

Legal Newsletter

(August 2021)

The present newsletter contains significant legislative amendments made in various legislative and sub-legislative acts in August 2021.

The Law of Georgia on State Duty

On 2nd of August, 2021, the sub-paragraph “p” of the first paragraph of Article 4 of the Law of Georgia on State Duty was supplemented and was formed as follows:

p) On the application, which contains the request of discussion about the issues considered in the Law of Georgia on Entrepreneurs, - 300 GEL. "

You can see the above amendments at the link: <https://matsne.gov.ge> with the registration code: 2300000000.05.001.020376

The Law will enter into force from 1st of January, 2022.

The Law of Georgia on Commodity Exchanges and Exchange Trading

On 2nd of August, 2021, the following amendment was made to the Law of Georgia on Commodity Exchanges and Exchange Trade:

1. The paragraph 5 of Article 10 was formed with the following redaction:

„5. It is inadmissible to concession the right to participate in exchange trading without transferring or selling the certificate (title) on the share of the placed capital and convey the right to manage the stock exchange, except in the cases provided by this Law.”

2. Subparagraph “c” of Article 13 was formed with the following redaction:

„c) The amount of placed capital;”.

You can see the above amendments at the link: <https://matsne.gov.ge> with the registration code: 300060000.05.001.020383

The Law will enter into force from 1st of January, 2022.

The Law of Georgia on Electronic Communications

On 2nd of August, 2021, the following amendments were made to the Law of Georgia on Electronic Communications:

1. The sub-paragraph H5 of Article 2 was formed with the following redaction:

„H5) acquisition of a significant share - acquisition by an authorized person of an amount of shares (controlling shares) in the capital placed by another authorized person that allows significant control over the activity of the latter (controlling interest). The acquisition of a significant share determines the interrelation of the persons;

2. The sub-paragraphs “a” and “b” of the second paragraph of an Article 16 were formed with the following redaction:

„a) for an individual entrepreneur - place and date of birth, data on their registration in the registry of entrepreneurs and nonentrepreneurial (non-commercial) legal persons, and address of work place;

b) for a legal person - data on their registration in the registry of entrepreneurs and non-entrepreneurial (non-commercial) legal persons, name and surname of the authorized representative;

You can see the above amendments at the link: <https://matsne.gov.ge> with the registration code: 320110000.05.001.020387

The Law will enter into force from 1st of January, 2022.

Law of Georgia on Accounting, Reporting and Auditing

On 2nd of August, 2021, an amendment was made to the Law of Georgia on Accounting, Reporting and Auditing and accordingly sub-paragraph”g” of the 7th paragraph of the Article 7 was formed with the following redaction:

„g) – in the case of a mandatory tender offer provided for by Article 15¹ of the Law of Georgia on Securities Market - the following data:

g.a) information on significant direct or indirect participation in the capital

g.b) the information on the holders of securities that grant a possibility for special control, and the description of such right;

g.c) the information on the restriction of exercising the right to vote (in particular, restriction of the right to vote for the holders of certain percentage of securities or votes);

g.d) rules for appointing or replacing the members of a management body, as well as information on amendments of the regulation;

g.e) the information on authorities of the members of the management body.

You can see the above amendments at the link: <https://matsne.gov.ge> with the registration code: 260000000.05.001.020381

The Law will enter into force from 1st of January, 2022.

The Customs Code of Georgia

On 2nd of August, 2021, an amendment was made to the Customs Code of Georgia and part 9 of Article 187 was formed with the following redaction:

„9. This Article shall be used, in appropriate case, when importing main device and other equipment by a person carrying out the activities provided in paragraph 1 or 2 of Article 3 of the Law of Georgia on Entrepreneurs or a legal entity engaged in non-entrepreneurial activities, if

he/she enters in the customs territory of Georgia from a foreign country to continue his/her activity.”

