

## Tax Legislation Updates

No significant amendments have been made in Georgian Tax Legislation in February, 2019.

## Other Legal Updates

### Legislative package on agricultural land ownership

In February 2019, the Committee on Agrarian Issues of the Parliament of Georgia initiated the new package of amendments regarding law of Georgia on Agricultural Land Ownership and Law on Determination of Target Function of Land Plot and Sustainable Management of Agricultural Land Plot.

In the framework of this initiative is planned to establish ownership rights on the agricultural land considering public and private interests, development of local farming and etc.

The draft law regulates the peculiarities of agricultural land ownership in Georgia.

The draft law establishes cases of agricultural land ownership by the foreign individual or legal entity, namely:

- If a foreign citizen has inherited the land;
- If the land plot was transferred by the Government of Georgia to the foreign enterprise, based on a specific investment plan.

In case of non-fulfilment of investment liabilities within 1 year, foreign legal entity will be obliged to sell the land.

A foreign citizen will be obliged to use agricultural land for purpose. Otherwise, after 3 years, it shall sell the land. In case of violation of this obligation as well, the land will be transferred to state ownership. Such limitations do not apply to homestead land.

On the date of enactment of the law, legal entities which already owe agricultural land plots in Georgia, will be obliged to submit an investment plan within two

years and comply with it. Otherwise it will be fined or in extreme cases, imposed to alienate land.

The given draft law is not enacted yet but is supported by the majority of Parliament members of Georgia.

## Important Court Cases

The Supreme Court of Georgia made a significant decision regarding distribution of profit in the form of dividends.

The court explained that in case a company has an annual profit, the profit distribution in the form of dividends is an authority of general meeting of partners and not - an obligation. However, due to the fact that purpose of the business of entrepreneur is to get the profit and the partners have a legitimate expectation that in case the company earns profit, they will receive dividends. Failure to make a decision on the distribution of profits by the general meeting of partners shall also have a legitimate purpose and such purpose should justify limitation of the most important right of the shareholder – to receive dividends from the company profit.

In addition, the court has clarified cases when it is entitled to break into the discretionary authority of the partners. In particular, the court is authorised to invade in the authorities of general meeting of partners (regarding distribution of profit in the form of

dividends) provided that the plaintiff refers to the unlawful use of its authorities. Specifically, the plaintiff partner in the claim must indicate the facts which will create the basis for the assumption that partners have exercised their rights by deception, have been dishonest and had personal interest. Taking into consideration all these circumstances, the court resolved that in this case there were all the grounds envisaged by the law for the court to order convening a general meeting of partners of the company and to determine the agenda.

Consequently, the Supreme Court ordered the party to invite and organize the general meeting of shareholders and set up the following agenda: Review and approve the annual report and, in case the company earned a profit, make a decision on distribution or non-distribution of the profit between the shareholders, in the form of dividends.

The above reviewed decision is available at the webpage of Supreme Court of Georgia, in the list of the cases of the Civil Chamber, by case number: 552-527-2016.

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