

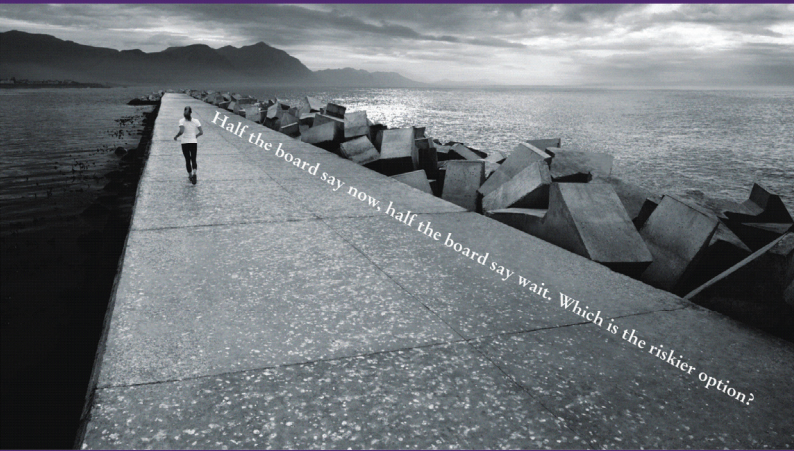


Doing business in Georgia

Commercial guide for investors 2011



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Foreword

Georgia is one of the oldest countries in the world. It has a great tradition of state organizing, political and cultural life. Because of its geographical location, historically Georgia was always attractive for foreign traders. During the centuries, Georgia was crossed by a transit road between Europe and Asia that played major role for development of economic and trade relationships. In the 2nd century B.C. this road was used for importing Chinese silk to Europe, for what Georgia was included in the Silk Road.

After dissolution of Soviet Union and declaration of independence, Georgian economy has undergone major transformations. Remaking from planned economy to market-driven economic model was a challenging task, and Georgia has had made its choice and began moving towards “open market.”

Economic development is made possible with attracting of foreign investments and persistent improvement of the investment environment. Georgia currently has one of the most liberal entrepreneurial legislations in the region. The revised tax code has entered into force on January 1, 2011 to further address matters in the fiscal and tax system.

According to 2010 Index of Economic Freedom, Georgia's economic freedom score is 70.4 that make its economy the 26th freest in the 2010 Index. Its overall score is 0.6 point higher than last year due to improvements in trade freedom, property rights, and freedom from corruption.

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Georgia ranks 14th out of 43 countries in Europe, its overall score exceeds the world average. With impressive progress toward greater economic freedom, for the first time, Georgia has achieved the status of “mostly free.” This is particularly supported by high ratings in business freedom, trade freedom, fiscal freedom, and labour freedom. With its strong commitment to economic reform, Georgia has revitalized its historic tradition of entrepreneurship.

The overall freedom to conduct a business is relatively well protected under Georgia’s regulatory environment. Starting a business takes an average of 3 days, compared to the world average of 35 days. Obtaining a business license requires less than the world average of 18 procedures and 218 days. Closing of business is also relatively simple.

Commercial Guide for Investors in Georgia has been prepared to assist foreign investors in proving general idea about Georgia, its economic conditions and other information that will be helpful for their operations in Georgia. The Guide presents information on investment regulation, forms of entrepreneurship, corporate, tax and custom legislation, labour code, peculiarities of conducting business in Georgia.

When one proposes to invest in Georgia, we should first answer the main question that investors ask - “Why should I invest in Georgia?” We hope this Guide will help find answer to this and many other related questions.

Sincerely yours,

Daniel Hilaire
Managing Partner

Grant Thornton Georgia

General information about Georgia

Geographical data

Georgia is mostly located in the Southern Caucasus, while a portion of the territory lies in the North Caucasus. It occupies 69,700 sq km and borders with four countries – Russia in the North, Turkey in the South-West, Armenia in the South and Azerbaijan in the South-East.

Georgia is an amazing cluster of cultures, religions, fascinating landscapes and ancient history. It is a country where everyone can find something to his liking - from snowy peaks to subtropical shores, from deserts to lush forests, from cities to enchanting villages.

The capital of Georgia is Tbilisi (with a population of approximately 1.1 million). Other large cities include Telavi, Rustavi, Kutaisi, Batumi, Poti and Sokhumi.

Demographic data

Georgia is a multinational country. According to official statistics the population is 4.4 million, from which 71% are Georgians, 9% - Russians, 7% - Armenians, 6% - Azeri and others – 7% mostly Ossetians, Greeks, Abkhazians, Ukrainians, Jews, and other ethnic groups. 56% of population is urban.

Georgia is a country where representatives of different religions live in concord. In an old historical district of

Tbilisi there is a unique square, where 4 different places of worship are situated side by side. Orthodox Christians make up about 84% of population, 10% are Muslims, about 4% Armenian Apostolic Christians and 2% are others.

Political system

Georgia declared its independence on 9 April 1991 and in 1995 adopted its Constitution. Under the Constitution, Georgia set Presidential state model, where the authority is exercised on the basis of the principle of “Separation of Powers” among Legislative, Executive and Judicial branches.

The head of Georgia is President, elected by direct elections for a five-year term, limited to two terms. President of Georgia is the highest representative of country in foreign relations. Latest presidential elections took place in January 2008, where incumbent President Mikheil Saakashvili was re-elected for second term.

Legislative powers are exercised by the Parliament, which is the supreme representative body. Parliament determines principle directions of domestic and foreign policy, exercises control over activity of the Government within the framework determined by the Constitution. Parliament is elected for a four-year term and consists of 150 members – via mixed single seat constituencies (majoritar) and proportional seats (party lists).

Functions of executive branch are exercised by Government, which is accountable for its activities before the President and the Parliament. In 2004 Constitution was amended establishing the position of Prime-Minister. Prime-Minister is nominated by the President and is appointed by

the Parliament. Prime-Minster leads Government's activities, also coordinates and controls ministries and other state agencies and organizations.

Judicial authority is exercised by Common Court System, which consists of three levels of courts: regional (city) courts, appellate courts and Supreme Court of Georgia. Constitutional Court of Georgia is not part of Common Court System, and is an independent institution and exercises the function of constitutional control.

Georgia has established diplomatic relations with 71 countries. It is a member of various international organizations, such as: United Nations (since 1992), the World Bank Group (from 1992), International Monetary Fund (since 1992), Black Sea Economic Cooperation Area (BSECA), Commonwealth of Independent States (seceded in 2009), International Development Association (since 1993), European Bank for Reconstruction and Development (from 1994), Council of Europe (since 1999) and World Trade Organization (since 2000). Georgia also cooperates with NATO (NATO-Georgia Commission from 2008 and participation in NATO's Partnership for Peace Program) and with European Union (Neighbourhood Policy Program).

Economic situation

In the last two years various factors have negatively affected on the economic development of Georgia, especially the world's global economic downturn and military conflict in 2008. Georgia has however improved the situation and continued to develop and improve its economy by increasing GDP by approximately 8% from 2009 to 2010.

