



**Grant Thornton**

An instinct for growth™

# Doing business in Georgia 2018

Commercial guide for investors





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***“This Guide helps investors  
unlock their potential for growth  
in Georgia.***

***It answers questions as to  
why to invest in and how to do  
business in Georgia”.***

**Vakhtang Tsabadze**  
**Managing partner**

# Foreword

Grant Thornton is a leading business adviser that helps dynamic organisations to unlock their potential for growth. Our brand is respected globally, as one of the major global accounting organisations recognised by capital markets, regulators and international standards setting bodies. With 50,000 people in over 136 countries, Grant Thornton is truly global organization with a local feel. We are focused on making difference for our clients, our people and our communities.

Grant Thornton is one of Georgia's leading firms for assurance, advisory, accounting, tax and legal services. Led by approachable partners, our proactive teams use insights, experience and instinct to understand complex issues.

Privately owned, listed and public sector organizations come to us for our technical skills and industry capabilities, but also for our different way of working. We invest time to understand client business, offering fresh perspectives in meeting clients' changing needs, with the insight and agility that helps stay one step ahead.

This Commercial Guide is designed with the very notion of helping stay ahead of the game when investing in Georgia. It intends to answer some of the important questions when doing business in Georgia.

The Guide provides general overview about Georgia, its economic situation and other information helpful for conducting business in Georgia. It presents information on investment regulation, forms of entrepreneurship, corporate, tax and labour legislation and other relevant information.

For specific matters it may be necessary to refer to acting laws and regulations of Georgia and obtain appropriate financial, tax and legal advice. Grant Thornton will gladly address inquiries for any further information.



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# Country profile

## Summary

Georgia is one of the oldest countries. It has rich history and culture. With a geographically advantageous location and natural resources, Georgia has always been appealing to foreign traders. Starting from the 2<sup>nd</sup> century B.C., it was crossed by the Silk Road – used to import Chinese silk to Europe – strengthening its role as a contributor to development of trade.

Since dissolution of the Soviet Union and declaration of independence, Georgia's economy has undergone major transformations. Transitioning from a planned economy to a market-driven model, Georgia has continued advancing towards market liberalization.

Economic development is made possible by consistently improving the investment environment and attracting foreign investors. Georgia has one of the most liberal entrepreneurial legislations.

**According to 2018 Index of Economic Freedom, Georgia's economic freedom score is 76.2, making it the 16th freest economy in the world and 9th freest in Europe.**

In a challenging global and regional environment, the Georgian economy has demonstrated a high level of resilience. After some backsliding in 2012, Georgia regained the status of “mostly free” and achieved a high score in the 2018 Index.

The overall freedom to conduct business is relatively well protected in Georgia's regulatory environment. Starting a business takes an average of 2 days, compared to the world average of 20 days.

## Geography

Major part of Georgia's territory is located in the South Caucasus, with a smaller portion extending to the North Caucasus. It occupies 69,700 sq. km and borders four countries— Russia in the north, Turkey in the southwest, Armenia in the south and Azerbaijan in the southeast.

Georgia is an amazing cluster of diverse cultures and religions, breathtaking landscapes and ancient history. A country where everyone finds something to their liking - from snowy peaks to subtropical shores, from barren deserts to lush forests, from lively cities to enchanting villages.

Capital Tbilisi has a population of approx. 1.1 mln. Other large cities include Kutaisi, Batumi, Sokhumi, Poti, Telavi, Rustavi.

## Demographics

Georgia is a multinational country. The population encompasses representatives from diverse communities. As at beginning of 2017, total population is 3.7 mln, with 57% living in urban areas. Approx. 87% of population is Georgian, 6.3% Azeri, 4.5% - Armenian and 2.2% others.

## Political system

Georgia declared its independence in 1991 and adopted its constitution in 1995. In 2010 major Constitutional amendments were adopted, shifting many of the President's executive powers to the Office of Prime Minister. These amendments entered into force in 2013.

The Prime Minister is elected by the Parliament and leads the Government's activities. The Government exercises functions of the executive branch.

Legislative powers are exercised by the Parliament - the supreme representative body. The Parliament determines principle directions of domestic and foreign policy and exercises control over Government activities within the framework determined by the Constitution. Parliament is elected for a four-year term and consists of 150 members split between mixed single-seat constituencies (majoritarian) and proportional seats (party lists).

Judicial authority is exercised by the Common Court System, which consists of three levels: regional (city) courts, appellate courts and the Supreme Court of Georgia. The Constitutional Court of Georgia exists independently, outside of the Common Court System, and exercises the function of constitutional control.

Georgia has established diplomatic relations with over 170 countries and is a member of numerous international organizations - United Nations, the World Bank Group, International Monetary Fund, Organization of the Black Sea Economic Cooperation, European Bank for Reconstruction and Development, Council of Europe and World Trade Organization, Southeast European Law Enforcement Centre (SELEC) and etc.

In the year of 2014 Georgia has signed EU – Georgia Association Agreement. This Agreement will open wide range of opportunities for broadening the EU-Georgian relations. The Association Agreement covers areas related to Political Cooperation, Industrial Cooperation, Deep and Comprehensive Free Trade Area – DC FTA, Justice, Freedom and Security.

## **Economic environment**

Georgian government has implemented dramatic reforms since 2004 to offer a liberal tax system and a business friendly environment to potential investors.



In the last decade various factors have negatively affected Georgia's economic development, particularly the global economic downturn and conflict in 2008. Despite these factors, the Georgian economy continues to grow, increasing nominal GDP by 6.5% in 2017 (4.2% in 2016) and real GDP by 5.0% in 2017 (2.8% in 2016).

Government's key economic strategy includes improvement of the investment climate, development of small and medium sized enterprises (SMEs) and minimization/lifting of barriers for business operations. Registration of a business is possible in one-two days. Over 47,600 enterprises were registered in Georgia during 2017, which indicates significant business activity. In addition, state privatization policy contributes to foreign and local investments and larger role of the private sector.



## Basic data

Currency domination	<b>Georgian Lari (GEL)</b>
1 Euro (average exchange rate)	<b>GEL 3.06</b>
1 USD (average exchange rate)	<b>GEL 2.49</b>
GDP*	<b>USD 15,164.5 mln GEL 38,042.2 mln</b>
GDP per capita*	<b>USD 4,078.5 GEL 10,231.4</b>
Key sectors in GDP* (in mln GEL)	<b>Wholesale/retail trade: 4,118.7 Manufacturing: 5,735.4 Agriculture: 2,671.6 Public Administration: 2,768.6 Construction: 3,039.2 Transport: 2,545.9</b>
External trade turnover**	<b>USD 10,709.2 mln</b>
Export**	<b>USD 2,728.0 mln</b>
Import**	<b>USD 7,981.3 mln</b>

## Main trade partners

Export countries:	Azerbaijan, Armenia, Bulgaria, China, Kazakhstan, Russia, Turkey, Ukraine, USA
Import countries:	Azerbaijan, China, Germany, Italy, Romania, Russia, Turkey, Ukraine, USA
Consumer Price Index Annual Average Inflation Rate	4.3% (from 2017 to 2018)
Average monthly nominal wages	GEL 940 (2016)
Unemployment rate	11.8% (2016)
Average longevity	76 years (www.cia.gov)
Number of tourists	7.5 mln (www.gnta.ge)
*	preliminary data
**	Revenue Service data
Source: www.geostat.ge unless indicated otherwise	

# Foreign investments

## Legal framework

Georgia is open to investors and encourages foreign investment. Legislation governing foreign investment establishes favourable conditions, but not preferential treatment, for foreign investors. In conducting investment and entrepreneurial activity, foreign investors enjoy the same rights and guarantees as those granted to Georgian natural persons and legal entities. Legal basis for both foreign and local investments and guarantees of their protection are ensured by various normative acts - the Constitution, international treaties and two special laws “On Promotion and Guarantees of Investment Activity” and “On State Support of Investments”.

