

Legal Newsletter

(December 2019)

The present Legal Newsletter refers to important legislative changes that have been made to various legislative and subordinate acts in December 2019.

Georgian Tax Code

On 20th of December, 2019, amendments were made to the Tax Code of Georgia, particularly:

Section 8 of Article 18 has been formulated as follows:

“8. Since September 1, 2007, for the tax purposes of natural gas supply provided by Georgian Law “on Energy and Water Supply”, price determined by the Georgian Government has been considered as the Market Price (including with the Concluded Agreement).”

Sub-paragraph “Y” of Section 4 of Article 168 has been formulated as follows:

“Y) Supply of electricity and guaranteed capacity, except for the supply of electricity to consumers (as defined by the Law of Georgia on Energy and Water Supply), as well as transmission and/or dispatch services;”

Section 5 of Article 179 has been formulated as follows:

“5. According to the Georgian Law “on Energy and Water Supply”, the enterprise which is carrying out the electric power activities, while compensation amount preliminary agreed for operations in changed due to the price change or other purposes, is authorized to correct taxable operation amount no later than the end of current tax year, if change of taxable operation amount is caused by change of guaranteed capacity price (compensation amount) and/or by change of electricity amount produced, imported, consumed (purchased) and/or

exported by the qualified enterprise, regardless of whether the resulting sale price and/or purchase rate (price) change. "

The Law was enacted upon publication.

Georgian Civil Code

On 20th of December, 2019, the following amendments were introduced to the Civil Code of Georgia:

1. Section 3¹ of Article 258 has been formulated as follows:

"3¹. Relationships related with financial liens shall be governed by the Law of Georgia on Financial Liens, Mutual Deduction and Derivatives."

Article 418 has been supplemented with the Section 1¹ of the following content:

"1¹. Net obligation of party calculated due to the mutual deduction or final mutual deduction provided by the Law of Georgia on Financial Liens, Mutual Deduction and Derivatives is not a penalty or other similar penalty sanction and shall not be considered as a penalty or other penalty sanction."

The Code has been supplemented with the following Article 442¹:

"Article 442¹. Mutual Deduction and Final Deduction

According to the Qualified Financial Contract concluded within Mutual Deduction Agreement, the mutual obligations may be fulfilled with mutual deduction and/or final mutual deduction which is governed by the Law of Georgia on Financial Liens, Mutual Deduction and Derivatives".

Article 799, has been amended with Part 3 of the following content:

"3. The derivative is not an insurance contract. Derivative relationships are governed by the Law of Georgia on Financial Liens, Mutual Deduction and Derivatives. Validity of this Article and Articles 800-858 of this Code shall not apply to relations arising from the said law. "

Article 951:

(A) The first section is worded as follows:

“1. Playing or betting does not give rise to the right to claim. This rule applies to loans and advances deliberately given for a game or bet”;

(B) Section 3 of the following formulation has been supplemented to Section 2:

“3. A qualified financial contract is not a game or a bet and this Article does not apply to this contract. The Qualified financial contract is governed by the Law of Georgia on Financial Liens, Mutual Deduction and Derivatives”.

2. “A” sub-paragraph of Article 132 has been formulated as follows:

“(A) The performance of the obligation shall be deferred by the executive authority or by the National Bank of Georgia under the Commercial Bank Resolution (moratorium) pursuant to the Organic Law of Georgia on the National Bank of Georgia”;

Article 206 is amended as follows:

“Article 206. Termination of claims securing means in Debt Assignment.

Immediately after debt assignment, the security or pledge provided for securing the claim shall be settled unless the surety or mortgagor agrees to continue this relationship. The consent of surety or mortgagor is not required in the cases provided for by the Law of Georgia on Commercial Banks Activities, the Law of Georgia on Microfinance Organizations and the Law of Georgia on Payment System and Payment Services.

The law, except for the second part of the amendments, came into force on the 15th day after its publication, and the second part of the amendments came into force upon its publication.

Civil Procedure Code of Georgia

On 20th of December, 2019, the Civil Procedure Code of Georgia was amended, particularly:

Paragraph 4 of Article 191 is worded as follows:

“4. The claim security measure provided by this Chapter shall not apply to financial liens (subject to financial liens) provided by the Law of Georgia on Financial Liens, Mutual Deduction and Derivatives and to the settlement account of system participant provided by the Law of Georgia on Payment System and Payment Services. “

The law came into force on the 15th day after its publication.

Law of Georgia on “Organizing Lotteries, Gambling and Prize-Winning Games”

On 19th of December, 2019, an amendment was made to the Law of Georgia on “Organizing Lotteries, Gambling and Prize-Winning Games”, in particular “M” sub-paragraph of the first section of Article 29 has been formulated as follows:

"M) Facilities specially arranged for a Casino, Gambling Club, Slot Machines, Betting House, Lotto and Bingo to provide with a permanent power supply, to equip with automated video-appliances the hallway, cash register, entrance and outdoor perimeter in accordance with the requirements of the Government of Georgia. Video recording in the hallway, cash register and entrance should be ongoing throughout the work of the Betting House, lotto, bingo, casino, gambling club and slot machines, while on the outdoor perimeter – permanently. The electronic data carriers obtained from video-records with relevant records shall be kept in a properly protected place for at least 30 days and shall be submitted to the Ministry of Internal Affairs and/or other authorized bodies upon request. The cash register should be equipped with an armored window and an alarm signal connecting to the relevant security service;"

The same law determined obligation for organizers of Lotteries, Price-winning and Gambling to secure accordance of automated video-appliances installed in premises specially arranged for Casino, Gambling Club, Slot Machines, Betting House, Lotto and Bingo with the requirements of Georgian Government until 1st of July, 2020.

The law will come into force on 1st of March, 2020.

Law of Georgia on Financial Liens, Mutual Deduction and Derivatives

On 20th of December, 2019, the Parliament of Georgia adopted the Law on Financial Liens, Mutual Deduction and Derivatives. This law regulates the execution of derivation, mutual deduction and matters for use of financial liens. The purpose of this Law is to develop the derivatives market in Georgia, as well as to establish the necessary regulatory framework for mutual, financial liens and derivatives. This law does not apply to cases of securitization.