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#### **EXCEPTIONS TO THE "LARISATION POLICY"**

Effective from 1 July 2017, new regulations adopted in light of the Government's "Larisation policy", obligate entrepreneurs to denominate the price in Georgian Lari when offering or advertising goods or services. Recent Order #93/04 of the President of the National Bank of Georgia established several exceptions from the above rule. Carve-out mainly captured goods and services largely dependent on foreign currency, such as, for instance, airplane tickets, hotel services, gambling, international carriage of goods, trade in free trade areas and free industrial zones, roaming services, foreign reinsurance, etc. Most importantly, Administrative Offences Code of Georgia was amended to set a penalty for violation of the above restrictions. Namely, in the event of first violation, the perpetrator will be given a warning, whereas repeated violation is penalized by GEL 1000 and each subsequent violation - by GEL 5000.

#### **AMENDMENTS TO INSOLVENCY LEGISLATION**

On 4 May 2017, amendments were introduced to the Law of Georgia on Insolvency. Pursuant to the new amendments, creditors are entitled to either request voidance of transactions made prior to commencement of insolvency proceedings and causing damage to the creditors or claim compensation of damages, whereas previous edition of the law did not provide for the latter option. The so-called clawback-period was increased to cover 1 year preceding commencement of insolvency instead of 6 months. However, if the transferee is a related party to the debtor, the clawback-period shall now capture past 2 years, instead of 1 year.

#### **ONGOING LAND REFORM – IS IT LIMITED TO AGRICULTURAL LAND ONLY?**

Widely debated bill of amendments to the Constitution of Georgia was recently approved on the second hearing by the Parliament of Georgia. The latest version of the bill declares that the land can be owned only by State, self-governing authority, citizen of Georgia or union of citizens of Georgia. The same bill states that exceptions from this general rule may be prescribed only under the organic law of Georgia. We note that unlike previous version of the bill, the latest edition is no longer limited to agricultural land

only but rather makes reference to any land in general, irrespective of its purpose. The bill of organic law is hopefully underway to provide some clarity on the State policy concerning lands.

As for the agricultural land, current bill of amendments to the Law of Georgia on Agricultural Land Ownership provides that foreign individuals may own agricultural land only in case if they hold permanent residence permit or investment residence permit of Georgia, or receive the land through inheritance or marriage. Legal entity, on the other hand, may own agricultural land only if such entity is established under the Georgian law. However, if such Georgian entity has more than 50% of foreign participation, it may own the agricultural land only if additional requirements are satisfied [company possessed the land for continued past 5 years, paid applicable taxes and provides for the investment plan and proof of investment to the Government].

Please note that until the enactment of the amendments to the Constitution of Georgia, the Government has suspended transfers of agricultural lands to foreign individuals or entities, or local entities with foreign participation. Stay tuned to hear more updates on the ongoing land reform.

#### **RECENT SUCCESS STORIES OF BLC TEAM**

BLC is proud to announce another victory in the largest tax dispute in the history of Georgia. We acted as legal counsels for the Georgia's top producer and exporter of ferroalloys - Georgian Manganese LLC in respect of unprecedented tax imposition of circa GEL 200 million. Following unsuccessful outcome at the first instance court, the company appealed the case to Kutaisi Court of Appeals. The appellate court ruled that taxes were imposed without thorough study of merits of the case by the tax authority, ignoring important circumstances and evidences present in the case, which entailed material breach of statutory provisions of Georgian law. As a result, the court held that the case was not sufficiently prepared, overruled decision of the first-instance court and returned the case to the tax authority for recalculation of the tax charges.

Besides, BLC has successfully completed litigation in the court of first instance in the first ever competition dispute against Competition Agency. BLC acted as legal counsels for Sun Petroleum Georgia LLC (Gulf) in relation to appeal against imposition of multimillion GEL fines on the company for alleged violation of competition legislation. The Tbilisi City Court established that the Competition Agency did not sufficiently investigate relevant market, omitted to analyze key economic factors and that there was no evidence of violation of the competition legislation by Sun Petroleum Georgia LLC. In light of the foregoing, the court set aside the imposition and returned the case to the Competition Agency.

#### **For more information and advise please contact us:**

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