You can see the above amendments at the link: <https://matsne.gov.ge> with the registration code: 230000000.05.001.020370

The Law will enter into force from 1st of January, 2022

Law of Georgia on Microfinance Organizations

On 2nd of August, 2021, an amendment was made to Law of Georgia on Microfinance Organizations and sub-paragraph “g” of the first paragraph of the Article 4 was formed with the following redaction:

„g) hold in ownership interests and shares of legal persons, the total amount of which does not exceed 15% of the placed capital of such microfinance organization;

You can see the above amendments at the link: <https://matsne.gov.ge> with the registration code: 220090000.05.001.020379

The Law will enter into force from 1st of January, 2022.

The Civil Code of Georgia

On 2nd of August, 2021, the following amendment was made to the Civil Code of Georgia:

1. part 4¹ with following content was supplemented to Article 27:

„4¹. When determining the name of a non-entrepreneurial (non-commercial) legal entity, the rules established for an entrepreneur's trade name by Article 16 of the Law of Georgia on Entrepreneurs shall be additionally applied.

2. 29 Article:

a) the first part was formed with the following redaction:

„1. In case of request for registration of a non-entrepreneurial (non-commercial) legal entity, the interested person shall submit the agreement and application of the partners to the

registration authority. The mentioned application must contain the obligatory data established for the registration of the legal entity entrepreneur in accordance with Part 2 of this Article and the Law of Georgia on Entrepreneurs.

b) after the 2nd part, parts 2¹ and 2² were supplemented with the following content:

„2¹. The Registration Body together with the registration of a non-entrepreneurial (non-commercial) legal entity, creates the electronic address of a non-entrepreneurial (non-commercial) legal entity within a unified electronic portal, to which the rules established by Article 18 of the Law of Georgia on Entrepreneurs apply.

2². A non-entrepreneurial (non-commercial) legal entity is entitled to have a registered telephone number and/or e-mail address to which e-mail can be sent. Sending an e-mail to a registered telephone number and/or e-mail address shall be deemed to have been delivered a notification to the relevant person. ”

3. Article 32

a) The first and second parts were formed with the following redaction:

„1. The registration body shall, on the issues defined by this chapter, granted to his/her competence, make the decisions for registration and access to information under the Law of Georgia on Public Registry and the Law on Entrepreneurs.

2. A non-entrepreneurial (non-commercial) legal entity shall be disintegrate in accordance with the general rule established by the Law of Georgia on Entrepreneurs.

b) after the 2nd part, part 2¹ was supplemented with the following content:

„2¹. The rule for disintegrate of a non-intrepreneur (non-commercial) legal entity established by a state or municipality approves by the Minister of Economy and Sustainable Development of Georgia. ”

4. Article 35:

a) the part 4 was formed with the following reaction:

„4. The general rules established by the Law of Georgia on Entrepreneurs for a person with the representative authority of an entrepreneur apply on the origin and termination of the managerial and representative powers of a non-entrepreneurial (non-commercial) legal entity;

b) part 5 was supplemented, with the following content, after the part 4:

„5. The rules established for a business letter and a website by Article 17 of the Law of Georgia on Entrepreneurs apply to a non-entrepreneurial (non-commercial) legal entity. ”

By the amendments also was defined that:

1. Before the enactment of this law the rule established by Article 254 of the Law of Georgia on Entrepreneurs apply to a registered non-entrepreneurial (non-commercial) legal entity and a branch of a non-entrepreneurial (non-commercial) legal entity.

2. Before the 1st of January, 2022, the Minister of Economy and Sustainable Development of Georgia shall ensure the approval of the disintegrate rule of the non-entrepreneurial (non-commercial) legal entity established by a state or municipality.

You can see the above amendments at the link: <https://matsne.gov.ge> with the registration code: 040000000.05.001.020365

1. The law, with the exception of Article 1 of this law, entered into force upon publication.
2. Article 1 of the Law will enter into force on 1st of January, 2022.

