

Tax and Legal Alert

Overview of changes in Georgian Legislation
December, 2020



Legal news:

1. On December 3, 2020, the Government of Georgia issued a Resolution approving the State Program - Co-financing Mechanism to Promote the Restaurant Industry.

Due to the economic difficulties caused by the new Coronavirus (COVID-19) pandemic, the program aims to subsidize loans / agreed leasing projects between the entities of the restaurant industry and the commercial banks / leasing companies, considering the fact that such entities, due to the current situation have limited ability to operate and, consequently, their income has been reduced.

The program consists of two components: the loan co-financing component and the leasing project co-financing component.

Under the program, the beneficiary is entitled to use both components simultaneously and separately.

An appropriate agreement is concluded between the Agency and the Commercial Bank / Leasing Officer for the effective implementation of the program.

For the purposes of the program, the Agency is authorized to establish additional conditions for the co-financing mechanism for a commercial bank / leasing agreement with it.

The program is coordinated by the Ministry of Economy and Sustainable Development of Georgia, which also provides LEPL Enterprise Georgia, as an agency, to oversee the implementation of the activities defined by this program.

Source:

<https://matsne.gov.ge/ka/document/view/5045094?publication=0>

2. On December 16, 2020, the Order of the President of the National Bank of Georgia "On Approval of the Rule of Recognition of a Person as a Conscious Investor" was published.

The rule defines the list of persons who are considered as conscious investors, as well as the conditions for recognizing a person as a conscious investor.

The following legal entity or organizational entity without the status of a legal entity is considered to be a conscious investor:

- a) A financial institution (including a financial institution licensed / regulated by a foreign authority) and an international financial institution;
- b) A legal entity whose amount of equity calculated in accordance with International Financial Reporting Standards exceeds GEL 1 million;
- c) A state, autonomous republic or municipality body of Georgia or a foreign country, including a body authorized to manage public debt and the Central Bank;
- d) A person acting on behalf of or in favor of a pension scheme.

The following physical person is considered to be a conscious investor:

- a) a member (including a director) of the governing body of a financial institution, the head of the brokerage, trading and / or investment department, the deputy head and any employee of these departments, who has the authority to conclude transactions independently on behalf of such financial institution;
- b) A person provided with significant property. In particular, a person whose proven assets exceed GEL 3 million or the annual income of each year for the last 3 years exceeds GEL 200,000. In addition, when calculating the income of an individual entrepreneur, the costs related to his entrepreneurial activities should be taken into account.

An investor recognized as a securities market intermediary may be a person who can make an investment decision independently, assess the risks associated with investing in securities / financial instruments, and meet at least two of the following 3 criteria:

- a) During the last four quarters, the person must have made at least 10 transactions per quarter, the total value of which must be at least GEL 200,000;
- b) The value of the portfolio of securities and financial instruments of a person, which includes securities / financial instruments and bank deposits for the purposes of this subsection, shall be at least GEL 1 million;
- c) The person must have at least 1 year of experience working in the financial sector in a position that requires relevant knowledge of transactions / services related to financial instruments / securities.

The rules also define the responsibilities of securities market intermediaries and conscious investors.

Source:

<https://matsne.gov.ge/ka/document/view/5052147?publication=0>

Tax News

No significant amendments have been made in Georgian Tax Legislation in December.

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

In case you need additional information, our tax and legal experts will be happy to comment and clarify all possible matters on the amendments.

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