

Georgia

Legal Provisions

Compiled by:

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GENERAL REMARKS

Due to the liberalization of the economy, deregulated markets and improved governance, Georgia offers a generally business-friendly environment. The 2015 World Bank *Doing Business* report ranks Georgia 15th and the Heritage Foundation *Economic Freedom Index* ranks Georgia 22nd. Georgia also offers an attractive customs and tax regime, without social insurance tax, capital gain tax or wealth tax. Reforms have drastically reduced corruption and improved the transparency of public and private institutions, earning Georgia favourable positions in global transparency rankings. In the Trace International 2014 *Business Bribery Risk Index*, Georgia is ranked 11th and in the *Transparency International Corruption Perceptions Index 2014* its ranking rose to 50th of 175 countries.

Nonetheless, in its economic strategy document, *Georgia 2020*, the Georgian Government recognizes several issues in the legal, regulatory and institutional framework that need to be addressed. Among others, the Government plans to improve the protection of property rights, increase the efficiency of the system for resolving commercial disputes, and overhaul the investment legislation as well as the mechanisms for resolving insolvency and closing a business.

CUSTOMS

Customs procedures are regulated under the *Tax Code of Georgia*.

Georgia's applied tariffs generally fall into three bands: 0%, 5%, and 12%.

Georgia bound its tariffs on all products, with a simple average of the final bound tariffs being 7.6%. The simple average applied Most Favorable Nation tariff is 2% since 2010. The simple average MFN tariff rate for agricultural products fell to 6.7% in 2015, and that for non-agricultural products increased to 0.8%. Almost 80% of the imports are duty free.

Unless expressly exempted under the law, imported goods are subject to 18% VAT during customs clearance. The VAT on all exported products is 0%.

Import declarations may be submitted directly by the importer, his/her representative, or the customs administration. Customs clearance takes on average less than one working day.

IMPORT AND EXPORT REGULATIONS

There are no quantitative restrictions on imported or exported products.

Import permits are governed by the *Law on Licences and Permits* of 2005, the *Law on Licensing and Permission Fees* of 2003, as well as relevant legislation on, *inter alia*, arms, pesticides, and endangered species. Issuance of licenses and permits in Georgia is governed by the One Stop Shop principle: the interested person deals only with one administrative entity to obtain a desired license/permit.

It takes a maximum of 20 days to obtain a permit after the submission of documents.

Licenses are only required for activities affecting public health, national security and the financial sector. The Government must decide if it is going to issue a license within 30 days; if the licensing authority does not state a reason for rejection within that time limit, the license or permit is deemed to be issued.

In September 2014, a joint electronic system for licenses, permits and certificates became operational.

Georgia is a member of the WTO since 2000 and has a number of preferential agreements:

- Deep and Comprehensive Free Trade Agreement with the EU
- Free Trade Agreement with the CIS
- Free Trade Agreement with Turkey
- GSP Agreements with the US, Canada, Norway, Switzerland and Japan
- Negotiations on a Free Trade Agreement with the EFTA are underway.

Georgia is an observer to the WTO plurilateral *Agreement on Government Procurement*. Foreign companies can bid in any tender, and all tenders are announced internationally, regardless of the value of procurement. The main agency responsible for public procurement is the *State Procurement Agency*. The SPA has been making efforts to bring Georgia's public procurement legislation and policy into compliance with the relevant EU directives. As a major reform e-Procurement has been introduced in 2010. It has increased competition among suppliers and ensured greater transparency and simplicity of the procurement process: <http://www.procurement.gov.ge/Home.aspx?lang=en-US>

CURRENCY REGULATIONS

Georgia has a free floating currency (GEL) and liberal currency regulations. Local or foreign individuals and entities are free to buy or sell foreign currency without any limitation. Money transfer from a resident or non-resident individual's bank account is not subject to limitation. The Georgian law does not impose any limitation on lending from foreign banks.

REGISTRATION PROCEDURE FOR PRODUCTS

Georgia has brought its IPR legislation into line with international standards, but enforcement and raising public awareness are challenging issues, which the Government is making efforts to improve.

The Georgian National Intellectual Property Centre *Sakpatenti* formulates and implements IPR-related policies. It deals with all IP rights, including patents, copyrights and neighboring rights, trademarks, and new plant and animal varieties. The Revenue Service is responsible for enforcing IPR at the border, while the Ministry of Internal Affairs and the Financial Police are responsible for enforcing IPR within the country.