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Government's main economic strategy is improvement of the investment environment, development of small and medium sized enterprises (SMEs) and minimization/removal of barriers for business operations. For that purpose entrepreneurial legislation is under permanent modification, continues to simplify procedures for business establishment – by abolishing the minimal founding capital and other formalities. Registration of business is possible in one day. According to official data, in 2009 approximately 308,000 enterprises were registered in Georgia. This indicates significant business activity. In addition, state privatization policy contributes to increased foreign and local investments and larger role of the private sector in the national economy.

Key figures and data about Georgia (2010)

Currency domination	Georgian Lari (GEL)
1 Euro (average exchange rate)	2.36 GEL
1 USD (average exchange rate)	1.78 GEL
1 USD (average exchange rate)	1.78 GEL
GDP	11,663 million USD; 20,791 million GEL
GDP per capita	2,629 USD; 4,687 GEL
Key fields of activity in GDP	Manufacturing: 1,782 million GEL Agriculture: 1,518 million GEL Health and Social Services: 1,200 million GEL Public Administration: 2,343 million GEL Construction: 1,139 million GEL Transport: 1,429 million GEL Wholesale/Retail Trade: 3,006 million GEL

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External trade turnover	6,679 million.USD (21.4% increase over 2009 and 16% decrease over 2008)
Export	1,584 million USD
Import	5,095 million USD
Main trade partners	
Export countries:	Azerbaijan, Turkey, USA, Armenia, Ukraine, Canada, Bulgaria.
Import countries:	Turkey, Ukraine, Azerbaijan, China, Germany, Russia, USA, and UAE
Inflation	11.2%
Average monthly nominal wages	610 GEL
Unemployment rate	16.8% (est.) (www.imf.org)
Average longevity	77 years (www.cia.gov)
Number of tourists in Georgia	2,032,586 (www.gnta.ge)
Source: www.geostat.ge unless indicated otherwise	

Legal regulation of foreign investments

Legal framework

Georgia is open to foreign investment and welcomes new investors. The country develops a regulatory framework intended to foster competition. Legislation governing foreign investment establishes favourable conditions, but not preferential treatment, for foreign investors. In conducting the investment and entrepreneurial activity, a foreign investor enjoys the same rights and guarantees that are granted to Georgian natural persons and legal entities. Legal basis both for foreign and local investments and guarantees of their protection are ensured by different normative acts, such as Constitution of Georgia, International Treaties and two special laws “on Promotion and Guarantees of Investment Activity” (adopted in 1996) and “On State Support of Investments” (adopted in 2006).

State support of investments is provided through the Georgian National Investment Agency (GNIA), which is in charge for facilitation of investment process. GNIA assists investors in obtaining required **licenses** and permits, and, upon signing appropriate agreement with the investor, may act as investor’s representative at other governmental agencies during the licensing and permitting procedures.

Legal status of investors



Under the Georgian law an investor is deemed to be a natural person or legal entity as well as an international organization investing in Georgia. The law also defines the concept of foreign investor, such can be: a) a foreign citizen;

b) a stateless person not residing in Georgia; c) a Georgian citizen permanently residing abroad; d) a legal entity registered outside Georgia. An enterprise with a foreign investment of at least 25% as well enjoys the same rights as the foreign investor.

Investments may be carried out in various sectors, however there are certain restricted sectors provided by law, for example: prohibition of investment in manufacture and distribution of nuclear, biological and chemical weapons as well as building of testing ranges, implementation of scientific-research work related to cloning of a human, producing of narcotics and other activities prohibited by Georgia's international agreements) where investments can be realized only on the basis of appropriate special permit or license. The Law on Promotion and Guarantees of Investment Activity protects foreign investors from subsequent legislation that alters the condition of their investments for ten years period (grandfather clause).

Disputes between a foreign investor and Georgian enterprise shall be subject to resolution under the agreement of parties or in courts of Georgia. Disputes between a

foreign investor and a state agency (unless the procedure for its resolution is not defined by way of their agreement) are subject to resolution in courts of Georgia or at the International Center for Resolution of Investment Disputes. Unless the dispute is considered in the International Center for Resolution of Investment Disputes, a foreign investor shall be entitled to apply to any international arbitration body, which has been set up by Commission of the United Nations for International Trade Law - UNCITRAL to resolve the dispute in accordance with the rules established under arbitration and international agreement.

Ownership rights

Ownership right is one of the important rights, which are guaranteed and protected by the Georgian Constitution. Detailed regulation of ownership right is given in a special chapter of the Civil Code. It provides for various forms of ownership, possessing, using and controlling property. Georgian citizens are not anyhow limited in ownership rights, but at the same time law provides such limitations for non-residents - foreign individuals and companies cannot buy agricultural land in Georgia. Only Georgian citizens or resident companies may acquire agricultural land in their own name, although such land may be purchased by forming a Georgian entity that may be foreign-owned.

Acquiring of ownership rights on real estate property is through registration as proprietor at the National Agency of Public Registry (NAPR). Legal document for proof of ownership right is the extract from Public Registry. To purchase real estate property takes place by signing notarized written agreement between parties or signing of

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the written agreement directly at the Public Registry. After that, registry application is completed and the new extract is issued in the name of new owner (the cost of registration is GEL 50).

Expropriation of property is allowed only in case of inevitable public need. The right of expropriation can be exercised on the basis of Presidential decree and court decision. Presidential decree determines the inevitability of expropriation for public needs and the person/entity, which can perform the expropriation. Final ruling on expropriation and on the compensation terms is carried out by the court.



Different forms of investments

Investments shall be deemed to be all types of property and intellectual valuables or rights invested and applied for gaining possible profit in the investment activity carried out on the territory of Georgia. Such valuables or rights may be:

- Monetary assets, shares, stocks and other securities;
- Movable and immovable property - land, buildings, structures, equipment, transportation means and other material valuables;
- Lease rights to land and the use of natural resources (including concession), patents, licenses, know-how, experience and other intellectual valuables;
- Other property or intellectual valuables or rights provided for by the law.

Non-residents may register their operations as Georgian legal entities (also Individual Entrepreneur) or as Georgian branches or representations of foreign companies.

Entrepreneurial activity in Georgia is regulated by the Law “On Entrepreneurs” of 1994. This Law regulates organizational and legal forms of arranging the participants in entrepreneurial activity. Organizational and legal forms of enterprises are:

Individual Entrepreneur (Enterprise)

Individual Entrepreneur is a firm owned by one natural person. This is the simplest and least expensive form of entrepreneurial activity, which is most popular in agricultural sector. As owner of the enterprise, an individual

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entrepreneur is a natural (physical) person whose entrepreneurial activity requires an organization arranged in entrepreneurial manner, regulated cash and bookkeeping. Such person shall act on its own behalf in legal relations.

An Individual Entrepreneur shall fulfil its rights and obligations in business relations as a natural (physical) person; he/she will bear personal liability before creditors for any obligation arising from its entrepreneurial activity.

For Registration as Individual Entrepreneur, the person must present:

- Application;
 - Applicant's full name;
 - Applicant's address of residential place;
 - Applicant's personnel number;
 - Applicant's signature;
 - Date of filling application;
- Identification document.

In case of when foreign citizen selects to register as Individual Entrepreneur in Georgia, registration application shall include all equivalent information as set for Georgian citizens. State and tax registration of Individual Entrepreneur enters into force at the time of submitting the relevant application.

