

## INITIATIVES AND LEGISLATIVE AMENDMENTS FOR PROMOTING BUSINESS ACTIVITIES IN GEORGIA

Mgaloblishvili Kipiani Dzidziguri (MKD) is full service law firm with local, national and international clients. We serve as a legal counsel to number of global corporations and major regional and local businesses handling nearly all key aspects of law and advising on various large investments in industry, banking, infrastructure, finance, energy, retail and other sectors of economy.

For more information regarding MKD and current developments, please visit our web-site at : [www.mkd.ge](http://www.mkd.ge)  
or contact our office manager by **phone**: +995 32 2553880/81/82  
or +995 32 2973380/81/82  
**fax**: +995 32 2973884

**address**: 71 Vazha-Pshavela Ave., floor 4<sup>th</sup>, office 24 (BCV)  
0186 Tbilisi, Georgia

## NEW RULES FOR GEORGIAN PHARMACEUTICAL MARKET

On 15 March 2019, the Government of Georgia has adopted the Decree N133 on Approval of the Program for State Control of Medicinal Products' Quality. The program is aimed for protection of the pharmaceutical market from counterfeit, defective, flawed, and expired pharmaceutical products as well as from the products that have not been granted marketing authorization in Georgia.

The intention of the Program is to identify the reproducibility of the methods of analysis and assess the compatibility of the samples purchased during random control of pharmaceutical products' sellers and the samples for granting marketing authorization for a pharmaceutical product in Georgia with the quality standards and specification requirements.

The abovementioned program will be effective until 31 December, 2019.

## **NEW REGULATION FOR THE PERSONS HOLDING THE STATUS OF A SPECIAL ENTERPRISE**

On 5 April 2019, the Government of Georgia issued the Decree N 184 on Approval of List of Objects Taxable with Excise and Rules of Calculation, Declaration and Payment of the Excise Tax for the Persons Holding the Status of a Special Enterprise. While importing goods, which shall be taxed with excise, from the occupied territories of Georgia, a Person Holding the Status of a Special Enterprise shall pay excise tax for purchasing the respective excise mark.

The excise should be paid at the time of purchase of the excise marks, except otherwise envisaged by Georgian legislation.

If the Person Holding the status of a Special Enterprise presents the guarantee from Georgian resident bank concerning tax payment obligation during the purchase of the excise marks, it is entitled to pay the excise tax for the goods imported from occupied territories of Georgia no later than 6 months after the purchase. The bank guarantee should exceed the payment due-date by 10 days at least.

## **AGRO INSURANCE PROGRAMME HAS BEEN APPROVED**

On 11 April 2019 the Government of Georgia adopted the Decree N188 on Approval of the Agro-insurance Program. This Program regulates the relations between an insurer, insured/beneficiary and NNLE – Agricultural Projects Managing Agency which arise in connection with the insurance of agricultural harvest (hail, flood, hurricane and autumn freezing).

The program must be conducted by the Agricultural Projects Management Agency. It aims to develop the agro-insurance market, support agricultural business, maintain the revenue of farmers and minimize the risks.

Document came into force on 12 April, 2019.

## **DECREE N163 OF THE GOVERNMENT OF GEORGIA ON APPROVAL OF STATE PROGRAM ON CREDIT GUARANTEE SCHEME**

The goal of the state program – Credit Guarantee Scheme (hereinafter the Program) is to improve access of the small and medium sized businesses, which lack the possibility to satisfy loan security requirements, to finances. The purpose of the change is to promote crediting of economy and ensure inclusive economic growth.

If the entrepreneur, who acquires loan from the commercial bank within the framework of this program, fails to fulfill the obligation, commercial bank will classify such loan as a bad loan and appropriate enforcement actions will take place in a manner determined in the agreement concluded between commercial bank and LEPL Produce in Georgia.

Credit guarantees will be issued only on loans in Georgian national currency - Lari. These guarantees will be effective for no more than 10 years.

## **THE NATIONAL BANK OF GEORGIA APPROVED CYBERSECURITY MANAGEMENT FRAMEWORK FOR COMMERCIAL BANKS**

In accordance with the Order №56/04 of the President of the National Bank of Georgia dated 22 March 2019 every commercial bank in Georgia is obliged to have a Cybersecurity Management Framework. Such framework must include the following components: identifying risks, protecting, detecting the threats, responding to them and recovering.