State support of investments is provided through the Georgian National Investment Agency (GNIA), which is in charge of facilitating the investment process. GNIA assists investors in obtaining required licenses and permits, and, upon signing the applicable agreement, may act as their representative at other governmental agencies during licensing and permitting procedures.

## Legal status of investors

An investor is a natural person or legal entity, as well as an international organization investing in Georgia. The law also defines the concept of a foreign investor to be one of the following: a) foreign citizen; b) stateless person not residing in Georgia; c) Georgian citizen permanently residing abroad; d) legal entity registered outside Georgia.

Investments may be carried out in various sectors. Investing in certain sectors is restricted by law - manufacture and distribution of nuclear, biological and chemical weapons, as well as building of testing ranges, implementation of scientific research related to human cloning, production of narcotics and other activities prohibited by international agreements. Investments in these sectors can only be made through special permits or licenses. Law on Promotion and Guarantees of Investment Activity protects foreign investors from subsequent legislation that may alter the condition of their investments for a period of ten years (grandfather clause).

Disputes between a foreign investor and a Georgian enterprise are subject to resolution through an agreement between parties or the courts of Georgia. Disputes between a foreign investor and a state agency are subject to resolution in courts of Georgia or at the International Center for Resolution of Investment Disputes (unless a procedure for dispute resolution is defined by way of their agreement). Unless the dispute is being deliberated by the International Center for Resolution of Investment Disputes, a foreign investor is entitled to apply to any international arbitration body set up by the United Nations Commission on International Trade Law (UNCITRAL) to resolve disputes in accordance with international arbitration rules.

## Ownership rights

These are one of the most important rights guaranteed and protected by the Constitution. Detailed regulation of ownership rights is provided for in a special chapter of Civil Code. It provides for various forms of ownership, possession, utilisation and control of property. Ownership rights of Georgian citizens are not limited, however the law envisions certain limitations for non-residents: ownership rights for agricultural land.

Ownership rights on real estate property are acquired by registering as a proprietor at the National Agency of Public Registry (NAPR). Public Registry extract serves as legal proof of ownership. Purchasing real

estate property requires a signed agreement between parties, either in notarized form or signed directly at the Public Registry. After presenting the purchase agreement and completing the registry application, ownership rights are legally transferred to the new owner and a new extract is issued. Cost of registration is GEL 50 (approx. USD 20).

Expropriation of property is allowed only in cases of inevitable public need. The right of expropriation can be exercised on the basis of Presidential decree and court decision. Presidential decree determines the inevitability of expropriation for public needs and the person/entity authorised to perform the expropriation. Final ruling on expropriation and on the terms of compensation is carried out by the court.



# Forms of investment

Investments are deemed to be all types of property and intellectual valuables or rights invested and applied for gaining possible profit in the investment activity carried out on the territory of Georgia. Such valuables or rights may be:

- monetary assets, shares, stocks and other securities
- movable and immovable property - land, buildings, structures, equipment and other material valuables
- leasehold rights to land and use of natural resources (including concession), patents, licenses, know-how, experience and other intellectual valuables
- other property or intellectual valuables or rights determined by law.

Non-residents may register their operations as Georgian legal entities (including Individual Entrepreneur) or as Georgian branches or representations of foreign companies. Entrepreneurial activity in Georgia is regulated by Law “On Entrepreneurs”. This Law regulates organizational and legal forms of participants in entrepreneurial activity. Organizational and legal forms of enterprises are:

## Individual entrepreneur (enterprise)

Individual Entrepreneur is a firm owned by one natural person. This is the simplest and most affordable form of entrepreneurial activity and is most popular in agricultural sector. As the owner of an enterprise, an individual entrepreneur is a natural (physical) person whose entrepreneurial activity requires an organization arranged in an

entrepreneurial manner, regulated cash and bookkeeping. Individual Entrepreneurs act on their own behalf in legal relations, bearing personal liability for any obligation arising from their entrepreneurial activity.

To register as an Individual Entrepreneur, the following documents are required:

- application:
  - applicant's full name
  - applicant's place of residence
  - applicant's identification number
  - applicant's signature
  - date of filing application
- identification document
- payment receipt for registration service fee.

The same set of documents is required from foreign citizens opting to register as Individual Entrepreneur.

Registration fees are as follows:

- in one working day – GEL 20 (approx. USD 8)
- on the day of applying – GEL 50 (approx. USD 20).

## Joint liability company

A joint liability company is a company where several natural persons carry out repeated and independent entrepreneurial activity, under one firm name, and are jointly responsible before creditors - directly, immediately, without any limitation and with their property. Authorized representatives and their rights are designated in the charter (agreement of partners). Any partner may receive information on the company's business affairs and, with this purpose, may review accounting books and other company documents.



A partner's exit from the company is regulated by the company charter. In case of partner exit or discharge, his/her share in the company is added to the shares of the company's remaining partners. All other partners are obliged to relieve the exiting or discharged partner from the company debts and pay the sum that he/she would receive in case of the company's liquidation.

## Limited partnership

Limited partnership is a company where several people, under the same firm name, carry out entrepreneurial activity. There are two types of partners in a limited partnership: those whose liability before the creditors is limited by the fixed guarantee sum – commandites – and those who are personally liable – complementars. Company partners may be both natural persons and legal entities.

Limited partners do not participate in company management. They may not object to actions by partners with personal liability within the routine operations. Limited partners only have the right to demand a copy of annual report and verify its accuracy per accounting records and other documents. Profits and losses of the financial year that exceed an established amount are to be distributed on a pro-rata basis among partners, unless otherwise stipulated by the company charter. Limited partners only have right to demand their due profit if their share in the capital is less than the agreed amount due to incurred losses or settlements.

Limited partners are not obligated to return any profits they have received in light of future losses. The guarantee sum of a partner in respect to the company's creditors is determined by the sum recorded in the Public Registry, if this sum is already paid. Share of a limited partner may be transferred or succeeded without the consent of other partners, unless otherwise stipulated by the company charter. Notarized agreement is required for the share transfer.

## Limited liability company

A Limited Liability Company (LLC) is one of the most widely spread entrepreneurial forms in Georgia. According to the Law “On Entrepreneurs”, liability of an LLC before its creditors is limited to company assets, and partners are not personally responsible for company’s liabilities.

Capital of an LLC is divided into shares. There is no legal requirement for minimum or maximum amount of capital (charter capital). Rights and obligations of partners and terms and conditions for share transfers are stipulated by company charter.

A Limited Liability Company is founded by joining the partners’ capital. The company’s existence does not depend on its members; therefore, exit of a partner will not result in automatic liquidation. An LLC may be established by the state, by one or more individuals, legal entities or any combinations thereof.