Fee for registration of Individual Entrepreneur is follows:

- In one working day – 20 GEL;
- In the day of applying – 50 GEL.

Joint Liability Company

A joint liability company is a company where several natural persons carry out repeated and independent entrepreneurial activity, under the same firm name, and are responsible before the creditors as joint debtors - directly, immediately, without any limitation and with their property. Authorized persons for enterprise's representation and their rights are determined by the charter (agreement of partners). Any partner, even if not participating in company management, may be acquainted with the company's business affairs and with this purpose may review accounting books and other company documents.

A partner's withdrawal from the company is regulated by company charter. In case of partner's withdrawal or discharge from the company, his/her share in the company's property shall be added to shares of the company's other partners. All other partners of the company are obliged to free the withdrawing or discharged partner from the company debts and pay the sum that he (she) would receive in case of the company's liquidation.

Limited Partnership

Limited partnership is a company where several people, under the same firm name, carry out entrepreneurial activity. In limited partnership there are two types of partners: ones, whose responsibility before the creditors is limited by the payment of fixed guarantee sum – limited partners (comandits) and others, whose responsibility is not limited (personally responsible partners – complementars).

Company partners may be both individuals (natural persons) and legal entities.

Limited Partners do not participate in company management. Within the framework of routine operations, limited partner may not object to actions by partners with personal responsible. Limited partners have only right to demand copy of annual report and check up its correctness according to the accounting books and other company documents. Profits and losses of the financial year, exceeding the established amount, are to be distributed on a pro rata basis among partners, unless otherwise stipulated by the company charter. A limited partner has a right to demand only his/her due profit. He/she has no right to demand the profit until his/her share in the capital is less than the agreed amount because of the incurred losses or settlements.

The limited partner is not obliged to return the received profits because of the future losses. The guarantee sum of a partner in respect to the company's creditors is determined according to the sum fixed in the Public Registry, if this sum has been already paid. The share of a limited partner may be transferred or succeeded without the consent of other partners, unless otherwise stipulated by company charter. Notarized agreement is required for the share transfer.

Limited Liability Company



Limited Liability Company (LLC) is one of the widely spread entrepreneurial forms in Georgia. According to the Law “On Entrepreneurs” liability of a LLC before the creditors

is limited to company assets/property and partners are not responsible for company's liabilities.

Capital of LLC is divided into shares. There is no legal requirement for minimum or maximum amount of company capital (charter capital). Rights and obligations of partners and the terms and conditions for share transfers are stipulated by the company charter.

Limited Liability Company is founded by uniting of partners' capital. Existence of company does not depend on membership, which means that withdrawal of a partner will not automatically liquidate the company. LLC may be established by state, by one or more individuals – natural/physical persons as well as by one or more legal entities or any combinations thereof.

Company partners exercise their management authority at the general meeting of partners. Competence of the general meeting and the procedure of carrying out decisions, responsibility and competence of directors and rules of functioning of governing bodies and composition are defined by the company charter.

Joint Stock Company

Joint Stock Companies (JSC) are typically enterprises with large capital. There are list of enterprises set by law for whom this organizational-legal form is mandatory, such as for instance banks, insurance companies, etc. JSC is a company with the authorized capital divided into the shares in equal par value. A share is a bond confirming the obligations of a joint stock company before the partner (stockholder) and the stockholder's rights in the company.

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Capital of a JSC may be defined at any amount. The management bodies of Joint Stock Company include General Meeting, Supervisory Council, and Directors.

Under the Law “On Entrepreneurs” stocks may be:

- **Ordinary** - One ordinary share ensures one vote at the general meeting of shareholders. Rights of ordinary share holder in relation to receipt of dividends and distribution of funds upon company liquidation shall be done only after fulfilment of similar rights of the preference share holders.
- **Preferential** - A preferential share ensures receipt of dividends at a fixed rate, the amounts and distribution procedures of which are stipulated in the company charter, and if applicable, also in the emission prospect. After repayment of debts, property of a liquidated company shall be firstly distributed among holders of preferential shares. A preferential share shall not grant any vote at the general meeting except where the company charter or the emission prospect of these shares provides one vote per preference share in case of retaining dividends from preference shares.

Cooperative

Cooperative is a company based on the labour activity of its members or established with the purpose to develop the business and increase the profit of its members. The objective of a cooperative is to fulfil its members’ interests. A cooperative is not orientated at primarily gaining profits.

The cooperative is responsible for its obligations before the creditors only with its own property. The minimum share of a cooperative member shall be determined by the founders. One member of the cooperative may have several shares. After the registration of a cooperative in the Public Registry, one can become its member if he (she) presents the signed application on membership in the cooperative.

Branches

A branch is located and operates beyond the place (jurisdiction) of registration of its founding company. It does not have a status of a separate legal entity. A branch acts in accordance with the powers delegated by the founding company. Establishment of a branch does not require any capital investments. Branch of a foreign company must be registered at the National Agency of Public Registry. Registration of branch is done based on the foreign company's registration application and notarized document on the company's decision to appoint director of the new branch.

Representation

Representation is very similar to a branch. Like a branch, it is also located and operates beyond the jurisdiction of the founding company and does not have a status of a legal entity. Like a branch, it acts in accordance with the powers delegated by the founding company. There is however some difference between a branch and representation – latter is entitled to represent and defend the interests of the founding company, while a branch can



implement all those functions, which the founder company can perform, on top of that, it can perform all functions of the representation.

Registration

Under the Law “On Entrepreneurs”, registration of a legal entity is mandatory in Georgia. It is performed by the National Agency of Public Registry (NAPR), including both state registration and registration taxpayer. According to latest amendments in law, registration of legal entities was simplified, barriers were reduced and the principle of “one window” was established. Requirement of minimal founding (charter) capital has been eliminated. Mandatory possession of enterprise stamp is also abolished that made possible to register companies in short period of time.

For registration of enterprise the person(s) must present only an application and duly notarized form of charter signed by all partners or their authorized representatives. Registration application shall include:

- Firm name (firm);
- Organizational and legal form;
- Location (legal address);
- Name, surname, date and place of birth, occupation and place of residence of each founding partner and if the founder is a legal entity – the firm name and registration records thereof (legal address, registration date and number, organizational-legal form, and the information on the authorized representative).

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- The rule of making decision by highest body of the enterprise, if limited liability company – information about the shares of partners;
- Information about limitations that exists for representatives while representing an enterprise.
- In case of limited partnership – notification which partner is limited and which is not.

For registration of an enterprise, besides the application, charter and other documents, it is also necessary to assign/indicate the individual (natural person), called proxy – usually the company director. The proxy has right to manage or represent an enterprise. If an enterprise has two or more persons authorized to represent it, then the document must indicate whether they are representing an enterprise together or separately. Document is signed by the person authorized to appoint proxy. This signature must be notarized unless it is made at the Public Registry. For registration, the proxy needs to submit his/her signature specimen that should be notarized or be made directly at the Public Registry.

Fees for registration of enterprises are follows:

- In one working day – 100 GEL;
- In the day of applying – 200 GEL.
- Registration of enterprise may be rejected if:
- registration documents do not fully satisfy requirements of the law;



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- false, unidentified or incomplete information is presented;
- registration fee is not paid.

If registration is rejected based on the grounds of falling short to meet compliance with law requirements, then applicant has 30 days to ensure full compliance.