It is essential for commercial banks to make cyber security self-assessment analysis annually. Moreover, commercial banks shall conduct a separate audit for every component of a Cybersecurity Management Framework. The information system audit should also cover the risks of confidentiality, integrity and availability.

The new rules became effective on 1 April, 2019.

## **THE NATIONAL BANK OF GEORGIA APPROVED NEW INSTRUCTION FOR COMMERCIAL BANKS**

According to the Order N74/04 of the President of the National Bank of Georgia, Instruction on the Requirements for the Pricing Models of Commercial Banks has been approved. The instruction mainly focuses on the general principles of pricing for bank products and criteria for determining such principles for the purposes of adequate assessment and monitoring of pricing-related risks.

All commercial banks and branches of foreign banks operating in Georgia shall observe the rules prescribed by this Instruction.

The Instruction stipulates that the risks and costs that exist for the whole life of a product shall be adequately assessed by the bank during the pricing process.

For the purposes of determining adequate price, banks shall evaluate each element of the revenues, expenses and risks, including: cost of capital, etc.

The instruction entered into force on 30 April, 2019.

## **THE NATIONAL BANK OF GEORGIA APPROVED THE REGULATION ON NET STABLE FUNDING RATIO (NSFR)**

On 22 April, 2019 the Regulation on Net Stable Funding Ratio (NSFR) was approved by the order N71/04 of the President of the National Bank of Georgia. The regulation defines NSFR, which aims to support funding structure of the assets and outbalance transactions of commercial banks. The stable funding structure reduces the risk of insolvency for a commercial bank.

The NSFR is defined as the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). The ratio must equal or exceed 100%.

The National Bank of Georgia is entitled to set the ratio limits in terms of certain currencies for specific commercial banks on an individual basis.

The aforementioned order will come into effect on 1 September, 2019.



## **TBILISI LAND USE MASTER PLAN HAS BEEN APPROVED**

On 15 March, 2019, Tbilisi City Assembly adopted the Resolution N39-18 and approved Tbilisi Land Use Master Plan, which defines general parameters for residential land use and development. The Master Plan also indicates territorial and structural terms for provision of urban amenities, protecting environment and cultural heritage sites. Matters related to engineering, transport and social infrastructure are also covered by the Plan.

Master Plan came into effect on 20 March, 2019.

## **NEW REGULATIONS ABOUT ALCOHOLIC BEVERAGES**

On 15 March, 2019, the Decree N137 on Approval of the Technical Regulations for Determining General Rule for Production of Alcoholic Beverages of Grape Origin and Defining Permitted Procedure, Methods and Substances was adopted by the Government of Georgia.

The abovementioned regulations define requirements for production, description, presentation and labeling of alcoholic drinks and indicate the terms for putting alcoholic beverages of grape origin on market or exporting/importing them.

The compliance with this regulation is checked by the LEPL National Food Agency, LEPL Revenue Service and the wine producing company itself.  
The resolution entered into force on 1 April 2019.

## **GEORGIA'S SOVEREIGN CREDIT RATING HAS BEEN IMPROVED**

On 13 April, international rating company Standard & Poor's revised Georgia's outlook from stable to positive. S&P affirmed the sovereign credit rating of Georgia at BB-.

This improvement is primarily due to Georgia's economic and external performance and Georgia's continued compliance with the conditions of ongoing IMF program.

As stated in the S&P report, Georgia has maintained the sustainable development of economy in 2018.

## **DOUBLE TAXATION AVOIDANCE DEAL BETWEEN GEORGIA AND SAUDI ARABIA BECOMES EFFECTIVE**

Georgia and the Kingdom of Saudi Arabia have concluded an Agreement for the Avoidance of Double Taxation with respect to Taxes on Income and on Capital and the Prevention of Tax Evasion.

Agreement came into effect on 2019 April 1.



This Newsletter contained herein is of general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advise after a thorough examination of the particular situation.



## **FOR FURTHER INFORMATION PLEASE CONTACT:**

### **Victor Kipiani**

Partner

Email: [vkipiani@mkd.ge](mailto:vkipiani@mkd.ge)

Tel.: +995 32 255 38 80

### **David Archvadze**

Lawyer

Email: [darchvadze@mkd.ge](mailto:darchvadze@mkd.ge)

Tel.: +995 32 255 38 80