Company partners exercise their management authority at the general meeting of partners. Competences of general meeting, procedures for carrying out decisions, responsibility and competences of directors and composition and functions of governing bodies are stipulated in the company charter.

## Joint stock company

Joint Stock Companies (JSC) are typically enterprises with large capital, although there are no legal requirements for it. In Georgia, some types of enterprises, such as banks and insurance companies, are legally obligated to hold this legal form. Authorized capital of a JSC is divided into shares of equal par value. A share is a bond confirming obligations of a joint stock company before the partner (stockholder) and the stockholder’s rights in the company. Management bodies of a JSC include General Meeting, Supervisory Council, and Directors.

Under the Law “On Entrepreneurs” stocks may be:

- **Ordinary** - One ordinary share ensures one vote at the general meeting of shareholders. Holders of ordinary shares have the right to receive dividends or funds distributed upon company liquidation only after the same right is fulfilled for holders of preferred shares
- **Preferred** - A preferred share ensures receipt of dividends at a fixed rate, the amounts and distribution procedures of which are stipulated in the company charter, and, if applicable, in the emission prospect. After repayment of debts, the property of a liquidated company is first distributed among holders of preferred shares. A preferred share does not grant any vote at the general meeting, except where the company charter or the emission prospect of these shares provides one vote per preference share in exchange for dividend retention.

## Cooperative

A Cooperative is a legal entity based on Labor activity of its members or established with the purpose of developing business and increasing profit of its members. The goal of a cooperative is to fulfil its members' interests. A cooperative is not primarily orientated at gaining profits.

A cooperative is responsible for its obligations before creditors only with its own property. Minimum share of a cooperative member is determined by founders. One member of the cooperative may have several shares. After a cooperative is registered in Public Registry, an outside individual can become its member if he/she presents a signed application of membership.

## Branch

A branch is located and operates beyond the place of registration (jurisdiction) of its founding company. It does not have the status of a separate legal entity. A branch acts in accordance with the powers delegated by the founding company. Establishment of a branch does not

require any capital investments. A branch of a foreign company must be registered at the Public Registry.

Registration requires application from the foreign company and notarized documents on company's decision and appointment of branch director.

## **Representation (permanent establishment for tax purposes)**

Representation or Permanent Establishment for Tax Purposes is very similar to a branch - it is also located and operates beyond the jurisdiction of the founding company and does not have the status of a legal entity. Similar to a branch, it acts in accordance with the powers delegated by the founding company. There are, however, certain differences between a branch and a representation – the latter is entitled to represent and defend the interests of the founding company in addition to performing the functions of a branch. There are also differences in the registration procedure and the set of registration documents to be submitted. A branch is registered in the National Agency of Public Registry of the Ministry of Justice. A representation (permanent establishment for tax purposes) is registered in the Revenue Service of the Ministry of Finance.

## **Registration**

Under the Law “On Entrepreneurs”, registration of a legal entity is performed by the National Agency of Public Registry (NAPR), including both state registration and registration as a taxpayer. Registration of legal entities is simplified, and the principle of “one window” is established. There is no minimum requirement for founding (charter) capital. There is also no requirement to have company seal; nevertheless, many enterprises choose to obtain seals.

To register an enterprise, the person(s) present copy of their identification documents, application, a charter in duly authorized form

and signed by all partners or their authorized representatives and pay registration fee. Registration application includes:

- firm name (firm)
- organizational and legal form
- location (legal address) and electronic address
- name, date and place of birth, occupation and place of residence of each founding partner and director, or, if founder is a legal entity, firm name and registration records thereof - legal address, registration date and number, legal form, and information on authorized representative(s)
- decision-making procedures for highest governing body. In case of a limited liability company – information about each partner's share of holding
- information about any limitations for entity representatives
- in case of a limited partnership – notification on limited and personally liable partners.

In addition to above-mentioned documents, it is necessary to appoint natural person(s) to manage or represent the entity – a proxy, usually – a company director. If an entity has two or more persons authorized to represent it, then the document shall indicate whether they are representing an entity together or independently. Having consented to appointment, the proxy shall submit his/her signature specimen in notarized form or directly at the Public Registry.

Registration fees are as follows:

- in one working day – GEL 100 (approx. USD 40)
- same day – GEL 200 (approx. USD 80).

Registration of an enterprise may be rejected if:

- registration documents do not fully satisfy legal requirements
- false, unidentified or incomplete information is presented
- registration fee is not paid.

If registration is rejected for failing to meet legal requirements, the applicant may eliminate deficiencies within 30 calendar days.



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# Banking and financial system

## General provisions

Banking is one of the fastest growing sectors of the Georgian economy. For the past five years it has demonstrated average annual growth rates of 20.4% in total assets, 24.4% in demand deposits and 20.1% in term deposits. Georgian banking system comprises 16 commercial banks. Banking legislation that governs activities of commercial banks comprises organic Law on National Bank of Georgia, Law on Activities of Commercial Banks and other by-laws.

Status and mandate of the National Bank of Georgia (NBG) is defined by the Constitution. NBG implements monetary policy according to main directions of monetary and foreign exchange policy approved by the Parliament and exercises supervision over the financial sector. It manages international foreign reserves of the country. NBG facilitates financial stability and transparency of the financial system, as well as protection of the rights of the financial consumers and investors.

NBG has embarked on a gradual transition to risk-based forward-looking supervision under which it enlarged the supervised risk areas. It is authorized to impose individual economic limits and norms on commercial banks based on the risk profile of the banks. NBG has imposed conservative capital requirements to ensure the security of the system and avoidance of bank failures. Minimum required Tier 1 and regulatory capital adequacy ratios equal 8 and 12 percent respectively, though in practice they are higher; minimum charter capital requirement is GEL 12 mln (approx. USD 5 mln.)

Currently there are no mandatory requirements for deposit insurance. Regulation policies enacted by NBS have considerably increased security of the banking system. There have not been any bank failures or need of capital support from the government following worldwide financial distress.

## Banking system capacities

The major share of the Georgian economy is contributed by the banking system - the largest player in the financial market. The sector is dominated by foreign shareholders. All Georgian banks rely on foreign capital participation, according to analysis of beneficiaries. Strategic investors, including European and regional banking institutions, as well as IFIs (EBRD, IFC, and DEG) are well-represented shareholders in the banking system.

Capitalization and liquidity is sufficient to support further lending growth. There is room for growth through financial deepening which remains relatively moderate. In 2016, average annual interest rates were 14.4% on loans and 4.8% on deposits. Overdue loans make up approx. 2.3% of total loans value.

## Banking transactions

Georgian banking system offers a wide variety of banking products and services, including but not limited to money transfers, currency exchange, letters of credit, saving accounts pegged to prices of commodities offering potential for additional gain, credit card services, telephone banking, mobile banking, internet banking, etc.

Operations with credit and debit cards are becoming increasingly popular. All retail banks offer their own credit and debit cards, and more and more businesses accept electronic payments. Georgia has improved its credit information system by implementing a new Law "On Personal Data Protection".



Loans below GEL 100,000 (USD 40,000) are issued only in national currency.