National Agency of Public Registry
2, St. Nikoloz/N. Chkheidze
Tel: +995 (32) 251527
www.napr.gov.ge

Banking and financial system

General provisions

Banking sector is one of the fastest growing sectors of Georgian economy. It has demonstrated average annual growth rate of 60% in assets, and 55% growth rate in deposits for the past four consecutive years. Georgian banking system comprises the National Bank of Georgia (NBG, operating since 1991) and 19 commercial banks. Legal base of banking sector include the organic Law “On National Bank of Georgia”, Law “On Activities of Commercial Banks” and other normative acts.

Status of NBG is defined by the Constitution of Georgia. Constitution also determines main objectives of its activity. NBG implements monetary policy according to main directions of monetary and foreign exchange policy defined by the Parliament of Georgia. It holds and disposes international foreign reserves of the country. Through its regulation and monetary instruments, NBG is responsible for facilitating financial stability and transparency of the financial system, as well as for protecting rights of the sector consumers and investors. NBG also exercises supervision over the financial sector.

Nowadays, Georgian banks are classified according to CAMELS (Capital, Asset, Management, Earning, Liquidity, and Sensitivity to Market Changes) international standards; however, NBG is considering the possibility of substituting CAMELS approach with RBS (Risk Based Supervision Approach). In order to mitigate risks associated with the

bankruptcy, banks are required to have a minimum charter capital of GEL 12 million.

Currently there are no policies or legal acts for insurance of deposits. Regulation policies enacted by NBG considerably increased security of the banking system.

Banking system capacities

The major share of Georgian economy comes on banking system - the largest player in financial market. The borrowing interest rates (19.3% on lending and 10% on deposits) remain relatively high and the conditions of bank credits provision are yet to become more appealing.

Georgian banks offer public loans to finance micro and macro businesses and ensure financial guarantees to people, loan interest are approximately 13% and it can be consumer loans, mortgage, auto loan, etc.

Georgian banking system does not fully finance the Georgian economy. Many large-scale projects that are particularly important for Georgian economy are financed by international financial institutions such as EBRD, WB, IMF, USAID and MCC or by foreign governments (U.S, EU, Netherlands, Denmark, Japan, etc.)



Banking transactions

Georgian banking system offers a wide variety of banking products and services including: transfers, currency exchange, letters of credit, saving account pegged to prices of commodities offering potential of additional gain, credit card services, mobile banking, internet banking, phone banking, etc.

Operations with credit cards are becoming increasingly popular, even through this payment system is not yet widely spread. All banks offer their own credit cards and ATM cards, and more and more businesses accept payments through credit cards.

Full list of banks operating in Georgia is available at:

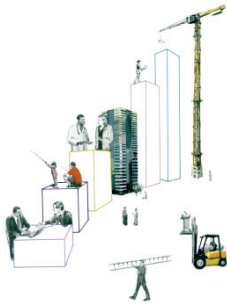
www.nbg.ge

www.abg.org.ge

Regulation and remuneration of labour

Labour relationships in Georgia are mainly regulated by the Labour Code of 2000. Subsequently amended, Labour Code is now tailored to meet current demands of the Georgian economy. It is innovating in labour sphere by simplified relations between the employer and the employees. In its annual report for 2008 Heritage Foundation and other analytic centers recognized Georgia to have one of the most liberal labour legislations worldwide, as it significantly decreased costs of hiring and dismissal. Subsequently, state

influence on labour relationships is minimal and main emphasis is put on contractual relationships.



Labour force of Georgia

Qualifications

One of the main assets of Georgia is probably its young and qualified population (65% of the population ranges from age 15 to 59). The full legal

labour capacity starts at the age of 16. Employment capability of a person under 16 years is effective by consent of parent or authorized representative or the agency assuming guardianship, provided that employment relations are consistent with the interests of the underage person, do not impair his/her moral, physical and mental development

and do not impede the right and ability to receive education. A person younger than 14 years can be a party of employment contract only in the sphere of sports, arts and culture, also for performance of advertisement services. The retiring age is 60 for women and 65 for men.

The educational system is rather advantageous in Georgia. Today there are about 70 universities enrolling approximately 100,000 students. Secondary education is mandatory in Georgia and consists of 12-year studies, while higher education is voluntary and consists of three cycles: 1) Bachelor Degree (240 credits); Master's Degree (120 credits); Doctorate Degree (180 credits);

Labour remuneration in Georgia

Salaries/Wages

Form, amount and schedule of labour compensation are determined by the employment agreement. In 2010, the average wage in Georgia was approximately GEL 600. Nevertheless, there are significant differences between average wages in public sector and that of in private sector. Salaries may be denominated in Georgian laris or in foreign currency but are payable only in Georgian laris. There are no minimum wages established by Georgian legislation.

Georgia also has a leading position in fiscal freedom, due to combination of low taxes. Taxation of salary income is set at 20% of gross salary. Tax withholding is done at source, by the employer, acting as the tax agent of employee. Thus the employee already receives net 80% of salary.

Working time

Work hours



Regular working time should not exceed 41 hours per week, unless otherwise specified by labour agreement. There are particular restrictions: employment of an under-aged person, pregnant or newly delivered or breast-feeding woman in evening hours (from

22:00 p.m. till 6:00 a.m.) and employment of a person taking care of a child under the age of 3 or with limited capabilities without employee's consent is prohibited.

An employee shall fulfil overtime without remuneration only in cases of natural disasters and catastrophes, or in order to avoid break-down of a company.

Holidays/leaves

Holidays/leaves in Georgia include:

- January 1, 2 – New Year celebration;
- January 7 – Orthodox Christmas;
- January 19 - Epiphany;
- March 3 – Mother's Day
- March 8- International Woman's Day
- April 9 – State Independence Restoration Day, Memorial Day for people deceased for homeland, national integrity and civil concord;

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- Easter Weekend – Red Friday, Great Saturday, Easter Sunday; Memorial Day of deceased –Monday after Easter Weekend (dates may vary each year);
- May 9 – Victory Day over Fascism;
- May 12 – Saint Andrea the First Memorial Day;
- May 26 – Independence Day of Georgia;
- August 28 – St. Mary’s Day;
- October 14 – Mtskhetoba (Svetitskovloba, the holyday of life-giving pillar);
- November 23 – St. George’s Day.

Leaves

Paid leaves

Employee is authorized to take paid leave – not less than 24 business days per annum. Employee is entitled to take unpaid leave – not less than 15 calendar days per annum. Annual leave may be provided in parts by employee’s request. Annual leave days may be split throughout the year. Annual leave for each working year shall be granted in the same working year, unless granting a leave during a particular business year may adversely affect the normal course of organization’s operations. In that case, with the consent of employee, the leave days may be carried forward to the next business year.

Employee leave pay shall be determined based on the average remuneration for the last three months preceding the leave.

Child Care, Adoption, Pregnancy, Maternity Leave

An employee shall be given a pregnancy, maternity and child care leave of 477 calendar days, of which 126 calendar days shall be paid. In case of complications in birth, or giving a birth to two or more infants 140 calendar days shall be paid.

A parent taking care of a child under 5 can benefit from a parental child-keeping leave of 12 weeks while retaining the occupied position.