Law of Georgia on Enforcement Proceedings

On 2nd of August, 2021, the following Article 25² was supplemented to the Law of Georgia on Enforcement Proceedings:

Article 25². Writ of Execution of the National Agency of Public Registry - a legal entity of public law acting in the field of governance of the Ministry of Justice of Georgia. "

1. Legal Entity of Public Law Acting in the field of governance of the Ministry of Justice of Georgia - National Agency of Public Registry issues a writ of execution electronically for the administrative violation provided in Articles 177-16 and 177-17 of the Code of Administrative Offenses of Georgia, using automatic means of management. The mentioned writ of execution must meet the requirements established by the Law of Georgia on Electronic Document and Electronic Trusted Services.

2. The writ of execution is sent electronically to the National Bureau of Enforcement, which is the basis for starting enforcement proceedings. "

You can see the above amendments at the link: <https://matsne.gov.ge> with the registration code: 070000000.05.001.020372

The Law will enter into force from 1st of January, 2022

Law of Georgia on the Activities of Commercial Banks

On 2nd of August, 2021, a number of legislative amendments were made to the Law of Georgia on the Activities of Commercial Banks". Based on these amendments several articles, paragraphs and sub-paragraphs of the law were formed differently, from them should be mentioned several amendments, which refer to the definition of terms, scope of the law, licensing, property rights and management, operational requirements, resolution and liquidation.

You can see the full version of the above amendments at the link: <https://matsne.gov.ge> with the registration code: 220020000.05.001.020374

The Law will enter into force from 1st of January, 2022

The Law of Georgia on Consumer Cooperation

On 2nd of August, 2021 amendments was done to the Law of Georgia on Consumer Cooperation and the paragraph 2 of Article 3 of the Law was formed with the following redaction:

„2. The activities of the consumer cooperative are regulated by the legislation of Georgia and its regulation, which determines the subject and purpose of the cooperative's activities, the rules for joining and leaving the cooperative, the rights and responsibilities of its members, the management and control bodies of the cooperative and their powers, the amount of capital, the rules for forming and distributing profits, the terms of reorganization and liquidation, data on branches and representatives. This regulation may contain other provisions that do not contradict the legislation of Georgia. "

You can see the above amendments at the link: <https://matsne.gov.ge> with the registration code: 300400000.05.001.020384

The Law will enter into force from 1st of January, 2022

The Law of Georgia on Funded Pension

On 2nd of August, 2021 an amendment was made to the law of Georgia on Funded Pension, in particular, the second article of the law was amended:

a) sub-paragraph “i” was formed with the following redaction:

„i) Self-employed - an individual entrepreneur, a natural person who carries out the activities provided in the first or second paragraph of Article 3 of the Law of Georgia on Entrepreneurs, in the part of the activity that is not subject to withholding tax;

b) sub-paragraph “j.b” was formed with the following redaction:

„j.b) In the case of a natural person provided in the first or second paragraph of Article 3 of the Law of Georgia on Entrepreneurs - taxable income with income tax;

You can see the above amendments at the link: <https://matsne.gov.ge> with the registration code: 280060000.05.001.020385

The Law will enter into force from 1st of January, 2022

The Law of Georgia on Public Registry

On 2nd of August, 2021 a number of legislative amendments were made to the law of Georgia on Public Registry. Based on these amendments, several articles, paragraphs and sub-paragraphs of the law were formed differently, from them should be mentioned several amendments, which refer to the system and powers of registration bodies, extract from the public register, principles of entrepreneurs and non-entrepreneurial (non-commercial) legal entities and Etc.

You can see the full version of the above amendments at the link: <https://matsne.gov.ge> with the registration code: 040150000.05.001.020377

The law, with the exception of Article 1 of the law, entered into force upon publication.

The Article 1 of this Law will enter into force from 1st of January, 2022

The rule of studying the legality of personal data processing

On 6th of August, 2021, by an order N08 of the State Inspector, order № 2 of the State Inspector dated July 2, 2019 on approval of the rule of checking (Inspection) of the legality of personal data processing was repealed and a new rule for studying the legality of personal data processing was approved.

The procedure for reviewing the legality of personal data processing is established by the State Inspector's Office for reviewing applications related to the processing of personal data and verifying the legality of personal data processing, goals and basic principles. It also defines the rights and responsibilities of the service staff, data subject, data processors, authorized person, interested person and third parties.

