

Civil Code

On June 29, 2007, extensive amendments were adopted to the Civil Code of Georgia. Whereas previously the Civil Code did not allow direct transfer of mortgaged or pledged property (i.e. collateral) to the creditor and envisaged the realization of mortgaged or pledged assets as the only manner for satisfaction of its claim, by virtue of the amendments, the creditor may directly seize the mortgaged or pledged property, provided that the mortgage was registered with the Public Registry and that the possibility of direct seizure was envisaged in the mortgage contract.

The amendments further introduce a “pledge certificate”. The pledge certificate is in essence a document confirming existence of a pledge; however, it constitutes a security and can be mortgaged in accordance with the procedures applicable to mortgage of the securities.

It is notable that the legislators have finally added clarity regarding the order of priority of the pledges. – Such order of priority shall be determined according to registration dates of the applications for registration of pledges.

Among other important novelties is allowing payment of interest on interest.

On July 11, 2007, the Parliament adopted amendments to the Civil Code of Georgia. The amendments abolish almost all provisions of Chapter Four of the Civil Code, which governed the relationship between the owners of apartments in multi-apartment buildings. The amendments iterate the notion that a written agreement as well as its registration with the Public Registry is necessary for effecting of the purchase of an apartment in multi-apartment buildings.

Entrepreneurial Activities

On July 11, 2007 the Parliament amended the Law of Georgia on Entrepreneurs. The amendments introduce the right of a shareholder holding over 95% of the shares of a Joint Stock Company to redeem the shares of other shareholders. Thus, the other shareholders shall be obliged to sell their shares if the majority shareholder decides to redeem their shares. However, such right may not be exercised per se. Redemption may take place only on the basis of a court decision. Such issues as the date and price of the redemption are also determined by the court.

Banking Sector

On June 11, 2007 the Council of the National Bank of Georgia (NBG) adopted amendments to the Resolution # 12 of the Council of the National Bank of Georgia “on Calculation and Observation of the Minimal Reserve Requirements”. Among other, the amendments provide that the calculation and observation of the minimal reserve requirements in the national currency shall be carried out in whole GEL (excluding Tetris). The amounts less than fifty Tetris shall not be taken into account and the amounts equal to fifty Tetris or more shall be rounded up to one GEL. The same rules are envisaged for calculation and observation of the minimal reserve requirements in USD.

Energy Sector

On June 5, 2006, the Parliament adopted amendments to the Law of Georgia on Independent National Regulatory Bodies. By virtue of these amendments the State Oil and Gas Resources Regulating Agency was abolished. Respective amendments were adopted to the Law of Georgia on Oil and Gas. Pursuant to the amendments, the Agency shall be reorganized from an independent regulatory body into the subdivision of the Ministry of Energy - the Oil and Gas National Agency until September 1, 2007. The purpose of the new agency is to regulate the oil and gas operations in Georgia as well as the oil and gas refining and transportation activities. Its functions shall include issuing of the General License for Exploitation of Oil and Gas Resources and of the License for Oil Refining, Gas Refining, Transportation of Oil, and Transportation of Gas. The normative acts issued by the State Oil and Gas Resources Regulating Agency shall remain in force, except for the normative acts concerning the regulation fee.

Real Property

On July 11, 2007 the Law of Georgia on the Price and Compensation for Allocation of Agricultural Land for Non-Agricultural Purposes was amended. The mentioned law mainly regulates the procedures as well as the amount of compensation for changing of the status of the land from agricultural to non-agricultural. According to the amendments, the following type of land plots are subject to change of status: (a) agricultural land plots located within the boundaries of recreational territories; (b) agricultural land plots located within the administrative boundaries of Tbilisi and Batumi; (c) other agricultural land plots. Whereas the change of status for land plots (a) and (b) is subject to payment of a compensation amount, payment of such compensation is not required of lands plots (c). The amount of compensation constitutes 100,000 GEL per hectare for land plots (a) and 34,001 GEL per hectare for land plots (b). In addition to the said compensation, the owners of the land plots are entitled to reimbursement of the damages incurred as the result of usage of agricultural land. The aforementioned also applies to the owners of land plots (c). The amount of such reimbursement per each hectare of land is defined individually for each municipality.

Tax

On September 11, 2007 the Ministry of Finance of Georgia issued Order #1047 on Approval of the Instructions “On the Taxation of the Payments at Source and Social Tax Declaration Form”. The order introduces the new monthly declaration form for social and withholding taxes related to works and services rendered by employees and contracted persons, as well as the official form of the annual informative note to be submitted by employers to the tax authorities within 30 days after the fiscal year-end.

On 1 October 2007 the Revenue Service of the Ministry of Finance of Georgia took a major step towards improvement and simplification of the tax-payment process and launched an internet based tax filing service for VAT payers registered with the large taxpayers’ inspection. Though not yet available to all taxpayers nationwide it is eventually intended to become accessible by all relevant tax-payers in Georgia. The taxpayers are required to apply and execute a contract with the Revenue Service in order to gain access to this tax e-filing service.