

Tax and Legal Alert

Georgian legislation changes overview

June, 2019

Tax news:

A number of changes have been made to the Tax Code of Georgia, which will be published in July. For the part of changes the date of entry into force is defined as the date of publication and part of them shall enter into force on September 01, 2019 and September 01, 2020.

Detailed review of these changes will be made in our subsequent Tax&Legal newsletters.

Legal news:

On July 2, 2019 was published the Organic Law of Georgia on Agricultural Land Ownership that was adopted by the Parliament of Georgia on June 25, 2019 by the 3rd hearing.

The Law recognizes the land area of the state as the national wealth that has the special political, social, economic, environmental and cultural value for ensuring the performance of state objectives and realization of basic human rights. The law includes, that the agricultural land is exhaustive resource of special importance and it recognizes the principles of rational use of agricultural land, and through ensuring the public and private interests, it sets the principles for the ownership of agricultural land.

According to the paragraph 1 of Article 4 of the new law, the right to ownership on agricultural land may have:

a) state of Georgia, autonomous republic of Georgia, municipality of Georgia;

b) a legal entity of public law, in cases provided by the legislation of Georgia;

c) a citizen of Georgia;

d) a legal entity of private law (company) registered in Georgia, if the dominant partner of such company is one of the subjects as described above in subparagraph “a”-“c”.

e) In the ownership of associations/partnerships not registered as legal entities, if the majority of the members are subjects referred to in subparagraphs “a”-“d” of this paragraph and have a practical opportunity to have decisive impact on the decision of association/partnership.

The paragraph (d) of Article 3. gives the following definition of “dominant partner”:

“Dominant Partner – Partner or group of partners of a legal entity of private law registered in Georgia, which owns more than 50% of shares/stocks and/or represents majority of partners (General Partnership (GP) and Limited Partnership (LP)) or majority of founders/members (in case of Non-entrepreneurial (Non-commercial) Legal Entity) and simultaneously



has a practical opportunity to have decisive impact on the decision of a legal entity.” (Comments: the law currently does not provide any explanation/definition, what can be or cannot be treated as “practical opportunity”; it will be interested how this clause will work in the practice and actually implemented by registration of ownership.).

The paragraph 2 of Article 4 of this Law also envisages some limitations, in the framework of which it grants the possibility to the foreigners to have the agricultural land under ownership according to the following conditions:

- a) if foreigner received land as inheritance;
- b) a legal entity of private law (company) registered in Georgia whose dominant partner is foreigner and/or legal entity registered in foreign country, or whose dominant partner according to the

subparagraph (d) paragraph 1. of Article 4 as mentioned above cannot be identified - by the decision of the Government of Georgia on the basis of an investment plan.

The paragraph (e) of Article 3 gives the following definition of “investment plan”:

“e) Investment Plan – a document reflecting the use of an agricultural land, which envisages to make the investment for the purpose of production of agricultural products and/or other products, implement innovative activities, arrange touristic infrastructure, implement international projects and/or projects of state importance or other important projects, that will promote socio-economic development of the State, protection of national security, creation of new jobs.”

Source: <http://bit.ly/2S8fwKW>

Matters covered in this publication are intended for general overview and discussion. They are not intended, and shall not be used, as substitute to seeking professional advice for specific issues.

Contacts

In case you need additional information, our tax specialists will be happy to comment and clarify all possible matters on the amendments, as well as assist with their practical implementation in accounting system and tax assessment practices.

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