**List of banks operating in Georgia is available at:**

**[www.nbg.gov.ge](http://www.nbg.gov.ge)**

**[www.abg.org.ge](http://www.abg.org.ge)**



# Labor, immigration and visa regulations

Labor relationships are mainly regulated by the Labor Code. Significant amendments were introduced to Labor Code in 2013, allowing for more regulated relations between employers and employees.

## Labor force

### Qualifications

One of Georgia's main assets is its young and qualified population (54% of population ranges from age 15 to 64). Currently, there are 75 higher education institutions enrolling over 140,000 students. Secondary education is mandatory in Georgia and is a 12-year program. Higher education is voluntary and consists of three levels: 1. Bachelor degree (240 credits), Master degree (120 credits), Doctorate degree (180 credits);

Full legal labor capacity starts at the age of 16. Employment of a person under 16 years of age requires consent from parent, authorized representative or guardian - provided employment is consistent with interests of the underage person, does not impair his/her moral, physical and mental development or impede the right and ability to receive education. A person younger than 14 years can be a party of employment contract only in sports, arts and culture, or as a performer in advertisements. Retirement age is 60 for women and 65 for men.

## Labor remuneration

### Salaries/wages

The form, amount and schedule of labor compensation are determined by the employment agreement. For 2016, the average nominal salary was GEL 940 (approx. USD 385). However, there are significant variances between average wages in public and private sectors, as well as across industries. Salaries may be denominated in any currency but are payable within Georgia only in national currency. Legislation does not establish minimum wages.

Georgia has a leading position in fiscal freedom, due to low taxes. Salary income tax rate is set at 20% of gross salary. Tax withholding is done by the employer, who acts as tax agent of employees. Thus, salary received by employee is already net 80%.

## Working time

### Work hours

Regular working time shall not exceed 40 hours per week. For enterprises with specific operating conditions (determined by the Georgian government) the limit is 48 hours per week. However, there are certain restrictions: employing minors, pregnant women, women having recently given birth, or nursing mothers for night shifts (from 22:00 to 6:00), as well as employing a person taking care of child under age of 3 or having limited capabilities without his/her consent.



## Holidays/leaves

**Non-working holidays include:**

Day	Types of holiday
January 1, 2	New Year
January 7	Orthodox Christmas
January 19	Epiphany
March 3	Mother's Day
March 8	International Women's Day
April 9	State Independence Restoration Day, Memorial Day for people deceased for homeland, national integrity and civil concord
Easter Weekend	Red Friday, Great Saturday, Easter Sunday; Memorial Day for the deceased – Monday after Easter Weekend (dates vary each year)
May 9	Victory Day
May 12	St. Andrea Apostle Memorial Day
May 26	Independence Day
August 28	St. Mary's Day
October 14	Mtskhetoba (Svetitskovloba)
November 23	St. George's Day

## Leaves

### **Paid leave**

Employee is entitled for paid annual leave of at least 24 working days, and unpaid leave of at least 15 calendar days. Per employee's request annual leave may be provided in parts. Annual leave for each working year is to be granted in the same working year, unless granting a leave during a particular business year may adversely affect normal course of employer's operations. In this case, with the consent of employee, the leave days may be carried forward to next year. Leave pay is determined based on average remuneration for last three months preceding the leave.

**Child care, adoption, pregnancy, maternity leave**

Employee is entitled to pregnancy, maternity and child care leave of 730 calendar days, of which 183 calendar days are paid. In case of complications during birth, or giving birth to two or more infants, 200 calendar days are paid.

Parent taking care of child under age of 5 may seek additional unpaid leave of 12 weeks.

## Agreements/contracts

**Labor agreements/contracts**

Parties to Labor agreement (employment contract) can only be employer (or employers association) and employee (or employees association). Collective labor agreements are used for multiple parties of the same nature (excluding multiple employees). Labor agreement may be concluded in writing or verbally for a fixed or indefinite term or for a period of fulfilment of works/services.

Employer is authorized to request and check any information from a job applicant deemed necessary to make a decision. Job applicant is required to inform an employer of any circumstances that may prevent him/her from performing the work, or may endanger interests of the employer or a third party.

Disputes arising of labor relations shall be settled between parties or in court in accordance with legislation.

With the exception of employment contracts for a term of one or more years, fixed-term contract is only to be concluded in the following cases:

- a specific volume of work is to be performed
- seasonal work is to be performed
- volume of work has temporarily increased

- employee replacing person temporarily absent from work or due to suspended Labor relations
- other objective circumstances justifying conclusion of a fixed-term contract.

### **Termination of Employment Agreement**

Grounds for termination of employment relations include (but are not limited to):

- gross violation of obligations by employee
- expiration of employment agreement
- completion of work covered in employment agreement
- voluntary resignation of employee
- written agreement between parties
- entry into force of a court judgement or decision that makes performance of work impossible
- death of an employing natural person or an employee
- initiation of liquidation proceedings of the employer.

If termination is initiated by the employer, the employee is entitled to receive at least a 30-day advance notice and severance pay for at least one month following termination.

## **Immigration and visa regulations**

The Law “On Legal Status of Aliens and Stateless Persons” introduced new immigration regulations for foreigners in Georgia. Under new regulations citizens of specific countries benefit from visa-free stay of up to 360 days. List of countries whose citizens enjoy visa-free stay is defined in the relevant Government decree. It includes, but is not limited to, member countries of the European Union (EU), North Atlantic Treaty Organisation (NATO), Commonwealth of Independent States (CIS).

The Law defines following five types of visas:

**A: Diplomatic** – government officials; diplomatic officials, employees of international organisations;

**B: Special** - members of foreign delegations, their administrative personnel; their accompanying family members and other persons, consular staff and service personnel, employees of international and humanitarian organizations, members of peacekeeping forces;

**C: Ordinary** - persons visiting for tourism, persons visiting relatives and friends; freelancers, persons visiting for business meetings and negotiations; participants of scientific workshops, conferences and other scientific-research, pedagogical, cultural or sports events, medical treatment, pilgrimages;

**D: Immigration** - persons visiting to conduct labor activities; aliens visiting on the basis of labor contracts; persons visiting to conduct entrepreneurial activity under the Law on Entrepreneurs; aliens visiting for study at educational institutions or to reunite with family. D type visa is a precondition for obtaining residence permit and for diplomatic accreditation;

**E: Transit** - Aliens transiting via Georgia to enter a third country. Validity of transit visa shall be up to five days.

Visas may be obtained at diplomatic missions and embassies of Georgia in foreign countries. In case a foreigner is in Georgia, then visas may be obtained at the Consular Department of the Ministry of Foreign Affairs. Depending on the purpose of travel, documentation may be submitted through e-application or e-visa portal. Documentation requirements depend on visa category (residence status).

On the basis of D type immigration visa foreigners may obtain residence permits. Duration of a residence permit depends on specific conditions. In case the foreigner obtains D type immigration visa in order to conduct

Labor activities, validity of residence permit depends on the duration of his/her Labor contract.





# Tax system

## Summary

Economic development is a key priority for Georgia. An important part of economic reforms and overall economic policy are fiscal reforms. Main goals of fiscal policy are:

- improvement of business environment;
- attraction of foreign investments;
- consolidation of fiscal discipline.

Legislation regulating taxation and fiscal system are continually clarified and harmonized with EU legislation and provisions. In many cases the fiscal system is coined from legislation of European countries, envisioned to facilitate further development of a market economy. Georgian tax legislation undergoes frequent changes, and all modifications are made publicly available through official publications.

