the prize money drawn/to be drawn.
- ▶ According to the Law, warning may be applied towards offender, if the amount of the prize money drawn/to be drawn does not exceed 5,000 GEL.
- ▶ Repeated action shall carry a fine of 40,000 GEL for the organizer and 10% of the prize money drawn/to be drawn.
- ▶ The Law will become effective on 1 January 2021.

Source and date of publication: official website of the Legislative Herald of Georgia, 02/07/2020.

Amendments to the Law of Georgia on Organizing Lotteries, Games of Chance and Other Prize Games

- ▶ On 2 July 2020, the Law on Amendments to Law of Georgia on Organizing Lotteries, Games of Chance and Other Prize Games was published on the website of the Legislative Herald of Georgia.
- ▶ The Law defines a new type of activity requiring permission - delivery of games of chance and/or prize games to the organizer.
- ▶ The law expands the list of documents that a permit applicant shall submit to the LEPL Revenue Service.
- ▶ The law will become effective gradually and enter into full force on 1 September 2021.

Source and date of publication: official website of the Legislative Herald of Georgia, 10/06/2020.

Amendments to the Law of Georgia on Gambling Duties

- ▶ On 2 July 2020, the Law on Amendments to Law of Georgia on Gambling Duties was published on the website of the Legislative Herald of Georgia.
- ▶ According to the Law, the obligation to pay a fee of GEL 250,000 to GEL 300,000 per quarter will apply to the games organized through a system-electronic form, apart from the promotional games.
- ▶ According to the Law, the fee for gambling business to be paid by the organizer of the promotional game amounts to 10% of the prize fund of the game stage.
- ▶ The law will become effective on 1 January 2021.

Source and date of publication: official website of the Legislative Herald of Georgia, 02/07/2020.

Draft law on Amendments to the Law of Georgia on Health Care

- ▶ On 16 June 2020, the Draft law on Amendments to the Law of Georgia on Health Care was published on the website of the Parliament of Georgia.
- ▶ According to the Draft law, on the basis of violations identified during the inspection of compliance with the technical regulations for high-risk medical activities, the supervising authority will be entitled to suspend provider's right to operate.
- ▶ Annually, in the period from 1 April to 1 May, the provider of high-risk medical activities/services shall report to the supervising authority on compliance with the conditions defined in the technical regulations.
- ▶ If the Draft Law is adopted, it will become effective upon its publication.

Source and date of publication: official website of the Parliament of Georgia, 16/06/2020.

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