
PwC Georgia Tax and Law Brief

12 June 2019

Draft law on the amendments to Tax Code of Georgia

Increasing PIT exempt income threshold for certain taxpayers

According to the project initiated in the Parliament of Georgia on May 10, 2019:

- Personal Income Tax (PIT) exempt income threshold is intended to be increased to 6000 GEL for citizens of Georgia who participated in World War II and the battles for the territorial integrity, freedom and independence of Georgia and other countries.

Source: The Parliament of Georgia, 28 May 2019

Draft order of the President of the National Bank of Georgia “On approval of Code of Ethics for enforcing loans/credit payables by the financial organizations”

Responsible Financial organizations

- On 23 May 2019 the President of the National Bank of Georgia issued the draft order “On approval of the Code of Ethics for enforcing loans/credit payables by the financial organizations”.
- The draft order determines obligations of commercial banks, microfinance organizations, non-bank depository institution-credit unions, loan issuers while enforcing loans/ credit payables.
- According to the draft order, financial organization, among others, shall:
 - Act in good faith, transparently and fairly towards customers in order to maintain/establish a good reputation of financial organization;

Obligations of financial organizations

- Not provide the customer with incorrect information which may mislead him/her to make a wrong decision;
- Not use threats and do not provide information on possible actions that are not covered under the agreement and / or legislation;
- Not damage customers' reputation.
- Develop the Code of Ethics for the purpose of requesting due payments of the loan/credit. According to the draft order, this obligation shall be fulfilled by 1 August 2019.
- In case of transferring of loan to third parties, financial organization shall be confident in third party's good reputation. Further, financial organization shall check if the third party has in place the Code of Ethics.
- Contact the customer / contact person only to the number provided by the customer from 10:00 to 20:00.

Source: National Bank of Georgia, 09 June 2019

Amendments to the “Law on the legal status of aliens and stateless persons”

D5 category of Visa

- From 5 July 2019 amendments regarding issuing D5 category visa, labor, investment and short-term residence permits will become effective.
- According to the amendment, in order to apply for a D5 category of visa, which is issued for a year, a foreigner shall own immovable property having market price not less than USD 100 000.
- The amendment includes the terms of obtaining work residence permit. Currently, work residence permit can be obtained by entrepreneurial or labor activities, as well as by freelancers. Under the amendment, freelancers cannot obtain the permit.
- In order to obtain a permit, a person shall submit to the Agency:
 - Certificate confirming of entrepreneurial or labor activity in Georgia;

Work residence permit

- A notice confirming monthly income/salary which shall be five times more than of the living wage in Georgia;
- A certificate confirming that the annual turnover of an employer enterprise (except educational or medical institutions) is more than GEL 50,000 per a foreign employee seeking for a work residence permit.

Duties of employer

- Moreover, employer shall notify the Agency within 5 days after termination of labor relations with work residence permit holder.
- In case of non-compliance, employer shall be liable under Georgian legislation.

Investment residence permit

- Currently investment residence permits are given for an indefinite time. Under the amendment, an investment residence permit is issued for five years to a foreigner who:
 - Invests USD 300, 000's equivalent in GEL in Georgian as required by the law of Georgia on "Promotion and Guarantees of Investment Activity".
 - Has a property right in Georgia on the real estate (except agricultural land) with market value exceeding USD 300,000's equivalent in GEL in accordance with the Georgian legislation.

Source: Legislative Herald of Georgia, 09 June 2019

Decree N255 of the Government of Georgia "On the Procedure of Issuing Construction Permit and Commissioning of Buildings"

- On 31 May 2019 Decree N255 of the Government of Georgia has been issued for determining the rule and conditions for issuing construction permits and building facilities.
- The decree determines the following :
 - Classes of constructions which are subject to construction permits or construction notifications;
 - Permit conditions and rules for construction implementation;
 - List of required documents for permits;
- Further, under the decree construction permits issued before 3 June 2019 are effective and stay in force.

- Under the decree, following pre-design study documents are mandatory for classes:

Pre-design study documents per classes

Class/ requested documents	I Class	II Class	III Class	IV Class
Topographic survey	Not mandatory	Mandatory if a new building changes the picture	Mandatory if a new building changes the picture	Mandatory if a new building changes the picture
Building condition assessment	Not mandatory	Mandatory	Mandatory	Mandatory
Development research	requested in specific cases	Mandatory if the detailed land plan is not effective	Mandatory if the detailed land plan is not effective	Mandatory if the detailed land plan is not effective
Documentary research	Is requested in specific cases	Is requested in specific cases	Is requested in specific cases	Is requested in specific cases
Research on the impact of neighboring lands	Not mandatory	Not mandatory	Mandatory in specific cases	Mandatory in specific cases
Engineering-geological research	Not mandatory	Mandatory	Mandatory	Mandatory

- Further, for application on the use of the land for construction, following documents are required :

Required documents for the permit of using the land for construction

- Cadastral Code and Extract from Public Registry;
- Copy of the applicant's identity card;
- Request on land development; Topographic plan of the land plot;
- Cadastral plan;
- Images depicting the situation on the land plot;
- Document confirming the placement of the information board on a visible location;
- other documents requested by administrative body;

Decision of the Constitutional Court

- By the judgment of 28 May 2019, the Constitutional Court declared unconstitutional a provision of the Order No.21 "On Approval of Forms, Rules and Procedures for Conduct Auction "of the Minister of Justice.
- Under the provision, in case of impossibility of realization of property on two auctions, the starting price of the property at the last (third) auction was zero GEL. Under the law, the bid to increase the price was 5 percent of the market value of the property.
- Accordingly, the property at "zero auction" could be sold at 5 percent of its market price. Which per the Claimants arguments breached property right enshrined in the Constitution.
- The Constitutional Court found that before proceeding to "zero auction" the state was not undertaking all required measures to create possibility for the sale of the property with higher price. For this reason, the court held that the provision was in breach of constitutional right to property.

Rationale of Constitutional Court

Let's talk

For a deeper discussion of how this issue might affect your business, please contact PwC Georgia

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