In 2005 the Parliament adopted new Tax Code, decreasing the total number of taxes to six types. All subsequent changes to Tax Code were aimed at further improvement of the entrepreneurial environment and the fiscal system. Latest major changes are effective from 2017 - introducing a new model of taxation for corporate income (profit), which is now linked to timing of profit distribution (payment of dividends).

Tax Code envisions six types of taxes within the realm of two groups, as follows:

- **State Taxes** are mandatory on the entire territory of Georgia. These include *Personal Income Tax (PIT)*, *Corporate Income/Profit Tax (CIT)*, *Value-Added Tax (VAT)*, *Excise Tax* and *Customs Tax*

- **Local Taxes** are established under normative acts of local self-governance bodies (municipalities). This includes *Property Tax*.

## Personal income tax (PIT)

Payers of income tax are resident and non-resident natural (physical) persons. An individual who stays in Georgia for over 183 days in any continuous 12-calendar-month period is considered to be a resident, excluding diplomats, employees of international organizations, persons serving state institutions of foreign countries and their family members.

Gross income received by individuals in the form of salary or other benefits from Georgian sources is taxed at the rate of 20%.

Gross income from rental of real estate for residential purposes is taxed at the rate of 5%.

An individual entrepreneur may obtain the status of Micro business, if its annual income does not exceed GEL 30,000 or small business if its annual income does not exceed GEL 100,000 and they are running only the type of activities that are permitted in accordance with the order of the Minister of Finance.

A person holding the status of a micro business shall not pay income tax.

Income of a small business is taxed at the rate of 5%.

Dividends paid by a resident enterprise to a natural person, a non-entrepreneurial (non-commercial) legal entity or a non-resident enterprise shall be taxed at source at the rate of 5% of the amount payable.

Interest paid to a non-resident by a non-resident permanent establishment or a resident or on behalf of a natural person, organization or permanent establishment in Georgia shall be taxed at the rate of 5%.

Income earned by a non-resident from a Georgian-based source that is not attributed to the non-resident's permanent establishment registered for tax purposes in Georgia, shall be taxed at the source without deductions at the following rates:

- dividend, interest, royalty - 5%

Income earned by non-resident subcontractors in conducting oil and gas operations provided for by the Law of Georgia "On Oil and Gas" shall be taxed at the rate of 4%.

Other income earned by non-resident which is regarded as Georgian source income under the Tax Code shall be taxed at the rate of 10%.

Income, which is regarded as Georgian source income under the tax code of Georgia, earned by a person registered in a country with a preferential tax treatment, must be taxed at source without deductions, at 15%.

Georgia has signed Double Taxation Treaty Agreements with 54 countries. Consequently, the source of taxation for non-resident persons depends on the terms and conditions of the contract.

The following are major types of individual income that are tax exempt:

- employment income of a non-resident employee of diplomatic or equivalent organization located on Georgian territory
- value of the property received from a physical person in a form of gift or inheritance

- surplus received by a physical person from sale of fixed assets, with the exception of surplus received from sale of assets used for entrepreneurial activity
- monetary and other types of rewards, received by athletes, their trainers for being prize winners at Olympic games, world and European championships
- alimony
- property received by a physical person as a result of divorce
- 1<sup>st</sup> and 2<sup>nd</sup> level legatee's property received gratuitously or by inheritance in the course of a year
- 3<sup>rd</sup> and 4<sup>th</sup> level legatee's property up to GEL 150,000 (USD 60,000) received gratuitously or by inheritance in the course of a year
- amount paid to a physical person (donor) for food in compensation for his blood
- income of physical persons - entrepreneurs, who do not use hired labour and independently carry out activities in accordance with NACE – Classifier of Economic Activities in the European Union
- lottery wins below GEL 1,000 (USD 400).

## Corporate income (profit) tax (CIT)

Georgian tax resident enterprises are required to pay tax on profits. Foreign enterprises are subject to this tax only if their income is sourced from Georgia (trading income, capital gains, income from financial activities, dividend income, gratuitously received goods and services, and other items of income). Both foreign and domestic companies carrying out business activities in Georgia assume the same tax obligations.

The object of taxation of a resident enterprise or non-resident's permanent establishment is:

- distributed profit

- expenses incurred or other payments not related to economic activities
- free delivery of goods and services and/or transfer of funds
- representation expenses in excess of the established threshold.

For financial institutions profit is defined as the difference between gross taxable income, net of deductible expenses.

The following activities are deemed as profit distribution:

- distribution of dividends;
- related party transactions at terms deviating from market prices;
- controlled operations at terms deviating from market prices;
- granting of a loan to a natural person or a non-resident person;
- advance payments to a person registered in a country with a preferential tax treatment.

The following types of incomes are generally CIT exempt:

- income of non-profit organizations, excluding income from economic activity
- grants, membership fees and donations received by organizations
- profit from works performed or services rendered by navigation enterprises (ship owners), established by non-residents of Georgia, not carrying out any entrepreneurial activity on the territory of Georgia and sailing under the Georgian flag
- income from generation and realization of alternative energy sources (solar, wind, etc.) assimilation equipment and energy-saving facilities
- income from sale of crosses, candles, icons, books, and calendars by the Patriarchy of Georgia, used exclusively for religious purposes.

Starting from 2017, timing of CIT payment is linked to profit distribution (payment of dividends) and on transactions that are treated as indirect

distribution of profits (benefits, gifts, payments not related to business activity).

The rate of CIT is 15%.

Until 2019, the new CIT model will not apply to financial services industry - banks, insurance companies, micro-finance organizations, credit unions and pawn brokers. New CIT model will also not apply to oil and gas operations and bookmakers operating with systematic-electronic forms.

## Value-added tax

The value-added tax (VAT) is an indirect tax on a portion of value added in the process of production and circulation of goods, works and services on the territory of Georgia, and of a portion of value of all taxable goods imported into the territory of Georgia.

VAT is payable at each stage of production and sale of goods and delivery of services. A person carrying out economic activity in any continuous period of 12 calendar months and exceeding the threshold of taxable transactions of GEL 100,000 (approximately USD 40,000); a person who produces excisable goods in Georgia; a person importing excisable goods into Georgia is required to apply to tax authorities to obtain registration as VAT payer. Taxpayers not exceeding this limit may still choose to voluntarily register as VAT payer.

VAT rate is 18% of taxable turnover or taxable import. Export of goods from Georgia is taxed at a zero rate.

If the service is performed by a non-resident person (natural person or company) on the territory of Georgia, the resident company is obliged to tax the non-resident persons' service by reverse VAT.

VAT taxpayers are permitted to credit VAT paid to suppliers (input VAT) on their business purchases against VAT charged to customers on sales (output VAT), and pay the balance to the state budget.