Agreements/contracts

Labour agreements/contracts



The parties to labour agreement can be only Employer, Employee and Union of Employees, as party to collective labour agreement – Unions of Employees and Employer. The labour agreement may be made in

writing or verbally for a definite or indefinite period of time, also for a period of fulfilment of work/service.

Employer is authorized to request and check all information from job applicant deemed necessary to make a decision.

The job applicant shall inform an employer of any circumstances that may prevent him/her from performing the work, or may endanger the interests of the employer or a third party.

According to Labour Code, a dispute that arises during the labour relations should be settled between the employee and

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the employer through concurrence procedure for each specific dispute and in case when it is impossible, the dispute shall be resolved by court in accordance with Georgian legislation.

Employment contract with definite terms can be also concluded in the following cases:

- Personal services are provided to the employer by the employee;
- Work is done by home-workers;
- Seasonal job is performed;
- Combined work is performed;
- Temporary job is performed.

Termination of Employment Agreement/Contract

Grounds for termination of employment relations include:

- Non-performance or unsatisfactory performance of obligations envisaged by employment agreement;
- Expiration of the effective term of employment agreement;
- Infringement of employment agreement terms by either party;
- Invalidation of the employment agreement;
- Agreement of parties;
- Enforcement of court ruling which makes performance of work impossible;
- Unless otherwise envisaged by employment agreement, long-term disability – if such term exceeds 30 calendar

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days in a row, or exceeds 50 calendar days over a six month period, thereby, employee is entitled to take a leave envisaged by Article 21 of Labour Code;

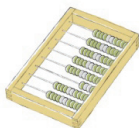
- Death of the employee or the employer, if the employer is a natural (physical) person;
- Commencement of liquidation of the employer, if the employer is legal entity.

If the contract termination is initiated by employer, the employee shall be given at least a 30-day advance notice and shall receive severance pay for at least one month.

Fiscal system

Main priority of the Georgian Government is country's economical development. Important part of economic reforms and the overall economic policy is fiscal reforms - elaborating new fiscal policy. Main goals of new fiscal policy are:

- Improvement of business
- environment
- Bringing foreign investments
- Consolidation of fiscal discipline



The laws regulating taxation and fiscal system of Georgia are continually being clarified, simplified and harmonized with EU legislation and provisions. The fiscal system is coined in most cases from legislation of European countries, envisioned to facilitate further development of market economy. Georgian tax legislation undergoes frequent changes, and all modifications are made publicly available through official publications.

The first Tax Code was adopted in 1997, which comprised all tax regulating acts in one legal act. Later, in 2005 the Parliament adopted new tax code (that operates today), which fundamentally changed the provisions from the previous code. One dramatic difference was that number of taxes was decreased from 20 to 6. This appeared not to be the last step for modification of tax legislation, as from January 2011 a revised Tax Code entered into force, containing new provisions and regulations aimed to further improve entrepreneurial environment and fiscal system.

Under the Tax Code there are two classes and six types of taxes effective in Georgia. Those are:

- 1 **Common-state taxes** (taxes levied by Tax Code, payment of which is mandatory on the entire territory of Georgia). This includes *Individual Income Tax*, *Corporate Profit Tax*, *Value-Added Tax*, *Excise Tax* and *Custom Tax*;
- 2 **Local Taxes** (taxes defined by Tax Code and established under the normative acts of local self-governing bodies (municipalities), the payment of which is mandatory on the relevant territory of the taxpayer). This includes *Property Tax*.

Individual Income Tax

Payers of income tax are resident and non-resident natural (physical) persons. A physical person, who stays on the territory of Georgia for more than 183 days within a fiscal year (calendar year), is considered to be a resident, except diplomats, employees of international organizations, persons serving for state institution of foreign countries and their family members.

There is different payment rate of income taxes between a resident and non-resident physical person of Georgia. The object of taxation under income tax for a resident is considered to be revenue gained by resident on the territory of Georgia and beyond its territory as well. A non-resident taxpayer engaging in activity in Georgia through a permanent establishment is a payer of income tax gained

from the Georgian sources with regard to taxable income connected with the permanent establishment. The taxable income rate of a resident physical person is 20%.

The following are the major types of income of physical persons that are not subject of taxation:

- Employment income of a non-resident employee of diplomatic or equivalent organizations located on the territory of Georgia;
- Value of the property received from a physical person in the form of a gift or inheritance;
- Surplus received by a physical person from the sale of tangible assets, with the exception of surplus received from the sale of assets used for entrepreneurial activity;
- Monetary and other type of rewards, received by athletes and their trainers for being prize winners in Olympic games, World and European Championships;
- Alimony;
- Property received by a physical person on the basis of divorce;
- 1st and 2nd level legatee's property received gratuitously or by inheritance in the course of a fiscal year;
- 3rd and 4th level legatee's property up to GEL 150,000 received gratuitously or by inheritance in the course of a tax year;
- Amount to be paid to physical person (donor) for food in compensation for his blood;
- Income of physical persons - entrepreneurs, who do not

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use hired labour and independently carry out activities in accordance with NACE – Classifier of the Economic Activities of the European Union;

- The prize of physical person from lottery if money won does not exceed GEL 1,000.

Corporate Profit Tax

Payers of the tax on profits are Georgian enterprises. Foreign enterprises are subject to payment only if their income is received from Georgian-source (trading income; capital gains; income from financial activities; dividend income, gratuitously received goods and services; and other items of income). Both foreign and domestic companies carrying out business activities in Georgia, assume the same tax obligations.

The object of taxation for Georgian enterprise is its profit. Profit is defined as the difference between the gross taxable income of the taxpayer and the deductible expenses stipulated by the Tax Code. A foreign enterprise engaging in activity in Georgia through a permanent establishment is a taxpayer with respect to its gross income from Georgian sources connected with the permanent establishment,



reduced by the amount of deductions stipulated by Tax Code.

The rate of taxation on corporate profit is 15%.

The following types of profits are generally exempted from profit tax:

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- Profit of international organizations, except for profit from economic activity;
- Grants, membership fees and donations received by organizations;
- Profit from performed works or rendered services by navigation enterprises (ship owners), established by non-residents of Georgia, not carrying out any entrepreneurial activity on the territory of Georgia and sailing under the Georgian flag.
- Profit from generation and realization of alternative energy sources (solar, wind, etc.) assimilation equipment and energy-saving facilities;
- Profit from sale by the Patriarchy of Georgia of crosses, candles, icons, books, and calendars, used exclusively for religious purposes;
- Portion of profit of medical establishments (despite its organizational and legal form) received from medical activities which has been reinvested (rehabilitation of the establishment, provision for technical base) and used for the purposes of employee's material incentives.

Value-Added Tax

The value-added tax (VAT) is an indirect tax of a portion of the value added in the process of production and circulation of goods, works, and services on the territory of Georgia, and of a portion of value of all taxable goods imported into the territory of Georgia.

VAT is payable at each stage of the production and sales of goods, performance of services. Taxpayer carrying out

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economic activity in any continuous period of 12 calendar months and whose taxable transactions exceeds GEL 100,000 during this period, are required to file an application with tax authorities to be registered as VAT payer. Taxpayers not exceeding this limit may volunteer to register as VAT payer.



