Order №193/04 on Approval of Registration of Loan Issuers at the National Bank of Georgia, Annulment of Registration and Regulation Terms

On 27 September 2018, the National Bank of Georgia (NBG) issued a new order, which sets the rules for registering loan issuers. The Order enters in force from 01 January 2019. A person shall be deemed as loan issuer if more than 20 natural persons (including an individual entrepreneur) have obligation under loan/credit agreement before a person and shall be submit to NBG to obtain relevant registration.

- The following key rules apply to Loan Issuers:
  - Loan issuers may be set up as individual entrepreneur, LLC or JSC;
  - Operational and storage space of Loan issuers/its branch shall be equipped with alarm system;
  - Precious items shall be stored in a special fireproof safe, placed in a protected area under a video surveillance zone;
  - For registration, applicant shall not have debt to a person who is not a shareholder or financial institution.
  - From 1 January 2019 until 31 March 2019, persons who are obliged to registered as a loan issuer at the NBG, shall submit documents indicated in the order for registration.

Source: The Legislative Herald of Georgia, 12 November 2018

Draft of Organic Law on Labour Safety

Draft of organic law on Labour Safety was submitted to the Parliament of Georgia, pending 1st hearing. Under the organic law, the scope of the Labour Safety law is changing.

- According to the present draft, from 1 September 2019, the requirements of the labour safety law will apply to all areas of economic activities, including the Labour Code and the labour relations regulated by the Law of Georgia on Public Service. The
Draft of Law on Social Entrepreneurship

Draft of law on Social Entrepreneurship was submitted to the Parliament of Georgia, pending 1st hearing. The law covers the procedure for obtaining relevant status by social enterprises. The Law of Georgia on grants and the Tax Code of Georgia are to be amended as well. According to the law of Georgia on grants, funds transferred to a social enterprise, will be regarded as a grant, besides under the Tax Code of Georgia, the market value of the property provided free of charge to a social enterprise is not be included into the gross income.

- Social Enterprise is a legal entity which:
  - Has been created for promoting social equality, employing vulnerable groups, as well as achieving social goals in education, culture, health care, sport and environmental protection;
  - Is engaged in entrepreneurial activity and the majority of its revenues are earned from commercial activities;
  - Reinvests at least 70% of its profits in the activities of social purposes envisaged by the law;
  - Runs its activities in compliance with principles of democracy. Amendment of the charter or of its goals is permitted by at least 80% votes.
  - Is not directly or indirectly connected to or subordinated by the state or local self-government body.

- Social enterprise is:
  - A limited liability company, corporation (joint stock company) or cooperative if they are registered as social entrepreneurs.
  - Non-commercial legal entity registered in Georgia, which engages in entrepreneurial activity in the field specified by law. Therefore, non-commercial established by the state, local self-government body or public legal entity might not be registered as social entrepreneur.

- For registering as a social enterprise, LLC, corporation or cooperative are required to meet all of the following requirements:
  - The charter of a company shall clarify that the company chooses social goals over gaining and distributing profit. Therefore, there shall be exhaustively listed activities
from the field of social entrepreneurship;

- Maximum 30% of the income are subject to distribution;
- The decision-making process of the enterprise does not depend on the amount of shares or stock. Therefore, it shall be indicated that at least the majority of 80% of the vote will make a decision.

Source: The Parliament of Georgia, 12 November 2018

## Draft Amendments to law of Georgia on Payment System and Payment Services

The draft amendments to Law of Georgia on Payment System and Payment Services was submitted to the Parliament of Georgia, pending 1st hearing.

**Restrictions on Gambling Companies**

- According to the expected change, the Payment Service Provider may not enter into relationship with foreign gambling institutions to make payments in their favour.
- The payment service provider shall not allow payments in the Internet in favour of a foreign gambling company via using cards issued by the Payment Service Provider.

Source: The Parliament of Georgia, 12 November 2018

## Draft Amendment to the Law of Georgia on Advertising

The draft amendments to the Law of Georgia on Advertising was submitted to the Parliament of Georgia, pending 1st hearing.

**Restrictions on advertising Gambling and Gaming**

- According to expected changes, advertising of gambling and/or draw gaming by any means of media (television, internet, radio, print media, etc.) is prohibited unless sponsoring sports program/reportage. In case of sponsorship, the name and the trademark of the organizer shall be indicated along with the warning about the danger of gambling. The violation of the present requirements will be considered as administrative offense.
- It is prohibited to spread advertisement on gambling/gaming in premises designated for religious, educational, medical, sport and cultural activities, as well as outdoor advertising in 200 meters radius.