The following is a general list of supplies of goods, performance of works and rendering of services, as well as types of imports, which are VAT exempt:

- rendering of financial services
- importing fixed assets used in taxable operations
- disposal of state property under privatization procedures
- import and supply of certain kinds of medicine
- supply and/or import of diabetic foodstuffs, baby food and infant hygiene products
- goods intended for official use by foreign diplomatic and equivalent representative offices, and for personal use by diplomatic, administrative, and technical personnel of these representative offices (including family members living with them)
- import of raw materials and semi-finished goods intended for manufacturing of export goods, as well as import of packaging materials to the extent of actually exported finished products. Importing these raw materials, semi-finished goods, and packaging materials affects payment of VAT or the retention of a bank guarantee, while exporting finished products entitles the taxpayer to a refund of the paid VAT amounts from the customs services, or cancellation of the bank guarantee to the extent of the actually exported finished goods.
- transit, re-import, or temporary entry of goods into the customs territory of Georgia
- import of goods intended for re-export
- import of equipment, transportation facilities, spare parts and materials intended for providing oil and gas operations (transactions) covered by the Law “On Oil and Gas”

- domestically-produced primary agricultural products.

In 2017, amendment introduced the option of timing the VAT taxable transaction on the basis of advance payments. Timing of VAT taxable transaction is the date of delivery of goods and services (accrual basis) and date of payment for goods and services (cash basis).

## Excise tax

Excise is an indirect tax levied on certain goods such as alcohol (except wine), tobacco, oil products, means of transport, the moment of delivering international call termination services in a mobile or fixed network in Georgia. The tax is paid at the time of delivering excisable goods together with their price. The object of excise taxation is production or import of excisable goods.

Excise tax may be fixed or may be determined as a percentage. Excise tax rate is different for every product (spirits, oil, tobacco, etc.). Mandatory affixing of excise stamps is required for imported and locally produced alcoholic beverages and tobacco products. The following products are exempt from excise tax:

- alcoholic beverages produced for personal consumption and used by natural persons;
- transit and temporary import of excisable goods into the customs territory of Georgia;
- re-export of excisable goods;
- import and/or supply of oil products necessary to carry out oil and gas transactions specified by the Law "On Oil and Gas".

In 2017, rates were increased on excise duties for tobacco products, vehicles, oil products and natural gas. Excise tax on tobacco products was increased for packed cigarette and for tobacco. Excise tax for light vehicles increased for vehicles over 6 years and for right-hand vehicles,



while rate is reduced for hybrid vehicles under 6 years. Excise tax increased for natural gas and oil products with sulphur concentration.

The full list of excise tax rates on each product is provided in the Tax Code.

## Property tax

Payers of property tax include physical persons, Georgian enterprises, their branches and structural divisions, foreign enterprises implementing their economic activity through entities established in Georgia with taxable objects under their ownership, as well as organizations, the property of which or parts thereof are used for economic activity.

For natural persons, object of taxation is any immovable property (buildings and structures or parts thereof) located in urban areas as well as immovable property (buildings and structures or parts thereof) located in non-urban area used for economic activity, excluding land.

For enterprises, object of taxation is property, plant and equipment (fixed assets), uninstalled equipment, investment property, incomplete capital investments and intangible assets that are recorded on the balance sheet, as well as any property accounted for on the balance sheet of an organization which is utilized for economic activity. For enterprises, the property tax rate is 1% of annual average net book value.

For natural persons, rate on taxable objects varies according to revenues received by taxpayer family during a calendar year and is defined as follows:

- for families with revenues not exceeding GEL 100,000 (USD 40,000)
  - not less than 0.05% and no more than 0.2% of the property market value
- for families with revenues of GEL 100,000 (USD 40,000) and more -
  - not less than 0.8% and no more than 1% of property market value.

Property tax is also levied on vehicles owned by natural persons with annual family income over GEL 40,000 (USD 16,000).

The following are general exemptions from taxation of property:

- immovable property, if the revenue earned during the calendar year by the owner's family does not exceed GEL 40,000 (USD 16,000)
- property used for environmental protection and fire protection, excluding land
- property needed for oil and gas activities according to the Law "On Oil and Gas"
- land areas of organizations for preservation of native and historical monuments occupied by structures recognized as monuments of history, culture and architecture by the state, unless they are used for entrepreneurial activity other than sale of entrance tickets
- land plots used for carrying out oil and gas operations determined by the Law "On Oil and Gas" (if not used for other purposes)
- state-owned and unused pastures and haymaking meadows, and lands, reserve lands or lands designated for re-cultivation
- plots of land used for airports, airfields, helicopter fields, air navigation security zones as well as for underground communications and plots allotted for future development of ports if they are not used for economic activity
- physical or legal persons who have received agricultural lands for re-cultivation purposes for the first five years following its allocation
- hunting farms.

## Tax dispute resolutions

Procedures and rules for resolutions of tax dispute are established by Tax Code and Administrative Procedure Code.

## Accounting, financial reporting and audit

The Law “On Accounting, Reporting and Audit” was adopted in 2016, whereas companies are divided into 4 categories as per criteria of (1) assets, (2) revenue, and (3) number of employees, and requirements are set for each category for preparation and publishing of financial statements as well as for statutory financial audit.

The Law establishes a supervising body – Service for Accounting, Reporting and Auditing Supervision (“SARAS”), for oversight of the work performed by certified accountants and auditors. SARAS performs monitoring of quality control systems of audit companies. Based on the results of quality control reviews SARAS grants respective rights to the auditors. SARAS has completed first quality review round in December 2017 and 13 audit companies, including Grant Thornton Georgia, were awarded right to conduct audits of Public Interest Entities.



# Customs

Georgia became a member of WTO (World Trade Organization) in 2000. A number of economic and structural reforms were implemented as part of the accession process. Major measures were put in place in the area of trade - tariff reform, combating customs corruption; reforming business licensing process, financial sector regulatory reform, and continuous adoption of trade-related legislation compatible with European and international standards, including technical regulations in food safety and competition. A number of obligations, mainly under the EU-Georgia Partnership and Cooperation Agreement (PCA) and European Neighbourhood Policy, have made a significant practical contribution towards Georgia's closer integration into the global economy.

Georgia's customs policy is implemented by the sub-division at the Ministry of Finance - Customs Department on the basis of the Tax Code and other normative acts.

## Import tax

Import tax rates are 0%, 5% or 12% depending on the category of the product being imported.

Exemptions from import tax include (but are not limited to):

- import of goods to provide humanitarian aid or relief to victims of natural disasters
- import of equipment, transport vehicles, spare parts and materials used for oil and gas operations

import of infant foods or diabetic foods.

The following documentation is required for clearance of goods at border crossing point:

- transportation document
- purchase agreement document
- appropriate license/permit/certificate, if applicable.

## Trade regimes

Georgia has the following trade regimes:

- Free Trade Agreement – with CIS (Commonwealth of Independent States) countries of the former Soviet Union (since 1994) and with Turkey (since November 2008)
- Most Favoured Nation (MFN) regime – with member states of the World Trade Organization
- Generalized System of Preferences (GSP) – with the EU, USA, Canada, Japan, Switzerland and Norway
- GSP + with European Union from 2005 (covering over 7,200 types of products).
- Free Trade Agreement- with the Republic of China

## Licenses/permits

Georgia's legislation requires licenses or permits only for activities that are directly associated with hazard to human life or health, or an area of state or public interest. State regulation is applied when issuance of a license or permit is aimed at reducing the hazard or advancing of state or public interest. A license or permit issued by a foreign country may be recognized by an international treaty or law and be granted the same legal status as that of a license or permit issued under legislation of Georgia.

## Free industrial zone (FIZ)

To further liberalize the investment environment and attract more investments, the Law "On Free Industrial Zones" was adopted.

