



Legal Newsletter (September 2020)

The present newsletter contains significant legislative changes made in various legislative and sub-legislative acts in September 2020.

Law of Georgia “Administrative Procedure Code of Georgia”

On 16th of September, 2020, a number of amendments were made to the administrative procedure code of Georgia. In particular, articles VII¹⁸–VII²¹ were added to the code.

The mentioned articles defined administrative proceedings, economical agent/economical agents on-site inspection, proceedings for obtaining information from the economic agent/party/interested party, administrative proceedings for temporary suspension of certain action of the economic agent and administrative proceedings for revocation of concentration of economic agents and forced separation of the economic agent.

More details of above- mentioned amendments see at the link: <https://matsne.gov.ge/>, with the registration code: 030000000.05.001.020180

The mentioned law was published on 21st of September, 2020 and will come into force after 45th day of its publication.



Law of Georgia “On Competition”

On 16th of September, 2020, many legislative changes were made in the law of Georgia “On Competition”. Among them, was articles 4, according to which, to comply the requirements established under this law, not only the Georgian National Competition Agency established on the basis of this Law is authorized, but also, a regulatory body in the field of economy.

The Amendments and additions were affected to the rules of establishing dominant conditions and for determinations its criterias, exceptions from restrictive competitions agreement, establishing concentration, rules and procedures for agreement with the state aid agency, agency management and its power, the rule of receiving a complaint and to investigation conditions and etc.

It should be noted that above-mentioned law has fundamentally changed as a result of amendments and additions.

The details about the amendments made in the above mentioned law please see at the link: <https://matsne.gov.ge>, with registration code: 240140000.05.001.020181

The mentioned law was published in the legislative herald on 21st of September, 2020. The law will enter into force step by step and it will fully come into force on 1st of June, 2021.

Law of Georgia “On Rehabilitation and Collective Satisfaction of Creditors”

On 18th of September, 2020, law of Georgia “On Rehabilitation and Collective Satisfaction of Creditors” was adopted by the parliament of Georgia. The aim of the mentioned law is to satisfy the creditors by the collective rehabilitation and if the satisfaction is impossible with rehabilitation to share the received amount from the insolvent mass.

The law also defines the principles of insolvency proceedings, the rules and conditions for submitting an insolvency application, the admissibility of the insolvency application and its accompanying consequences, As well as moratorium measures, insolvency mass, conditions for opening of rehabilitation and/or bankruptcy regime, arguable actions, bankruptcy conditions, the notion of a debtor with a special regime, international insolvency and process costs.



The more details of above mentioned law see at the following link: <https://matsne.gov.ge/>, with registration code: 240140000.05.001.020190.

The mentioned law came into force on 25th of September, 2020, and first 121 articles will enter into force on 1st of April, 2021.

Law of Georgia "Tax Code of Georgia"

A number of legislative changes were made to the "Tax Code of Georgia", on 18th of September, 2020. Among them paragraph 10 of Article 4 of the mentioned Code has been changed in the part of statute of limitation. The article about the terms definition has also changed. Also, the rule of declaration was changed, in particular, part 5 of article 168 has established as the following:

"In accordance with the rules established by the Law of Georgia "on Rehabilitation and Collective Satisfaction of Creditors" a person registered as a VAT payer is obliged to submit complete/incomplete tax periods, which were not presented in the declaration before the start of regime of bankruptcy, within 15 days after the entry into force of the decision on the commencement of the bankruptcy regime issued by a court.

It should be noted that legislative changes and editions has affected to the rules of property calculation and payment, the conditions of tax exemption, ensuring the payment of tax debt by the tax authority, tax lien, part of writing off the tax debt and etc.

The more details, about above-mentioned law, see on the following link: <https://matsne.gov.ge/>, with registration code: 200000000.05.001.020191.

The law will enter into force on 1st of April, 2021.



The Law of Georgia “On Financial Pledge, Mutual Deduction and Derivatives”

On 18th of September, 2020, the number of legislative changes was made to the Law of Georgia on "financial pledge mutual deduction and derivatives". On the basis of these amendments the articles were established as following:

2. Article 4.

a) The first paragraph was formed as follow:

„1. The mutual deduction agreement is executed under its terms, including to the insolvent party, in some cases - to the guarantor or any other person who becomes a guarantor of the mutual deduction agreement party. It is inadmissible to suspend the agreement, to declare as anniented or other restriction by any action of administrative or regulatory/supervisory body liquidator, bankruptcy manager/rehabilitation manager/rehabilitation supervisor, temporary administrator, special manager or other person performing similar functions under the any provision of the law relating to the regime, which is enforced against the insolvent party, or any other provision of this Law applicable to an insolvent party, if nothing else follows from the mutual settlement agreement”.

