BLC

Law Office

Please apply for the professional advice prior to relying on the information given in this Newsletter.
BLC and its team shall be ready and pleased to provide any information, legal advice and specific recommendations regarding the subject matters covered by this issue of the Newsletter.

ACCUMULATIVE PENSION SYSTEM – HOW DOES IT WORK?

On July 2018 the Parliament of Georgia adopted the Law on Accumulative Pension. In brief, the new law introduces allegedly modern approach of accumulative pension funds sourced through the contributions made by the employee, the employer and the State to supplement the existing social pension package. According to the new pension scheme, employees will pay two per cent of their monthly gross salaries towards their pension, while employers and the government will add another two per cent each. Self-employed citizens will pay 4% of their annual income. Notably, if an employee's annual gross salary exceeds GEL 24,000, then the government pays 2% in case of income up to GEL 24,000 and 1%, if the income ranges from GEL 24,000 to 60,000. No contribution is made by the State to the benefit of the employees having annual gross salary in excess of GEL 60,000. Funds paid to the accumulative pension fund are exempt from personal income tax. The funds so accumulated will be managed and invested by the State Pension Agency or an asset management company to be contracted by the agency to ensure reasonable returns on such funds through investment in financial and non-financial instruments.

The new system will be launched from 1 January, 2019 and will be mandatory for legally employed persons under the age of 40, meaning that they will be enrolled automatically. System will be voluntary for persons above 40, as well as for self-employed citizens. The funds accumulated on an individual pension account may be received upon retirement as (i) a lump sum, provided that the participant joined the pension system at least 5 years prior to retirement, (ii) monthly payments allotted proportionally to the statistical life expectancy, or (iii) insured permanent pension payments from acquired annuity insurance product.

AMENDMENTS TO THE CIVIL CODE TACKLING ABUNDANCE OF LOANS

On 21 July 2018, the game-changing amendments to the Civil Code of Georgia entered into force tackling the problem of abundance of loans among individual lenders. Loans issued to natural persons by individual lenders or entities not supervised by the National Bank of Georgia may no longer be secured with immovable property (other than loans issued in exchange for the right to use the property) or vehicles. Repeated breach of such restriction envisages a chilly sanction of GEL 10 000 per occurrence. Where security for the loans issued to individuals is allowed, foreclosure of the security shall be considered to have fully satisfied the claim of the lender, irrespective of the amount actually recovered by the lender through such foreclosure. Further, any secured loan shall be issued to an individual borrower through wire transfer to its bank account. Moreover, the effective annual interest rate ceiling on loans decreased from 100% to 50%. Permitted penalties for the default have been scrupulously regulated.

The amendments are part of the reform launched by the new Prime Minister Mamuka Bakhtadze. It aims to fight the predatory lending and the easy access to debts for the individuals with low financial awareness and inadequate evaluation of their capabilities.

LABOR SAFETY LAW HAS BECOME FULLY FUNCTIONAL

As already covered in the May 2018 issue of our Newsletter, Georgia has a new Law on Safety of Labor aiming to integrate the European standards in Georgian reality and sanction the violation of basic safety standards at workplace. The law has been on standby until the adoption of the list of hazardous activities and the jobs with increased danger on 27 July 2018. The list includes such activities as construction, mining, metallurgy, energy, oil and gas, chemical industry and alike. The employers engaged in the listed activities, shall, among other obligations, undergo mandatory registration at the Registry of Economic Activities, perform training of the employees on the rules of compliance with basic safety standards, provide them with health insurance packages, maintain qualified work safety specialists to monitor and control compliance with the safety standards at the workplace and report the casualties to the regulator. Obligation to provide insurance to the employees shall become effective from January 2019. On 27 July 2018 the Government adopted the rules and procedures for selective control of compliance with the Law on Safety of Labor. Violation of the Law is sanctioned with warning, suspension of works and/or penalties up to GEL 50 000.

IMPLEMENTING LEGISLATION FOR PPP LAW FINALLY ADOPTED

With a delay of more than two months, the Government of Georgia has finally adopted the implementing legislation on public and private partnership (PPP) to give effect to underlying PPP Law of May 2018. Enacted from July 2018, the PPP Law was inoperative pending the adoption of relevant sub-normative acts. For the purposes of establishing complete regulatory basis for PPP, the rules for adoption and performance of PPP projects was adopted on 17 August 2018. This was followed by the adoption of the regulations on resolving disputes arising out of the investor selection stage of PPP project on 24 August 2018, whereas the statute of the responsible PPP Agency was approved on 5 September 2018. That being said, allegedly modern PPP legislative framework is finally in place to, hopefully, boost the public private cooperation in Georgia.

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