

Tax and Legal Newsletter

Tax legislation updates

No significant amendments have been made in Georgian Tax Legislation in June, 2018.

Other legal updates

Law of Georgia on Normative Acts

The regulations on the amendments of Law of Georgia in Normative Acts contain provisions regarding compliance of Georgian draft laws with the EU law. According to the amendments, the bill should include an explanatory letter, where will be reflected the EU's legal act, with which approximation obligation results from the "Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Georgia, of the other part" or other bilateral and multilateral treaties concluded between Georgia and European Union.

In addition, the Appendix # 1 has been added to the Georgian Law on Normative Acts, which includes compatibility schedule of Georgian bills of normative acts / applicable normative acts to the EU Law.

Civil Code of Georgia and Administrative Offences Code of Georgia

In June 2018, Parliament of Georgia agreed to the draft law on amendments in Civil Code of Georgia and Administrative Offences Code of Georgia on the first hearing.

The amendments include limitations regarding securities of loans/credits and sets out the sanctions in the event of violation of these restrictions.

As soon as the amendments enters into legal force, the following transport or mechanical machines shall not be used as securities of loans/credits: vehicles, set out in article 53 (1) of Law of Georgia on Road Traffic, auxiliary technical means of agricultural machinery, also, water, air and rail transport. Above restrictions/limitations shall not apply to contracts made to secure the claims of commercial banks, microfinance organisations, non-bank deposit institutions – credit unions.

According to the bill, if the loan/credit is secured by vehicles, set out in article 53 (1) of Law of Georgia on Road Traffic, auxiliary technical means of agricultural machinery, also, water, air and rail transport, the lender is obliged to transfer the funds to the borrower in the form of non-cash settlement. Pursuant to the proposed amendments to Administrative Offences Code of Georgia, violator of abovementioned regulation will be fined in the amount of 10 000 Georgian Lari within 30 calendar fays from receiving of alert. The same amount of fine will be imposed in case of violation of the non-cash settlement rule during the sale of real estate.

Limitation of an annual effective interest rate will be reduced. Pursuant to the amendment, when determining a loan interest as agreed by the parties, an annual effective interest rate must not exceed 50%.

As soon as the bill becomes effective, A claim shall be deemed to have been satisfied even if the proceeds from the sale of the pledged/mortgaged item are not enough to cover the claim secured by



pledge/mortgage or the value of the pledged/mortgaged item does not fully cover the amount of the claim. Any other agreement between the Parties shall not be allowed

responsible for illegal construction, lacks the legal basis.

Important Court Cases

Supreme Court of Georgia has made an important decision regarding the determination of the responsible person/entity for construction offense.

The case concerns illegal construction carried out in Tbilisi. The Court explained that the law does not consider as a violator person only the owner of the property, the offender is the person who carries out illegal construction, but in case if the construction company is not found, the owner of the property or the beneficiary is responsible for illegal construction.

The Court noted that in the conditions when the owner of the land plot was dead, the supervision municipal service was entitled to impose responsibility for construction violations to a particular individual or legal entity implementing the construction, namely the client and the individual or legal entity who directly operated the construction and installation works.

In this case administrative proceedings have started on the fact of concrete construction offense. The Court of Cassation pointed out that the factual and legal grounds for commencement of administrative proceedings against both offenders were found, but the proceedings of the offense were suspended due to one person's death. Thus, the court noted that the appellant's view that at the start of the construction he was neither the owner of the real estate nor the successor of the deceased person and he is not



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