B) The Paragraph 4 was established as the following:

„4. Authority of administrative or regulatory/supervisory body, liquidator, bankruptcy manager/rehabilitation manager/rehabilitation supervisor, temporary administrator, special manager or other person performing similar functions' right to terminate or make arguable any transaction or agreement, will not impede under the mutual deducting agreement, or the termination, liquidation and/or expediting of all payment and/or payment obligations and/or claims arising out of one or more qualified financial agreements entered into in connection with it. If this authority is still utilized, it will apply under all such qualified financial agreements only to the net amount, which will be calculated in accordance with the provisions of the relevant mutual deducting agreement. ”;

c) Paragraphs 6 and 7 was formed as the following:

„6. Administrative or regulatory/supervisory body, liquidator, bankruptcy manager/rehabilitation manager/rehabilitation supervisor, temporary administrator, special manager or other person performing similar functions has no right to terminate or dispute one or both of the following actions:

a) The transfer, alteration or replacement of an amount, financial lien or any other right by an insolvent party to another party under a mutual deducting agreement;



B) Obligation of deliver or payment, which has arisen against the insolvent party under or in connection with the settlement agreement with the other party and which is considered to be a detrimental or advantageous act to another creditor, except the case, when there is clear and authentic evidence, that the insolvent party made this payment (transfer) or took obligation only for the reason to hamper, linger or to defraud any person, which is the creditor of the insolvent party or became its creditor after that payment (transfer) or deliver or after the occurrence of the payment obligation.

7. Except for the cases provided in the Paragraph 2 of Article 372 and Paragraph 7 of Article 3711 of the Law of Georgia on Commercial Banks, Measures to ensure the liability applied by the court, administrative or regulatory/supervisory body, liquidator, bankruptcy manager/rehabilitation manager/rehabilitation supervisor, temporary administrator, special manager or other person performing similar functions or the moratorium may not restrict or delay the execution of a mutually agreed and enforceable mutual settlement agreement in accordance with paragraphs 1-3 of this article.

3. Paragraph 3 (b) of article 9 is formed as follows:

“b) Approval of the terms of sale by the Court, administrative or regulatory/ supervisory body, liquidator, bankruptcy manager/rehabilitation manager/rehabilitation supervisor, temporary administrator, special manager or a person performing similar functions as provided in this sub-paragraph;

The above mentioned law is available at the link: <https://matsne.gov.ge/>, with registration code: 040000000.05.001.020195

The mentioned law will enter into force on 1st of April, 2021.

Law of Georgia “On entrepreneurs”

On 18th of September, amendments were made to law of Georgia “ On Entrepreneurs”. Based on these changes the articles were established as the following edition:

1. a) The third paragraph of the article 51 was established as following:



“3. The amendments of enterprises registered data mean the process of liquidation or reorganization of the enterprise, insolvency proceedings, commencement or end of bankruptcy or rehabilitation regime, liquidators, the supervisor of rehabilitation or manager of bankruptcy or to reflect the information on the change of the registration document in the registry of entrepreneurs and non-entrepreneurial (non-commercial) legal entities”.

b) The 6th article was established as following:

“6. According to the law of Georgia, "On Rehabilitation and Collective Satisfaction of Debtors" the decision subject to registration in the registry of entrepreneurs and non-entrepreneurial (non-commercial) legal entities is the basis for changing the registered data of the enterprise in accordance with the rules established by the legislation of Georgia. In case of declaring the insolvency application admissible, the process of liquidation of the enterprise provided by this law shall be terminated.”

2. Paragraph 9 of article 9 is formed as follows:

“9. If enterprise is insolvent or is in danger of insolvency, the persons referred to in paragraph 1 of this Article shall apply without delay, but no later than 3 weeks after the insolvency of the enterprise, in accordance with the Law of Georgia on "Rehabilitation and Collective Satisfaction of Creditors", If the above-mentioned persons treat this statement in a good faith provided in paragraph 6 of this article, failure to file an insolvency statement is not considered as a guilty delay.”