In order to obtain IPRs in Georgia, applicants must register their IP objects (except copyrights, which do not need to be registered) at *Sakpatenti*. For enforcement of IP rights at the border, IPR owners must register their objects at the register of the Revenue Service.

In order to obtain a patent one must either fill an international application under the *Patent Cooperation Treaty* or file an application directly at *Sakpatenti*. The average time for a patent to be granted is about 2-3 years. The Patent Law protects inventions for 20 years, utility models for 10 years.

STANDARDS, TECHNICAL RULES, LABELLING REGULATIONS

Georgia has formulated a TBT Strategy (Strategy in *Standardization, Accreditation, Conformity Assessment, Technical Regulation and Metrology*), and the TBT Program (*Program on Legislative Reform and Adoption of Technical Regulation*).

The *Code of Product Safety and Free Movement of Goods* covers all relevant legislation in the field of quality infrastructure. The following types of standards may be used in Georgia:

- international and regional standards
- standards of any EU or OECD member state
- Georgian standards
- Georgian company standards
- GOST standards (used in Georgia when they trade with CIS countries)

The Government allows importers, producers or exporters to choose which of these standards to make their products conform. Georgia acknowledges the standards and technical regulations of EU and OECD countries and of those countries with which Georgia has bilateral or multilateral trade agreements. Thus, products imported from these countries, as well as other countries where respec-

tive bilateral agreements exist, may be placed on the Georgian market without additional conformity assessment procedures.

Currently about 98% of all standards adopted in Georgia are international or European standards.

Labelling requirements are regulated in:

- the *Code on Food/Feed Safety, Veterinary and Plant Protection*
- the *Code on Safety and Free Movement of Products*
- the *Government Resolution No. 441*
- the *Government Resolution No. 173*
- the *Government Resolution on Sanitary-hygiene Rules of Food Trade and Government Decree No. 90*

All cosmetics, pharmaceutical, chemical, and food products must have Georgian language labelling at the sales point. The introduction of living modified organisms into Georgia is prohibited. Genetically modified organisms for food/feed use and genetically modified products must be labelled if the genetically modified components contained exceed 0.9% of the total mass.

TAXES

Georgia's tax burden is considered one of the lowest in the region. It has a customer-friendly flat tax system, comprised of six taxes:

- VAT – 18%
- Corporate Profit tax – 15%
- Personal Income Tax – 20%
- Property Tax – up to 1%
- Dividend Tax – 5%
- Interest Tax – 5%

There is no payroll tax or social insurance tax, no capital gains tax and no wealth, inheritance tax or stamp duty.

Georgia has concluded agreements for avoidance of double taxation with 49 countries, including Switzerland.

The Tax Code of Georgia allows for the possibility of establishing Free Industrial Zones, where business-friendly regulations and a favourable tax and customs system applies. FIZs may be established either by the initiative of the Government, or upon requests of natural or legal persons. Currently Georgia has or plans the following FIZs: Poti (operational), Kutaisi, Kulevi (planned), and Tbilisi's Hualing.

COMMERCIAL LAW

The main laws that affect foreign investment into Georgia are:

- The *Civil Code* (regulates private relations between individuals and legal entities).
- The *Tax Code*.
- The *Law on Promotion and Guarantees of Investment Activity* (defines the legal basis for realizing both foreign and local investments and their protection guarantees on Georgian territory).
- The *Law on State Promotion of Investments* (further optimizes procedures for investment and entrepreneurial activities).
- The *Law on Entrepreneurs* (defines the types of legal-organizational form for enterprises, terms of registration and internal structure of entities).
- The *Law on Licenses and Permits*.
- The *Law on Supervision on Entrepreneurship* (establishes general rules for supervision activity of state control authorities).
- The *Free Trade and Competition Act* (establishes the rules and measures for the protection of fair competition).
- The *Labor Code*.
- The *Law on Bankruptcy*.
- Legal relations in respect to intellectual property are mainly regulated by the *Copyright and Related Rights Act*, the *Trademark Act* and the *Patent Act*.
- The *Law on Common Courts*.
- The *Securities Market Law*.

Foreign individuals and companies may buy non-agricultural land in Georgia. Foreign natural and legal persons are also entitled to buy and inherit agricultural land, conditional upon the approval of a government-appointed committee that judges foreigners' applications to purchase agricultural land. Commercial banks are excluded from this restriction.