A free industrial zone is a territorial unit where the general entrepreneurial legislation does not apply, and the relationship between individuals and the state is regulated by legislation especially adopted for a particular zone. Tax obligations are generally minimized in these territorial units - there are no quotas, tariffs and other barriers. In a free industrial zone any produced or recycled goods fall under another country's customs regime only when they leave the territory of the free zone. In other cases, all economic wealth created in such a zone is free from any kind of taxation.

Main privileges of free industrial/economic zones are:

- billing amongst companies operating in the FIZ may take place in any currency – it means that an entrepreneur is safeguarded from any currency fluctuation risk
- rules for obtaining licenses and permits are simplified
- the CIT and VAT rates for FIZ status companies within in a free industrial zone are zero.
- import of foreign goods and any operation performed inside the zone are not taxed by value added tax.

## Virtual zone

A legal person that carries out business activities in IT field may apply for Virtual Zone status. The status of a Virtual Zone is a license (permit) to carry out business activities in a Virtual Zone.

Software products created by status holders are exempted from:

- a) Profit tax on product deliveries outside of Georgia
- b) VAT on product deliveries outside of Georgia
- c) Export tax for export leaving Georgian customs territory.



# Cargo transportation

Located at the crossroads of Europe and Central Asia, Georgia is a bridge connecting several important economic regions including the EU (population: 511.8 mln), Turkey (82.8 mln), CIS (282 mln), and within CIS - Caucasus region (17 mln). It is a key link in the shortest transit route between Western Europe and Central Asia for transportation of oil and gas, as well as cargo.

Geographic location and technical possibilities offer different ways of cargo transportation in Georgia, such as transportation by sea, air, rail or motor road.

## **Air transport infrastructure**

Georgian civil aviation infrastructure consists of 3 international airports in Tbilisi, Kutaisi and Batumi, and a number of local (non-military) airports.

Tbilisi International Airport performs regular flights to around 30 countries of Europe and Asia. There are national and number of foreign airlines connecting with Georgia, including Aeroflot, Air Arabia, Air Astana, Air Baltic, Atlas, Belavia, Fly Dubai, KLM, Lufthansa, Pegasus Airlines, Polish Airlines, Qatar Airways, S7 Airlines, Turkish Airlines, Ukraine International, Wizz Air, etc.

Air transportation infrastructure has developed and improved in recent years, including streamlining of cargo transportation procedures. For the purpose of implementing “Open Air” principle and developing free competition on market, relevant agreements are signed with the USA and the EU. Principal agreements are being negotiated with aviation authorities of other countries paving way to signing similar liberalization agreements.

## Railway infrastructure

Georgian Railway owns the country’s rail infrastructure. According to Railway Code, only Georgian Railway has the right to operate on Georgian rail infrastructures.

There are over 2,000 kilometres of railroads stretched throughout the entire territory of Georgia. Georgia is part of a transit passageway between Europe-Caucasus-Asia (TRACECA) and presents an alternative route for the strategic movement of goods from the Caspian region to Europe. The railway system allows for international shipments to Batumi, Poti and Kulevi (oil terminal in Western Georgia).

In 2017, total cargo shipped on Georgian railways amounted to 11 mln tons.

## Road transport infrastructure

Georgia’s roads have the following infrastructure:

- international roads – 1,600 km
- local roads – 5,300 km
- tunnels/galleries - 39 units, overall length – 16 km
- bridges - 1,600 units.

Road cargo transportation is regulated by permits set under the agreements of Georgia with other countries. Interchange of permits on



road passage is international common practice, giving companies the opportunity to transport cargo without additional payments. Georgia has over 20 such agreements with partner countries and is negotiating with some additional 10 countries.

## Sea transport infrastructure

Sea transport accounts for approximately 30% of total cargo transportation in Georgia. There are 2 ports currently functioning in Georgia: Poti and Batumi. Georgia's ports have rail ferry links with Ukraine, Romania, Russia and Bulgaria. Both ports are key links in the TRACECA trade route. Poti can carry 7 mln tons of dry cargo.

Batumi is both an oil terminal and a seaport. Batumi carried 4 mln tons of oil and oil products, 1 mln tons of dry cargo and 55 mln tons of TEU in 2015. The annual capacity of Batumi Port is 18 mln tons for oil and 2.3 mln tons for dry cargo.

## Electricity transmission

Electricity transmission network in Georgia comprises 500, 330, 220, 110, 35, 10 and 6 kV lines. The network's backbone is a 500 kV line, which transmits electricity from power plants in north-western Georgia (mainly Enguri HPP) to the east. There is also a reasonably well-developed 220 kV line system, which connects most HPPs to the grid.

High voltage transmission lines connect Georgia with Armenia, Azerbaijan, Russia and Turkey. Government anticipates construction of additional high-voltage transmission lines, as more generation capacity is built in the country, with a view to turning renewable energy into a significant export industry and a significant contributor to the improvement of current trade account balance.

There are currently two electricity transmission companies - Georgian State Electrosystem, which operates the 300, 220, and 110kV networks,

and some of the 35 kV lines, and Sakrusenergo, which owns the 500 kV line running across the country from West to East.

Export capacity to Turkey is about 700 GWh annually. Export capacities to other neighbouring countries are much higher, at 10 TWh for Russia, 2.2 TWh for Azerbaijan and 1 TWh for Armenia.



# Intellectual property

## Technical regulation system reform

As a priority for economic development Georgia has set the objective of removing barriers for Georgian products and services on the international market. Reform of the technical regulation is being implemented to allow for the following changes:

- removal of barriers in international trade
- improvement of investment environment
- protection of consumer interests
- introduction of Georgian products to international markets
- fulfilment of obligations taken before WTO – going from mandatory to voluntary standards
- elimination of corruption
- implementation of service transparency in technical regulation.

After completing the reform, Georgia will switch to a voluntary system of standardization and the state's regulatory role will be decreased, which is important for increasing entrepreneurial activity. Voluntary standardization gives businesses the opportunity to:

- choose an already registered standard for their activities
- take and register any foreign, international or regional standard for their activities in Georgia
- develop their own standards for new products; register them at the national agency and use them in their activities

- receive consultations for choosing and developing standards.

## Standardization/certification

To protect the health and security of consumers, Georgia publishes technical regulations and implements relevant procedures. The system of product and service certification and standardization is governed by the Law “On Product Safety” and Free Movement Code.

Under this law, National Agency of Standardization and Metrology (GeoSTM) is authorised for metrology and standardization services. Georgian standards are developed in harmony with WTO regulations. Adopted normative documents include: National Standard, International Standard, Regional Standard, Georgian Classificatory of Technical-Economic Information and the Standard of Entrepreneur.

## Intellectual property

Intellectual property rights are protected by the “National Intellectual Property Center” (Sakpatenti). Sakpatenti is responsible for conducting patent examination in the following areas:

- physics, electronics and electrical engineering
- mechanics
- mining, building and light industry
- organic chemistry, non-organic chemistry
- medicine and biotechnology
- agriculture and food industry
- industrial designs
- plant varieties and animal reeds.

Granting of patents and protection of intellectual property is regulated by the following laws on - Patent, Trademarks, Copyrights, Appellations of Origin and Geographical Indications of Goods, Topographies of

Integrated Circuits, Border Measures Related to Intellectual Property, and Design.

