

LEGISLATIVE INNOVATIONS RELATED TO RESTRICTING BUSINESS ACTIVITIES ON THE OCCUPIED TERRITORIES

On October 23, 2008 the Parliament of Georgia adopted the Law of Georgia on Occupied Territories, which determines an extraordinary regime for conducting of business activities on the occupied territories. In accordance with the aforementioned Law, the following economic activities have been prohibited on the occupied territories: any economic activity (commercial or non-commercial), whether aimed at receiving of profit, income or compensation or an applicable license/ permit, authorization or registration or an agreement if such is required according to Georgian legislation; import and/or export of military goods or of dual purpose goods; international air, sea and railway communication, also international road transportation carriage; using the state resources; organizing the transfer of money; financing the activities restricted by the discussed law. However, according to the mentioned law, the Government of Georgia may authorize any entity by virtue of a special permit to execute their activities on the occupied territories; correspondingly, the Government of Georgia has adopted the respective regulation on granting of the aforementioned permits on November 12, 2008.

BANKING SECTOR

Order No.95 issued on 10.04.01 by the President of the National Bank of Georgia on Approving of the Rules for Regulating and Supervising the Commercial Banks and Order No.237 of 17.09.02 on Approving of the Requirements for Capital Adequacy of Commercial Banks have been annulled because the regulatory functions related to the aforementioned regulatory acts have been transferred to the Financial Supervision Agency of Georgia. The latter has adopted respective regulatory acts as well as several amendments thereto. Pursuant to the amendments, the foreign exchange risk weighted assets correspond to 75% risk categories and foreign exchange risk ratio is 0.75. Besides, the dispute resolution system has been changed. Commercial banks are entitled to appeal the decision of the Agency with the Agency Board or/and the court.

CHANGES AFFECTING THE REGISTRATION PROCESS OF REGISTEERED PLEDGE ON VEHICLES

On October 1, 2008 the Civil Code of Georgia has been amended. The amendment concerns the procedure for registering of pledge over mechanical transport vehicle. The signatures of the parties to the respective transaction need not to be certified provided that (a) the agreement is signed in presence of the authorized person and (b) if an agreement on using of the electronic document-circulation system has been concluded between the pledgee and the Service Agency of the Ministry of Internal Affairs.

PROPERTY SECTOR

In October 2008 the Law of Georgia on Recognizing the Ownership Title over the Land Plots Possessed (Used) by Natural Persons and Commercial Enterprises has been amended. Combining the concepts of good-faith possession and good-faith usage and establishing identical legal regime for them, these long-awaited amendments simplify the process of recognizing the ownership title. The changes also concerned the authorized agencies: the representative body of the self-government is authorized to establish the property rights on willful possession while the Public Registry Agency is entitled to register the ownership title in case of good-faith possession (usage). The fees for recognizing the ownership title have also been amended; the aforementioned procedure shall be completely free for natural persons while for commercial enterprises it shall amount to five times of annual rates of respective property tax established by the Tax Code of Georgia.

DEREGULATION OF THE ELECTRIC STATIONS

In accordance with Order No. 92 issued by the Minister of Energy of Georgia all electric stations constructed after the 1st of August, 2008 shall be declared deregulated.

TAX SECTOR

The Ministry of Finance of Georgia has amended the rules for registration as a V.A.T. payer. Amongst other aspects, under these amendments the person shall be considered as a V.A.T. payer from the next day of presenting the registration application (the authorized official/organ is obliged to issue the certificate of registration not later than the next working day). If a person was obliged to register as a V.A.T payer and failed to do so, the Tax Inspection shall be entitled to independently register this entity and issue the corresponding registration certificate. In such case the entity shall be deemed registered from the moment it had the obligation to register.