You can see the full version of the rule Order at the link: <https://matsne.gov.ge> with the registration code : 010100000.72.084.016034

The Order came enter into force from 15th of September, 2022.

The Code of Administrative Offenses of Georgia

On 2nd of August, 2021, a number of legislative amendments were made to the Code of Administrative Offenses of Georgia. On the basis of the mentioned amendments, several articles of the Law were formed differently, some of them should be mentioned, which relate to the terms of imposing an administrative penalty, imposing an obligation to compensate the property damage, non-fulfillment of the obligation to provide data for publication on the unified portal of the National Agency of Public Registry-a legal entity of public law operating under the Ministry of Justice of Georgia, to the bodies of the Ministry of Justice of Georgia, administrative offense protocol, the cases when the protocol is not draw up when committing an administrative offense, the rights and duties of the person given administrative responsibility, etc.

You can see the full version of the above amendments at the link: <https://matsne.gov.ge> with the registration code : 020000000.05.001.020368

This Law, with the exception of Article 1 of the Law, entered into force upon its publication.

The Article 1 of this Law will enter into force from 1st of January, 2022

The Civil Procedure Code of Georgia

On 2nd of August, 2021, the following amendments were made to made to the Civil Procedure Code of Georgia:

1. sub-paragraph “a” 7th prima with the following content was supplemented to Article 38:
a 7th prima) On the application, which contains the request of discussion the issues provided by the Law of Georgia on Entrepreneurs;
2. sub-paragraph “l” with the following content was supplemented to the first part of Article 39:
“l) On the application containing the request of consideration the issues provided by the Law of Georgia on Entrepreneurs - 300 GEL, and on the mandatory sale application of shares - 500 GEL.”
3. sub-paragraph “j” with the following content was supplemented to the second part of Article 198:
“j) Suspension of authority on a case initiated for society of solidary liability or for a special partnership by requesting deprivation of representative authority and / or leadership authority.”
4. XXXIV 4th prima chapter was supplemented to the Code.

You can see the full version of the above amendments at the link: <https://matsne.gov.ge> with the registration code : 0600000000.05.001.020366

The Law will enter into force from 1st of January, 2022

The General Administrative Code of Georgia

On 2nd of August, 2021 amendments were made to the General Administrative Code of Georgia and sub-paragraph “f” of the first part of Article 92 was formed with the following redaction:

„f) He/she or his/her family member own shares/interests in an enterprise that represents an interested party;

You can see the above amendments at the link: <https://matsne.gov.ge> with the registration code: 020000000.05.001.020369

The Law will enter into force from 1st of January, 2022

The Labor Code of Georgia

On 2nd of August, 2021 amendments were made to the Organic Law of Georgia on Labor code of Georgia (Legislative Herald of Georgia, №75, 27.12.2010, art. 461) and paragraph 4 of the article 12 was formed with the following redaction

„4. The restrictions, by this Article, imposed on concluding a fixed-term employment contract do not apply to an entrepreneur provided by the Law of Georgia on Entrepreneurs, if 48 months have not passed since its state registration (start-up enterprise) and it meets the additional conditions set by the Government of Georgia (if such conditions are established), provided that for the purposes of this paragraph the duration of the fixed-term employment contract can't be less than 3 months.”

You can see the above amendments at the link: <https://matsne.gov.ge> with the registration code: 270000000.04.001.018012

The Law will enter into force from 1st of January, 2022

The Law of Georgia on the Securities Market

On 2nd of August, 2021 following amendment was made to the Law of Georgia on the Securities Market:

1. 9¹ Article:

a) the first paragraph was formed with the following redaction:

„1. An Audit Committee shall be established within the Supervisory Board of the Accountable Enterprise to oversee the authenticity of the issuer's financial statements, ensure the effectiveness of the internal control system and the independence of the internal audit (if such an audit exists), and conduct relations with the external auditor. The Audit Committee is composed of members of the Supervisory Board and at least 1 independent member. The Audit Committee is chaired by the member of the Supervisory Board who is an independent member provided in the first paragraph of Article 57 of the Law of Georgia on Entrepreneurs.

b) paragraph 3 with the following content was supplemented after the paragraph 2:

„3. The Audit Committee of the Accountable Enterprise must meet the requirements of Article 57 of the Law of Georgia on Entrepreneurs. "

2. 15¹ Article was supplemented to the Law.