Source: The Parliament of Georgia, 12 November 2018
Drat Amendment to the Law of Georgia on the Legal Status of foreigners and stateless persons

The draft amendments to the Law of Georgia on the Legal Status of Foreigners and Stateless persons, was submitted to the Parliament of Georgia, pending 1st hearing.

**Amendment to work residence permit**

- According to draft of amendment, the Parliament of Georgia shall approve the list of jobs for which a work residency permit might be issue. Such permit shall be issued only if the employer was unable to find a citizen of Georgia with relevant qualification to hire for the particular job.

**Changes to permanent residence permit**

- The rule of issuing a permanent residence permit will be altered; in particular, the permit will no longer be issued solely for living in Georgia for 6 years. Basic knowledge of state language and investments amounted at least to 300 000 USD or owning minimum 200 000 USD worth real estate, are added as additional preconditions.

- The concept of short-term residence permit shall be abolished.

**Changes to investment residence permit**

- The rule of issuing an investment residence permit is also being altered, in particular, additionally to the investment amounted minimum 300 000 GEL, creation of at least 8 jobs for Georgian citizens will be added as a precondition. Moreover, an investment residence permit might be issued if a person purchases treasury securities worth minimum 400 000 USD and invests 100,000 USD.

*Source: The Parliament of Georgia, 12 November 2018*

Decision of the Court of Appeal

Kutaisi Court of Appeal tried and satisfied lawsuit of Guguli Shamilidze against Georgian Post.

- The Kutaisi Court of Appeal declared the decision of the Georgian Post to terminate labour agreement as void, established the fact of gender-based discrimination and granted the complaint with the compensation.

**Dismissal of employee due to gender-based discrimination**

- The Kutaisi Court of Appeal found that the employer's request to have “A” category driving license was of discriminative nature, since the employer requested such driving license solely from women employees, while male employees were not asked to provide such driving license. Therefore, if having “A” category driving license was necessary to improve services, it should have been requested from all couriers.

*Source: Georgian Trade Unions Confederation, 12 November 2018*
The Case against Georgia heard by the International Court of Arbitration (UNCITRAL)

In 2017 JSC KazTransGas submitted a case to the International Court of Arbitration (UNCITRAL) against Georgia and requested recognition of indirect expropriation and violation of fair and equal treatment and claimed for damages in the amount of 187 902 597 USD.

- In 2006, the claimant bought the company “Tbilgazi” for 12.5 million USD. According to the plan, until 2011, 82 million GEL was going to be invested in Tbilisi gas distribution network, electricity was going to be re-installed and gas loss - reduced from 68% to 10%. It was planned to start receiving profits since 2011, since 2015 - to start receiving an investment.

- Since 2009, Kazakhstan Company has lost control of “KazTransGas Tbilisi”. The reason for it was the debt amounted to 80 million GEL, which became the ground for the government of Georgia to manage the Company since 2010.

- The Company claimed there was a violation of the energy charter dated 1994, the provisions of the Agreement dated 1996 executed between Georgia and the Government of the Republic of Kazakhstan on promoting and protecting investments and the Law of Georgia on promoting investment activities and guarantees.

- Upon the decision of the Government of Georgia, the present case before the international arbitration ended with a settlement, which granted the Company with the compensation in the amount of 187 million USD.

Source: Business Media Georgia, 12 November 2018

Decisions of the Competition Agency of Georgia

The Competition Agency (Agency) has studied a claim of Dazga LLC against Solvey LLC on misleading practice.

- The Competition Agency has found that Solvey LLC, which is the owner of web-site under the domain დაზგა.გე (dazga.ge) has violated the law of Georgia on competition, as the web-site was misleading customers. The Agency ordered Solvey LLC to place the banner on web-site, which will state that site does not have connection with Dazga LLC and web-site dazga.ge.

Source: The Competition Agency of Georgia, 12 November 2018
Let’s talk
For a deeper discussion of how this issue might affect your business, please contact us at PwC Georgia

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PwC Georgia Tax Services includes tax advisory services, tax reviews and tax compliance, transfer pricing compliance, representation during tax disputes, tax structuring, double tax treaty advice, tax due diligence support, customs matters and others.

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