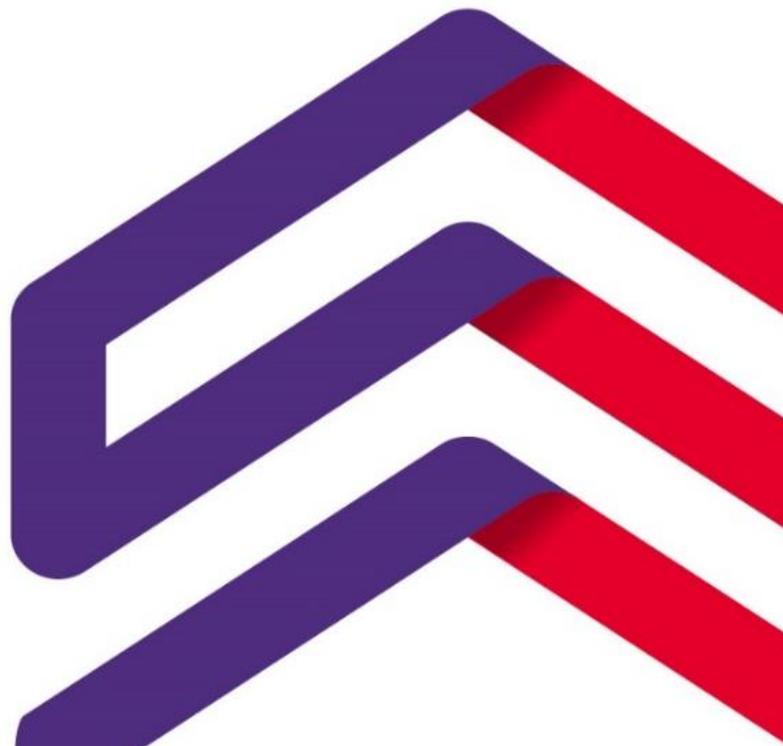


Tax and Legal Alert

Overview of changes in Georgian legislation
October, 2020



Tax News:

The Government of Georgia, approved ordinance #619, on October 08, 2020, which defines criteria for obtaining the Status of International Company.

According to the ordinance, the Status of International Company can be obtained by a company operating in the field of information technology or providing commercial and maintenance services by a shipowner and/or those related to ship ownership. The company should have at least two years of experience in the field, carried out in Georgia.

The following benefits are covered by Status of International Company:

- Corporate Income Tax rate - 5%
- Wages received from a company with a Status of International Company shall be taxed at the rate of 5%
- Dividends - exempt from withholding tax
- Exempt from property tax (except tax on land) with certain restrictions.

Source:

<https://matsne.gov.ge/document/view/1155567?publication=17>

Legal news:

1. On September 29, 2020, the Parliament of Georgia adopted the Organic Law of Georgia on Amendments to the Labor Code of Georgia.

Chapter 2 has been added to the law, which pays special attention to the prohibition of labor discrimination. The concepts of direct and indirect discrimination as well as the scope of the prohibition of discrimination were defined.

Article 7 of the law also provides that in the event of a dispute relating to the prohibition of discrimination, the burden of proof rests with the employer if the candidate or employee points to the facts and / or circumstances that give rise to a reasonable assumption that the employer has requested a prohibition of discrimination.

The employer was also required to fulfill certain obligations in order to protect the principle of reasonable accommodation when employing a person with a disability.

According to the amendments, the essential terms of the employment contract were additionally defined as:

- Information about the parties to the employment contract;
- The rule of termination of employment by the employer and the employee;
- Provisions of collective agreements - in case the employment conditions of employees are regulated differently by these provisions.

Article 16 of the law regulates the issue of part-time work and stipulates that a part-time employee is an employee whose standard working time is less than the normal working time of a full-time employee under similar conditions during a week or an average of up to 1 year.

The same article defines the prohibitions related to this issue that exist towards the employer.

Articles 17 and 18 of the law draw a clear line between a probationary contract and an internship. The latter was not provided for in the previous edition of the Labor Code. An intern is a natural person who, under the law, performs certain work for an employer in exchange for or without pay, to upgrade his or her qualifications, gain professional knowledge, skills or practical experience.

The term of unpaid internship should not exceed 6 months, and the term of paid internship - 1 year. A person has the right to undergo an unpaid internship with the same employer only once.

According to Article 22 of the law, the employer assists the employee in raising the qualification, including providing the employee returning from maternity leave with the relevant qualification raising.

Article 25 defined the working time for working in shifts and established that working in two shifts in a row is prohibited.

Changes have been made to other articles of the law. The notion of employee representation also emerged in the law. An employee representative will be elected accordingly if the company has less than 50 employees on a regular basis. All this is provided in the framework of providing information and consultation in the workplace, in Chapter 15 of the law.

2. In parallel with making the amendments to the Labor Code, the Parliament of Georgia also adopted the Law of Georgia on Labor Inspection.

The scope of regulation of the law is defined as the main principles and directions of the activity of the Labor Inspection Service, the powers of the Labor Inspection Service, the implementation of these powers and the issues related to the effective use of labor norms.

The Labor Inspection Service shall be guided by the following principles in carrying out the activities provided for in this Law: A) objectivity and impartiality; B) legality; C) professionalism; D) protection of confidentiality.

The purpose of the Labor Inspection Service is to ensure the effective use of labor norms.

The Labor Inspection Service inspects:

A) on the basis of a complaint of the interested person;

B) on its own initiative, in accordance with the Resolution of the Government of Georgia “On Approval of the Rules and Conditions for Entry and Inspection of the Objects Subject to Inspection”;

C) on the basis of a notification of any identifiable person on the violation of the norms established by the Organic Law of Georgia on Labor Safety.

Administrative liability for violation of labor norms is defined as:

A) by the Organic Law of Georgia on Labor Safety;

B) According to the Organic Law of Georgia “Labor Code of Georgia”

The appropriate amendments about the inspection and the administrative fines, it can impose, will enter into force in January 2021 according to the Labour Code of Georgia.

Sources:

<https://matsne.gov.ge/document/view/1155567?publication=17>

<https://matsne.gov.ge/document/view/5003057?publication=0>

Matters covered in this publication are intended for general overview and discussion. They are not intended, and shall not be used, as substitute to seeking professional advice for specific issues

In case you need additional information, our tax and legal experts will be happy to comment and clarify all possible matters on the amendments.

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