Advancement of a security system for national intellectual property is mostly based on international support that Sakpatenti receives, particularly through assistance from the World Intellectual Property Organization and the Patent Office of Europe. Sakpatenti also actively cooperates with the WTO, European Union and Patent Offices of other countries (having bilateral agreements with Intellectual Property Offices of over 10 countries).

Georgia is party to international conventions and agreements. In addition, Georgia has inter-governmental agreements in international property security sphere with over 10 countries.



# Advertising

## General regulation

Advertising is governed by the Law “On Advertising”, which sets up principles under which advertising is permitted.

The Law establishes that advertising announcements must be in Georgian. Text in a foreign language may be added, provided that it appears in equal or smaller fonts and both versions must be equally illuminated and readable. Placing advertisements is subject to the permit from the local self-government bodies. This restriction does not apply to programmes and publications disseminated in other languages, and to the inscriptions on the images of goods. In order to place the trademark (service) logo registered in another language, such inscription must be transliterated in Georgian language. The Law also provides protection of advertising copyrights.

## Restrictions and prohibitions

Georgian legislation includes certain restrictions and prohibitions on advertising:

- advertising should not require any special knowledge or technical means to be understood
- advertising all over Georgia is to be spread in the national language
- It is prohibited to advertise a product, production and sale of which is prohibited by law or requires a special permit (license) that has not been obtained.
- Under Article 35.3 of the Law of Georgia “On Cultural Heritage”- *“large-scale advertising signboards [...] may not be installed within the active visual perception space of buffer zones of cultural properties”*.

- Under the Article 18.10 of the Resolution of Tbilisi Municipality: *“the total area of the informative and/or advertising signboards, inscriptions, boards, billboards or related elements, which are installed in accordance with the rules of regulations on development and acting laws of Georgia, shall not exceed the 20% of the area of the front view and/or roof part of the place of installation of the non-residential area”.*

Advertisements of a product requiring certification are required to be accompanied with the word "certified". It is prohibited to produce and distribute improper advertising. Using a person's image or name without consent is prohibited. Advertising of medicine is subject to authorization by the Ministry of Labor, Health and Social Affairs. There are certain restrictions for advertisements violating moral norms, causing damage to the state, or are slanderous or otherwise offensive.

Advertising of alcohol and tobacco products is permitted, as long as it does not assert positive impact of these products on health. Restrictions are imposed on advertising of strong drinks and tobacco products in streets, squares, bridges and on transportation means.

## Where to advertise

### General provisions

Most common media for advertising are television, radio, internet and print media. There is also significant volume of advertisements on public transportation and billboards.

Outdoor and transport advertising is allowed by Georgian legislation. Distribution of advertising in cities, villages and in other administrative and territorial units is allowed through posters, stands, illuminated signs and other means of fixed placement. Advertising on transportation means requires a contract with transportation owner.

**Prices for advertising**

Prices are provided for information only. Advertising prices in print media varies between GEL 200 (USD 80) and GEL 1,500 (USD 600) per page, depending on placement, frequency and popularity of the publication. For broadcast advertising, both television and radio, prices vary by channel, programs and air time. Prime-time TV advertising may cost up to GEL 50,000 (USD 20,000) per month. Starting price for radio advertisements is approx. GEL 60 (USD 24) per run.





# Useful links

President of Georgia	<a href="http://www.president.gov.ge">www.president.gov.ge</a>
Parliament of Georgia	<a href="http://www.parliament.ge">www.parliament.ge</a>
Government of Georgia	<a href="http://www.government.gov.ge">www.government.gov.ge</a>
Ministry of Education and Science	<a href="http://www.mes.gov.ge">www.mes.gov.ge</a>
Ministry of Environment Protection and Agriculture	<a href="http://www.moe.gov.ge">www.moe.gov.ge</a>
Ministry of Economy and Sustainable Development	<a href="http://www.economy.gov.ge">www.economy.gov.ge</a>
Ministry of Finance	<a href="http://www.mof.gov.ge">www.mof.gov.ge</a>
Ministry of Culture and Sport	<a href="http://www.culture.gov.ge">www.culture.gov.ge</a>
Ministry of Justice	<a href="http://www.justice.gov.ge">www.justice.gov.ge</a>
Ministry of Foreign Affairs	<a href="http://www.mfa.gov.ge">www.mfa.gov.ge</a>
Ministry of Labour, Health and Social Affairs	<a href="http://www.moh.gov.ge">www.moh.gov.ge</a>
Ministry of Internal Affairs	<a href="http://www.police.ge">www.police.ge</a>
National Agency of Public Registry	<a href="http://www.napr.gov.ge">www.napr.gov.ge</a>
National Intellectual Property Center	<a href="http://www.sakpatenti.gov.ge">www.sakpatenti.gov.ge</a>
Enterprise Georgia	<a href="http://www.enterprisegeorgia.gov.ge">www.enterprisegeorgia.gov.ge</a>
National Statistics Office of Georgia	<a href="http://www.geostat.ge">www.geostat.ge</a>
National Bank of Georgia	<a href="http://www.nbg.gov.ge">www.nbg.gov.ge</a>
Tbilisi City Hall	<a href="http://www.tbilisi.gov.ge">www.tbilisi.gov.ge</a>
Association of Banks of Georgia	<a href="http://www.abg.org.ge">www.abg.org.ge</a>
American Chamber of Commerce	<a href="http://www.amcham.ge">www.amcham.ge</a>
French Chamber of Commerce and Industry	<a href="http://www.ccifg.ge">www.ccifg.ge</a>
International Chamber of Commerce	<a href="http://www.icc.ge">www.icc.ge</a>
Tbilisi International Airport	<a href="http://www.tbilisiairport.com">www.tbilisiairport.com</a>

# Fast Facts



## Focus on: Georgia

### Key figures



### Our services

- Assurance • Tax • Advisory
- Accounting outsourcing

"Grant Thornton is a dynamic team of professionals, a culture of collaboration and an environment of inspiration and innovation, where we work together with our clients, supporting them in realizing their growth ambitions, and growing with them."



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\*As at 30 September 2017

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## Focus on: Global



### 2017 global revenue by service line (million US\$)



\*percentage change compared to our 2016 results

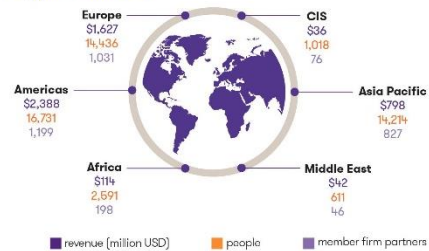
### Greater partner attention for clients

(member firm partner to people ratio)



Source: International Accounting Bulletin 2017

### Regional numbers



All data is correct as of September 2017

# Contacts

## Grant Thornton

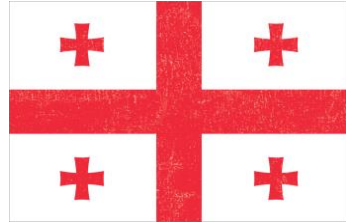
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*“Foreign investments are a significant contributor to Georgia’s economic development. Georgia has a liberal business legislation, scoring one of the highest positions worldwide for economic freedom index and ease of doing business”.*

**Vakhtang Tsabadze**  
**Managing partner**







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