VAT rate is 18% of the taxable turnover or taxable import. Export of goods from Georgia is taxed at a zero rate.

The following is a general list of supplies of goods, fulfilment of works, and rendering of services, types of imports, which are VAT exempt:

- Rendering of financial services;
- State property under privatization procedure;
- Import and supply of some kinds of medicine;
- Supply and/or import of diabetic foodstuffs, baby food and infant hygiene products;
- Goods intended for official use of foreign diplomatic and equivalent representative offices, and for personal use of diplomatic, administrative, and technical personnel of these representative offices (including family members living with them);
- Import of raw materials and semi-finished goods intended for manufacturing of export goods as well as import of packaging materials to the extent of actually exported finished products. On importing these raw materials, semi-finished goods, and packaging materials,

payment of VAT or the retention of a bank guarantee is effected, while in the case of export of finished products the taxpayer is entitled to a refund of the paid VAT amounts from the customs services, or the bank guarantee is cancelled to the extent of the actually exported finished goods;

- Transit, re-import, or temporary entry of goods into the customs territory of Georgia;
- Import of goods intended for re-export;
- Import of equipment, transportation facilities, spare parts and materials intended for providing oil and gas operations (transactions) determined by the law of Georgia on “Oil and Gas”.

Excise Tax

Excise is an indirect tax levied on certain goods such as alcohol, tobacco, transportations means, and oil products. The tax is paid on delivering excisable goods together with their prices. The object of excise taxation is production or import of excisable goods.

Excise may be a fixed one or may be determined as a percentage. Excise tax rate is different on every product (spirits, oil, tobacco and etc.). The full list of excise tax rates on each product is provided in the Tax Code. Mandatory affixing of excise stamps is required for imported and locally produced alcoholic beverages and tobacco products. The following are exempt from excise:

- Alcoholic beverages produced for personal consumption and used by physical persons;

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- Transit and temporary import of excisable goods into the customs territory of Georgia;
- Re-export of excisable goods;
- Import and/or supply of oil products necessary to carry out oil and gas transactions specified by Law of Georgia “On Oil and Gas”.

Custom Duties

Custom Duties and Tariffs are regulated by the Custom Code. These duties and tariffs are discussed further in this Guide.

Property Tax

Payers of property tax include physical persons, Georgian enterprises, their branches and structural sub-divisions, foreign enterprises implementing their economic activity through entities established in Georgia with taxable objects under their ownership, as well as organizations, which property or its part are used for economic activity.

For natural (physical) persons the object of taxation is the immovable property (buildings and structures or their parts) located on the urban territory of Georgia as well as immovable property (buildings and structures or their parts) located in non-urban territory used for economic activity, except for land.

For enterprises the object of taxation is property plant and equipment (fixed assets), uninstalled equipment, incomplete capital investments and intangible assets that are recorded on the organization’s balance sheet, as well as any property listed on the balance sheet of an organization which is utilized for economic activity. For enterprises the tax rate

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on the property is 1% of the annual average book value (balance sheet net value).

For a physical person taxable object tax rate is differentiated according to revenues received by taxpayer family during a calendar year and is defined as following:

- For families with revenues not exceeding GEL 100,000 - not less than 0.05% and no more than 0.2% of the property market value;
- For the families with revenues 100,000 GEL and more- no less than 0.8% and no more than 1% of the property market value.

The following are general exemptions from taxation:

- Owner of immovable property if the revenue earned during calendar year by owner family not exceeding GEL 40,000;
- Property used for environmental protection and fire protection except for land;
- Property needed for oil and gas activities according to the Law of Georgia “On Oil and Gas”;
- Land areas of organizations for preservation of native and historical monuments occupied by structures recognized by the state as monuments of history, culture and architecture, unless they are used for entrepreneurial activity, other than selling entrance tickets;
- Land plots used for carrying out of oil and gas operations (activities) determined by Law of Georgia “On Oil and Gas” (if not used for other purposes);

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- State-owned and unused pastures and haymaking meadows, and lands and reserve lands or designated for re-cultivation;
- Plots of land used for airports, airfields, helicopter fields, air navigation security zones as well as for underground communications and plots allotted for future development of ports if they are not used for economic activity;
- Physical or legal persons who have received agricultural lands for re-cultivation purposes for the first five years following its allocation;
- Hunting farms.

Tax Dispute Resolutions

For effective resolution of tax disputes the Georgian Tax Code empowers parties with right of option, whether to resolve their case at the system of Ministry of Finance or in the system of Common Court. Dispute resolution at the Ministry of Finance system consists of 2 stages - dispute resolution at Tax Department of the Ministry of Finance and dispute review in the Council of Dispute Reviews at the Ministry of Finance. The appealing taxpayer is not bound to go through both of these stages prior to applying to the court system and may do so at any stage.

Procedure of tax case conduct is determined by the Tax Code and Civil Procedural Code.

Goods import system in Georgia

Georgia became member of WTO (World Trade Organization) in 2000. Within the framework of accession process the Government has implemented a number of economic and structural reforms. Major measures put in place have been in the area of trade: tariff reform, combating corruption at customs; reform of business licensing process; regulatory reform of the financial sector; and the continuing adoption of trade-related legislation compatible with European and international standards, including standards and technical regulations, food safety, and competition. A number of obligations, mainly under the EU-Georgia Partnership and Cooperation Agreement (PCA) and European Neighbourhood Policy, have made a significant practical contribution towards Georgia's closer integration into the global economy.

Georgia's custom policy is implemented by the sub-division at the Ministry of Finance - Custom Department on the bases of Customs Code adopted in 2007 and other normative acts.

Import Duties and Tariffs

Custom Duties

The revised Customs Code has significantly simplified custom procedures by simplifying and decreasing costs for foreign trade. Structure and provisions of the Customs Code are harmonized with the European Union legislation.

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Main provisions foreseen by the Custom Code include:

- Harmonization with European Union legislation;
- Fulfilment and simplifying the custom procedures;
- Ensuring the safety of custom-house.

Imported tariffs on over 90% of products were abolished and now only 3 types of tariffs exist. Custom duties remain only on certain kind of agricultural products and construction materials. Besides, quantitative limits on imports or exports have been lifted. Custom duties are



levied on all legal entities and individuals importing goods into Georgia. Custom duties vary from 5% to 12% and the custom fee for each declaration is EUR 60. Exemptions from custom duties are allowed for the following:

- Export of goods;
- Import of goods given to state bodies of Georgia for relief to victims of natural disasters or for humanitarian aid;
- Import of equipment, transport vehicles, spare parts and materials used for oil and gas operations;
- Import of baby foods or diabetic foods.

Preferential Trade Agreement

From 2003 foreign trade turnover of Georgia is characterized with increasing tendency that upholds state's

liberal trade policy. Preferential trade regimes that work in a state are as follows:

- Free Trade Regime – with CIS (Commonwealth of Independent Countries) countries of the former Soviet Union and with Turkey (from November 2008);
- Preferential Assists Program (MFN) – with member states of World Trade Organization;
- Generalized System of Preferences (GSP) – with USA, Canada, Japan, Switzerland and Norway;
- GSP + with European Union from 2005 (more than 7,200 type of products). Also government provides negotiations to make Free Trade Agreement with EU.

