



Georgia

Deloitte Legal

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Georgian Legal News Refer to the Law

Amendments to Georgia's Law On Entrepreneurs

The Parliament of Georgia discusses a bill with amendments to the country's Law On Entrepreneurs, which was officially published on the website of The Georgian Herald on 13 August 2020. The current version of the Law has been in effect since 1994.

The bill envisages the transposition of the EU's Directives indicated in Annex XXVIII Corporate Law of the Association Agreement between the European Union and Georgia.

The proposed amendments will impact registration of enterprises, corporate documents, corporate and governance.

The bill introduces modern principles of corporate governance: the business judgement rule, which rules out breach of good faith, if members of a governing body could have reasonably assumed that they were acting for the interests of the enterprise and were making their decision on sufficient and reliable information.

The bill differentiates between the types of capital. For example, the statutory capital is a monetary amount, agreed between the shareholders and indicated in the articles of association. It is not mandatory for enterprises to have a statutory capital, except for corporations, for which the minimum amount will be EUR 25,000 in GEL. The bill also regulates capital contributions, changing the statutory capital, matters related to reserve capital, capital reduction, and material loss of capital.

The bill also introduces the definition of a business letter and lists its mandatory details; defines legal and electronic addresses and the rules of delivering messages to these addresses; and interprets the legal nature of relations between the director and the enterprise, based on court practice.

Court Practice

Decision of the Supreme Court of Georgia on Case №AS-221-213-2012

The Supreme Court of Georgia considered importance of good faith in one of its cases and ruled to the following effect: “According to Article 8.3 of the Civil Code, parties of a legal relationship must exercise their rights and duties in good faith [...] breach of trust and good faith will result in liability for the infringer.”

According to the interpretation of the Supreme Court, trust and good faith must be considered in line with the law. Pursuant to Article 3.2 of the Civil Code, ignorance or misunderstanding of the law cannot be an excuse for not abiding by it or release from the liability it provides for. Breach of trust can be penalised only if a person had legal grounds to expect that the other party would enter into a contract with such person.

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