SETTING UP COMPANIES

Georgia does not screen foreign investment in the country, other than imposing a registration requirement and certain licensing requirements.

In order to register any enterprise, the founders shall submit a formal application form, provided by the Ministry of Finance of Georgia, and a Charter (*Articles of Association, Bylaws*) of the business entity. The registration is carried out by the *National Agency of the Public Registry*. Business registration and tax registration have been unified in a single procedure. NAPR assigns a unique identification number to the company during the registration process. According to the authorities, the term for ordinary registration service at NAPR is one business day and an expedited service is also available for the same day.

The following types of companies can be established in Georgia:

- Joint Stock Company (JSC)
- Limited Liability Company (LLC)
- General Partnership (GP)
- Limited Partnership (LP)
- Cooperative (CO)
- Business Partnership (BP) Individual Enterprise (IE)
- Branch Office (BP)

Depending on the type of company, additional documents are required to complete the registration.

JOINT VENTURE OPPORTUNITIES

Due to the liberal regulations, Joint Ventures are not necessary in Georgia in order to be able to conduct business or invest in the country. Yet doing so engenders certain advantages, such as local knowledge, access to markets, and the like. Should one choose to pursue joint ventures, it is however advisable to exert caution in choosing one's business partners.

PROMOTION OF INVESTMENT

The *Georgia National Investment Agency* is the official state agency that encourages and supports foreign investors to come to Georgia.

National treatment is applied to all investors and all sectors of the Georgian economy are open for foreign investment.

In 2014 the Government launched *Produce in Georgia*, a program that supports local agricultural processing and industrial production through financial support, infrastructural support and the provision of consulting services. In 2015, the *Entrepreneurship Development Agency* launched the program *Support to Micro and Small Enterprises*, which provides technical and financial assistance in the Georgian regions.

ENTRY CONDITIONS, WORK PERMITS, RESIDENCE PERMITS, LABOUR LAW

Swiss nationals may enter Georgia for 360 days without a visa. For a complete list of countries and their requirements, please consult the Consular Section of the Ministry of Foreign Affairs of Georgia. Foreigners with ordinary visas staying in Georgia for longer period than envisaged by their visa, have to apply the Ministry of Justice for a temporary or permanent living permit before their visa period expires.

Foreigners do not have to obtain special work permits to work in Georgia.

The Georgian *Labor Code* concerns the rights and obligations of employer/employee, the terms of a labor agreement, vacation and leave, working conditions, termination of a labor agreement, and the like. The code prohibits discrimination of any form. Its regulations are among the most liberal and employer-oriented in Europe. Key features:

- Salaries and wages are subject to agreement between the parties.
- The Labor Contract can be concluded for a definite or indefinite period.
- The probation period should not exceed six months.
- Each employee is entitled to not less than 24 working days of vacation annually. The employee is authorized to take at least 15 days of unpaid leave per year.
- Employees are entitled to be paid maternity leave of 126 days. Maternity leave is paid by the state. The employee has the right to unpaid leave for childcare until the child is 5 years old.
- The Georgian legislation does not restrict a foreign investor or impose any limitations on the investor in the process of recruiting staff for business activities.
- Foreigners are entitled to conduct work/business activities under the rules established by Georgian legislation
- Termination of labor contract: Articles 37 and 38 of the *Labor Code* determine the relevant conditions and procedures. If the employer terminates the contract, at least one month of compensation has to be paid to the employee.
- Georgia eliminated separate employer and employee contributions to social security. Social security is now funded through the tax system.

PROCEDURES FOR COLLECTING PAYMENT

The Revenue Service of the Ministry of Finance is responsible for implementing the Tax Code and conducting customs clearance and other border related procedures.

The task of the *Business Ombudsman* is to protect the rights and interests of business people, to reveal any alleged breaches of their rights and interests by government agencies, and to contribute to the restoration of the rights affected in accordance with the Law.

SOURCES OF INFORMATION AND LINKS

- Invest in Georgia – www.investingorgia.org
- Ministry of Economy and Sustainable Development – <http://www.economy.ge/en/home>
- WTO *Trade Policy Review*, 2015.
- Guide to *Doing Business and Investing in Georgia*, Price Waterhouse Coopers, 2013.
- *Starting a Business in Georgia*, Ernst & Young, 2012.

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