3. The paragraph 61 was added to the article 14 as the following:

“61. The obligation specified in paragraph 9 of article 9 of this law extends to the liquidator.

4. The first paragraph of article 14¹ is formed as following:

“1. The liquidation of legal entity shall be carried out by a person determined by the court, on the basis of a final conviction of a court in a criminal case. The Relevant norms of the law of Georgia "on rehabilitation and collective satisfaction of creditors” shall be used during the liquidation of a legal entity.”

5. The first and 11th paragraphs of the article 14² are formed as following:

“1. The decision of the registration body on registration is an administrative-legal act. It can be revoked by the court's decision in accordance with the law of Georgia on "Rehabilitation and Collective Satisfaction of Creditors or in accordance with the rules



established by the legislation of Georgia" for the annulment of an administrative-legal act, except the provided case of the paragraph 4 of this article".

"11. On the basis of paragraph 6 of article 48 of law of Georgia "on rehabilitation and collective satisfaction of creditors" in cases of the debtor enterprise is declared bankrupt the person authorized to represent the debtor shall submit the relevant court decision to the registration authority during 30 days after the verdict."

6) The sub-paragraph "b" of paragraph 7 of the Article 531, was formed as following:

- a) At the moment of share expiation enterprise satisfies the conditions established by the law of Georgia "On the rehabilitation and collective satisfaction of creditors", or such conditions may be arise as a result shares expiation.

The above-mentioned law is available at the link: <https://matsne.gov.ge/> with registration code: 240000000.05.001.020199

The mentioned law will enter into force on 1st of April, 2021.

Order of the president of the National Bank of Georgia №226/04 of October 12, 2018

On 18th of September, 2020 "On the Approval of the Rules for Submitting the Report on the Issue of Shares and Bonds of the Enterprise and the Issue of Securities" Legislative changes were made in the order of the President of the National Bank of Georgia № 226/04 of October 12, 2018. According to which, several articles of the order were amended, including the the title of the order has changed and was formed as following: "On Approval of the Rules for Submission of Public Securities Offer and Placement Report" Amendments and additions have been made to several paragraphs of Article 3 of this order, article 11 part of the validity period of the prospectus, article 14 has also been amended and supplemented, "Rules for submitting a report on public offering and placement of securities." In addition, the article 2, in particular the definition of terms, "depository handwriting" and "issuer" have been added.



The details about changes and additions made on the basis of above mentioned order is available at the link: <https://matsne.gov.ge/>, with registration code: 190030000.18.011.016497

The mentioned order came into force on 21st of September, 2020.

Order №167 / 04 "On Approval of the Rules for Licensing, Registration, Recognition and Regulation of an Asset Management Company"

On 22nd of September, 2020, an order was issued "on approval of the rules for licensing, registration, recognition and regulation of an asset management company". By mentioned order is approved the licensing of the asset manager, registration, the rule of admission, the rule of making decisions, eligibility criteria for licensing, registration or recognition of an asset manager, members of the governing body and holders of significant shares, asset managers financial requirements rule, requirements about the managing risks, asset manager license by the national bank, rules for cancellation of registration or recognition and number of other articles, which precisely defines the rules for licensing, registration, recognition and regulation of an asset management company.

The above-mentioned order is available at the link: <https://matsne.gov.ge/>, with registration code: 240090000.18.011.016501

The mentioned order will enter into force on 19th of October, 2020.

Resolution of the Government of Georgia №605 "On Defining the Rights and Duties of a Game Organizer / Permit Seeker, Game Provider/Permit Seeker and Selected Person for the Introduction and Functioning of an Electronic Control System"

On 30rd of September, 2020, the Government of Georgia approved a resolution " On Defining the Rights and Duties of a Game Organizer/Permit Seeker, Game Provider/Permit Seeker and Selected Person for the Introduction and Functioning of an Electronic Control



System". On the basis of the above-mentioned resolution, the rights and responsibilities of the selected person were determined, as well as the rights and responsibilities of the permit holder and the seeker. The person selected for the purposes of this Regulation shall be the person selected by the Revenue Service for the introduction and operation of the electronic gambling business control system and the permit holder/seeker shall be the gaming organizer/permit seeker.

The details about the changes and additions which were made under the above mentioned resolution is available at the link: <https://matsne.gov.ge/>, with registration code: 040170310.10.003.022325

The mentioned resolution came into force on 30th of September, 2020.