You can see the full version of the above amendments at the link: <https://matsne.gov.ge> with the registration code: 040170280.05.001.020380

The Law will enter into force from 1st of January, 2022

The Law of Georgia on Insurance

On 2nd of August, 2021, sub-paragraph “r” of Article 2 of the Law of Georgia on Insurance was formed with the following redaction:

“r) Indirect participation - possession of a share of a legal entity’s placed capital through the relevant third party;”

You can see the above amendments at the link: <https://matsne.gov.ge> with the registration code: 2900000000.05.001.020386

The Law will enter into force from 1st of January, 2022

Tax Code of Georgia

On 2nd of August, 2021 the following amendment was made to the Tax Code of Georgia

1. sub-paragraph “a” of the part 12 of the Article 8 was formed with following redaction:

“a) Payment/disbursement in cash or in kind in case of liquidation of the legal entity or redemption of the share/interest, which does not exceed the amount of the contribution made by the shareholder / partner in the capital (placed and in emission);”

2. Sub-paragraph “b” of the part 3 of the Article 9 was formed with the following redaction:

“b) Entrepreneur natural person within the activities provided in paragraph 2 of Article 2 and Article 3, paragraphs 1 and 2 of the Law of Georgia on Entrepreneurs.”

3. The first part of Article 36 was formed with the following redaction:

„1. An entrepreneur is considered a natural person:

a) Individual entrepreneur - a natural person, if he/she is an individual entrepreneur according with the Law of Georgia on Entrepreneurs.

b) a natural person, if he/she carries out the activities considered with paragraphs first and second of Article 3 of Law of Georgia on Entrepreneurs.

4. The second part of Article 981:

a) sub-paragraph a was formed with the following redaction:

a) Payment/distribution payed in cash or in kind during the liquidation of the enterprise or redemption of share/interest, which does not exceed the amount partner distributed in capital (placed and emission). For the purposes of this subparagraph, according with sub-paragraph b an increase of the enterprise capital after implemet of an operation shall not deemed as contribution in the capital (placed and emission) made by the partner.

b) sub-paragraph c was formed with the following redaction:

c) Distribution of dividends to the persons provided in paragraph 3 of Article 2 of the Law of Georgia on Entrepreneurs (except for an individual enterprise and a person exempt from profit tax in accordance with this Code);

5. The second part of Article 130 was formed with the following redaction:

„2. Dividends received by the person provided in paragraph 3 of Article 2 of the Law of Georgia on Entrepreneurs (except for an individual enterprise) shall not be taxed at the source of payment and shall not be included in joint income of the dividend receiving enterprise.

6. sub-paragraph a of the part two, Article 158 was formed with the following redaction

„a) Activities provided in first and second paragraph of Article 3 and paragraph 2 of Article 2 of the Law of Georgia on Entrepreneurs;”.

You can see above amendments at the link: <https://matsne.gov.ge> with the registration code: 200000000.05.001.020367

The Law will enter into force from 1st of January, 2022

The Law of Georgia on Investment Funds

On 2nd of August, 2021 the following amendments was made to the Law of Georgia on Investment Funds:

1. sub-paragraph Z⁷ 9th prima of the first paragraph of the Article 2 was formed with the following redaction:

“Z⁷ 9th prima) Founding document - the rules of the joint investment fund or the founding agreement of the investment company;”

2. paragraph 2¹ with the following content was supplemented to Article 7:

„2¹. The Law of Georgia on Entrepreneurs does not apply to a Joint Investment Fund.