Licenses/Permits

After the reform of licenses and permits their number was decreased by 84% and today license or permit is necessary only for products and services that include high risk, also for using the natural resources and providing other specific activity. Procedure of issuing licenses and permits were simplified and principle of “one window” and “silence is the sign of consent” was settled.

Custom procedures and systems

Custom Clearance Points

There are 18 custom clearance points, located in 8 cities of Georgia. Custom clearance envisions obligatory passage of goods through customs clearance body. From the moment of crossing the custom border, an imported product is subject to custom custody by the custom body.

Imported foreign product is under custom custody until it is:

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- Conforming the custom status;
- Altering;
- Carrying to the free zone or free store house;
- Re-exporting from custom territory;
- Destruction under the custom supervision.

Custom procedures

The Custom Code provides for the following custom procedures:

- Presentation of good or vehicle in custom body and its inspection;
- Ascertainment the existence of appropriate documentation and their authenticity;
- General declaring;
- Custom declaring;
- Registration of declared data;
- Verification of declared data;
- Verification of accounting and other documentation related to the declared data;
- Inspection of good or vehicle;
- Verification of goods after its custom output;
- Payment of custom duties;
- Verifying of passengers personal items.

Free Industrial Zone (FIZ)

For more liberalization of investment environment and to attract investments, the Law “On Free Industrial Zones” was adopted. According to this law, such zones may be created in more than 10 hectares of territory by the

Government decision or by the investor's initiative. A different tax regime is effective in the free industrial zone. There is simplified registration and other procedures.

A free industrial zone for almost 400 hectares was created at the sea port of Poti in western Georgia. It's a territorial unit where the general entrepreneurial legislation does not apply and relationship between individuals and state is regulated by the especially created legislation for this zone. Generally in those territorial units tax obligations are minimized - there are no quotas, tariffs and other barriers. In free industrial zone any produced and/or recycled goods fall under another countries custom regime only when it leaves the territory of free zone. In other cases every creation economical wealth in such zone is free from all kind of taxes.

Main privileges of free industrial/economic zone are:

- Billing amongst companies operating in the FIZ may take place in any currency – it means that an entrepreneur is safeguarded from any currency fluctuation risk
- Generally simplified rule works for getting licenses and permits;
- In free industrial zone works zero rate;
- Importing foreign goods and any operation performed inside the zone are not taxed by value-added tax.

Cargo transportation



Located at the crossroads of Europe and Central Asia, Georgia is a bridge connecting several important economic regions with a total of 827 million people, including the EU 495 (million), CIS (243 million), Turkey (73 million), and the Caucasus Region (16 million). It is a key link in the shortest transit route between Western Europe and Central Asia for transportation of oil and gas as well as cargo.

Geographical location and technical possibilities of Georgia offer different ways of cargo transportation, such as transportation by sea, air, rail and motor road. Georgia maintains economic relations with 3 of its neighbouring countries (after 2008, economic and diplomatic relations are ceased between Georgia and Russia).

Air transport infrastructure

Georgian civil aviation infrastructure consists of 3 international airports in Tbilisi, Kutaisi and Batumi, and a number of local (non-military) airports.

Tbilisi International Airport performs regular flights to around 30 countries of Europe and Asia. There are 4 national and 14 foreign airlines serving Georgia, including Armavia, Austrian Airlines, British Airways, Lufthansa, Air Baltic, Turkish Airlines, Ukraine International Airlines, Czech Airlines, Polish Airlines, etc.

In recent years, the infrastructure of air transportation was developed and improved and procedures of cargo transportation have been simplified. For the purpose of implementing “Open Air” principle and for developing free competition on market, Air Transportation Agreement was signed between Georgia and USA. Principle agreements are also reached with Switzerland and United Arab Emirates aviation authorities for signing such liberal agreement.

Railway infrastructure

“Georgian Railway” company owns 100% rail infrastructure of the country. According to the Railway Code, only Georgian Railway has right to operate on Georgian rail infrastructures.

Georgian Railway owns 1,300 kilometres of railway and is stretched throughout the entire territory of Georgia. Besides, Georgia is a part of transit passageway between Europe-Caucasus-Asia (TRACECA) and presents an alternative route of strategic movement of goods from Caspian region to Europe. The railway system allows for international shipments to Batumi, Poti and Kulevi (Oil terminal in Western Georgia).

During 2000-2010 the number of cargo shipments by railway transport has significantly increased. According to long-term development program, by year 2015 the volume of cargo shipment will be multiplied.

Road transport infrastructure

The lengths of common-used motor roads of Georgia are 20,329 km. It involves the following road infrastructure:

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- International significance roads – 1,495 km;
- Secondary significance roads – 3,354 km;
- Local significance roads – 15,480 km;
- Bridges: 3,552 units, common length 12,527 m;
- Tunnels/Galleries 25 units, common length 12,537 m.
- Road cargo transportation is regulated by permits set under the agreements of Georgia with other countries. Interchange of permits on road passage is an international common practice, which gives companies opportunity to perform cargo transportation without additional payments. Nowadays, Georgia has 22 such agreements with partner countries and is negotiating with additional 9 countries.

Sea transport infrastructure



Sea transportation accounts for 41% of total cargo imported in Georgia.

There are 2 ports currently functioning in Georgia: Poti and Batumi. Georgia's ports have rail ferry links with Ukraine, Romania, Russia and Bulgaria. Both ports are key links

in the TRACECA trade route. Poti is estimated to carry 15.5 million tons by 2010 and 19 million tons by 2015.

Batumi carried 14.2 million tons in 2005. It is estimated to carry 17.5 million tons in 2011 and 33.8 million tons by 2015. Batumi is both an oil terminal and seaport. The annual capacity of Batumi Port is 18 million tons for oil and 2.3 million tons for dry cargo.

Electricity transmission

Electricity transmission network in Georgia comprises 500, 300, 220, 110, 35, 10 and 6 kV lines. Backbone of the network is a 500 kV line, which transmits electricity from the generation centers in north-western Georgia (mainly Enguri HPP) to the east. There is also a reasonably well-developed 220 kV line system, which connects most HPPs to the grid.

High voltage transmission lines connect Georgia with Armenia, Azerbaijan, Russia and Turkey. Government anticipates construction of additional high-voltage transmission lines as more generation capacity is built in the country, with a view to turning renewable energy into a significant export industry and a significant contributor to the improvement of current trade account balance.

There are currently two companies providing electricity transmission services in Georgia, the state owned Georgian State Electrosystem, which operates the 300, 220, and 110kV networks, and Sakrusenergo (50% owned by RAO UES and 50% by the Georgian state, which owns the 500-kV line running across the country from West to East.



The current export capacity to Turkey is only about 700 GWh annually, and it is already fully utilized. The export capacities to other neighboring countries are much higher, at 10 TWh for Russia, 2.2 TWh for Azerbaijan and 1 TWh for Armenia.

Certification procedures and registration of Intellectual Property

Technical regulation system reform

As a priority for economic development Georgia has set the objective of removing barriers for Georgian products and services on international market. For that purpose, government performed the reform of technical regulation system that will assist:

- Removal of barriers in international trade;
- Improvement of investment environment.
- Protection consumer's interests.
- Opportunity to get Georgian products in international market.
- Fulfilment of obligations taken before World Trade Organization means – going from mandatory to voluntary standards.
- Elimination of corruption.
- Service transparency in technical regulation sphere.

After completion of reforms the state will switch to voluntary system of standardization and state's regulatory role will be decreased, which is important for increases entrepreneurial activity. Establishment of voluntary standardization system gives businesses opportunity to:

- Choose already registered standard for its activities.

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- Take and register any foreign, international or regional standard for his/her activities in Georgia.
- Develop own standards for new products, register in the national agency and use for its activity.
- Receive consultations for choosing and development of standards.

Standardization/Certification

To protect the health and security of consumers, Georgia publishes its technical regulations and implements relevant procedures. The system of product and service certification and standardization is governed by the Law “On Standardization” and the Law “On Certification of Product and Service”.

Under this law, there are a number of locally produced or imported goods that needs obligatory certification.

Appropriate certification is given by the “State Department of Standardization, Metrology and Certification” (GEOSTM) or by authorized bodies. Georgian standards are being developed in harmony with the WTO rules. The adopted normative documents are: National Standard, International Standard, Regional Standard, Georgian Classificatory of Technical-Economic Information and the Standard of Entrepreneur.

Intellectual Property

Intellectual property rights are protected by the “National Center of Intellectual Property” (Sakpatenti). Its Office is divided into several departments – Inventions, Design and New Varieties and Breeds, which is responsible for conducting patent examination is subdivided into the following areas:

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- Physics, electronics and electrical engineering;
- Mechanics;
- Mining, building and light industry;
- Organic chemistry; non-organic chemistry;
- Medicine and biotechnology;
- Agriculture and food industry;
- Industrial designs;
- Plant varieties and animal reeds.



Granting of patents and protection of intellectual property in Georgia are regulated by laws - “On Patent”, “On Trademarks“, “On Copyrights”, “On Appellations of Origin and Geographical Indications of Goods”, “On Topographies of Integrated Circuits”, “On Border Measures Related to Intellectual Property”, and “On Design”.

Development and perfection of security system of national intellectual property is mostly stipulated by the international support that Sakpatenti maintains today, particularly through assistance by World Intellectual Property Organization and by Patent Office of Europe. Sakpatenti also actively cooperates with World Trade Organization, European Union and Patent Offices of other countries (bilateral agreement with Intellectual Property Office of 7 countries).

Georgia is a party to international conventions and agreements. In addition, with 12 countries Georgia has inter-governmental agreements in international property security sphere.

Advertising

General regulation

Advertising is governed by the Law “On Advertising”. This Law sets up the framework and principles under which advertising is permitted in Georgia.

It is specially established that important advertising announcements must be composed in Georgian. A text in any foreign language may be added, provided that it appears in smaller letters/fonts. Up to now this restrictive reservation has not applied to publications, newspapers and magazines in foreign languages. Protection of copyright of advertisements is provided by the legislation.

Restrictions and prohibitions

Georgian legislation includes certain restrictions and prohibitions for advertising:

- Advertising shall be clear from the very moment of its beginning without use of special knowledge and facilities as the direct advertising.
- Advertising all over Georgia shall be spread in the national language.
- It is prohibited to advertise the product, the production and sale of which is prohibited by the law or requires the special permit (license), whereas such permit is not obtained.

Advertising of product that requires certification shall be accompanied with note "certified". It is prohibited to place

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and distribute improper advertising. Use of image or name of a person without his/her consent (permission) is prohibited. Advertising of medicine are similarly subject to authorization by Ministry of Health. There are certain restrictions in respect to advertisements, which violate moral norms, cause damage to the state, slanderous and other advertisements.

It is prohibited to interrupt below listed Radio and TV-broadcast with advertisement:

- Children and religious programs;
- Appeal of the President, plenary sessions of the Parliament, official governmental arrangements and formal appeals of the state officials;
- Programs with duration of less than 15 minutes.

Advertising of alcohol and tobacco products is not prohibited, however it should not stress upon the positive impact of these products on health. Any advertisement of strong drinks and tobacco products in streets, squares and on bridges (and adjacent territories within 20 meters) of cities is prohibited.

Where to advertise

General provisions



The most common media for broadcasting advertisements are television, radio, internet and print media. There is also increasing number of advertising notable on public

transport and billboards. However, the majority of advertising is broadcast by television.

According to Georgian legislation outdoor and transport advertising is allowed. Distribution of advertising in Georgian cities, villages and on the territory of other administrative and territorial units is allowed by use of posters, stands, illuminated signs, other means of fixed placement. Advertising on the transport means is performed on the grounds of contract made with the owner of appropriate transport means.

Prices for advertising

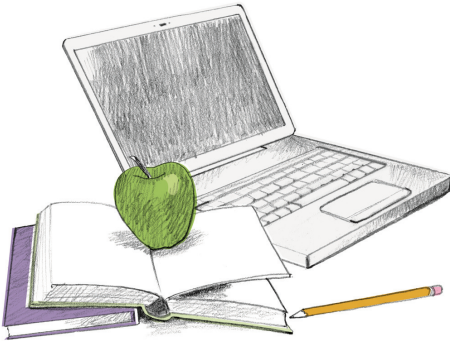
The prices set out below are provided for information only. The price for advertising in print media varies between GEL 250 and 600 per page, depending on the placement page, frequency and popularity of the media. For broadcast advertising including television and radio the price varies according to channel, programs and air time. Per minute TV advertising during prime time may cost up to USD 30,000 per month. The price for radio advertisement varies between USD 25 and 35 per run.

Useful links

- President of Georgia – www.president.gov.ge
- Parliament of Georgia – www.parliament.ge
- Government of Georgia – www.government.gov.ge
- Ministry for European and Euro-Atlantic Integration – www.eu-nato.gov.ge
- Ministry of Education and Science – www.mes.gov.ge
- Ministry of Environmental Protection and Natural Resources – www.garemo.itdc.ge
- Ministry of Economy and Sustainable Development – www.economy.gov.ge
- Ministry of Finance – www.mof.gov.ge
- Ministry of Energy – www.minenergy.gov.ge
- Ministry of Justice – www.justice.gov.ge
- Ministry of Foreign Affairs – www.mfa.gov.ge
- Ministry of Culture and Monument Protection – www.mcs.gov.ge
- Ministry of Labour, Health and Social Security – www.moh.gov.ge
- Ministry of Internal Affairs – www.police.ge
- Ministry of Corrections and Legal Assistants – www.mcla.gov.ge
- National Agency of Public Registry – www.napr.gov.ge
- National Center of Intellectual Property – www.sakpatenti.org.ge
- National Investment Agency – www.investinggeorgia.org

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- National Statistical Office – www.geostat.ge
- National Bank of Georgia – www.nbg.gov.ge
- Association of Georgian Banks – www.abg.org.ge
- Poti Sea Port – www.potiseaport.com
- Motor Roads Department – www.georoad.ge
- Tbilisi International Airport – www.tbilisiairport.com



Contact details

Grant Thornton LLC

3 Mamardashvili Street | Tbilisi | 0102 | Georgia

T + 995 (8) 32 14 34 54

F + 995 (8) 32 14 34 54

E info@grantthornton.ge

W www.grantthornton.ge

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