3. Article 8:

a) 3¹ paragraph with the following content shall be supplemented to Article 8:

„3¹. The placed capital of an open or interim investment company is the sum of the net values of the placed units.”;

b) paragraph 5:

“5. Article 57 of the Law of Georgia on Entrepreneurs does not apply to an investment company. Subparagraphs “a” - “c”, “f” and “g” of paragraph 6 of Article 5 and sub-paragraph b of paragraph 5 of Article 13, Article 28, Articles 153 and 154, 2nd and 4th paragraphs of Article 156 and Articles 163, 171 and 225 of the Law of Georgia on Entrepreneurs does not apply to an open or interim investment companies.”

4. Paragraph 8 of Article 12 was formed with the following redaction:

„8. The rules of making the register of shares provided by the Law of Georgia on Entrepreneurs do not apply to an investment company with a legal form of a joint stock company. 2nd - 6th

paragraphs of this Article do not apply to an investment company having the legal form of a limited liability company or a special partnership. ”

5. Sub-paragraph “c” of the paragraph 2, Article 13 was formed with the following redaction:

“c) The founding document (the founding agreement of the investment company) taking into consideration the amendments made in it (if any);”

6. Sub-paragraph “b” of Article 20 was formed with the following redaction:

“b) The founding agreement of the license seeker taking into consideration the amendments made in it (if any);”

7. Paragraph 7 with the following content was supplemented to Article 25:

„7. Article 53 of the Law of Georgia on Entrepreneurs does not apply to an investment fund asset management company.”

8. Sub-paragraph “a” of the first paragraph of Article 29 was formed with the following redaction:

a) Termination of asset management authority in accordance with the asset management agreement, the founding document of the investment fund and / or the law;

You can see the above amendments at the link: <https://matsne.gov.ge> with the registration code: 240080000.05.001.020382

The Law will enter into force from 1st of January, 2022

The Order №197 of the Minister of Finance of Georgia

On 5th of August, 2021 by the #197 Order of the Minister of Finance of Georgia amendments was made to the instruction approved by the Order №996 of the Minister of Finance of Georgia “On Tax Administration” of December 31, 2010 and the following paragraph 4 was supplemented to Article 72:

„4. For the purposes of Article 176, part 1, subparagraph "e" of the Tax Code of Georgia, when charging VAT on the import of goods on the basis of a decision of the tax authority, the basis for obtaining the VAT is the document confirming the payment of the VAT in the budget, if all of the following conditions are met:

a) There is a decision of the tax authority on import goods without charging it with VAT.

b) The amount of VAT is reflected in the tax refund submitted on the basis of the decision referred in sub-paragraph a of this paragraph;

c) The amount reflected in the tax claim referred in subparagraph b of this paragraph is paid to the budget in case of full or incomplete payment - VAT on the import of goods is indicated in the payment order.

You can see the above Order at the link: <https://matsne.gov.ge> with the registration code: 200090000.22.033.017494

This Order came into force upon publication.

The Order №59/L of the Minister of Education and Science of Georgia “On Approval of the National Curriculum”

On 3rd of August, 2021 an amendment was done to the Order №36/L of the Minister of Education and Science of Georgia dated 11th of March, 2011 on the approval of the national curriculum and updated hourly grid for primary-secondary levels in public schools/sectors was defined.

You can see the above Order at the link: <https://matsne.gov.ge> with the registration code : 430210000.22.022.018059

This Order came into force upon publication.

The Resolution №395 of the Government of Georgian

On 4th of August, 2021, in accordance with Article 18 of the Law of Georgia on International Agreements of Georgia, for the enforcement purposes, the agreement on the Simplified Customs Corridor signed between the Government of Georgia and the Government of the Republic of Turkey, signed on July 7, 2021 was approved.

Based on the above resolution the Ministry of Foreign Affairs of Georgia was ordered:

- a) To notify the President of Georgia and the Parliament of Georgia on the conclusion of the agreement referred in the first Article of this Resolution;
- b) Notify the Republic of Turkey of the completion of the interstate procedures by Georgia necessary for the entry into force of the agreement referred in Article 1 of this Resolution.

You can see the above Resolution at the link: <https://matsne.gov.ge> with the registration code:
480140000.10.003.022950

The Resolution came into force upon publication.