

Tax Legislation Updates

No significant changes were made to Georgian Tax legislation, in September 2020. Amendments made to the Tax Code of Georgia are of technical nature and reflects the changes made in other legislative acts of Georgia.

Other Legal Updates

Among the amendments in Georgian legislation adopted in September 2020, passing the bill of the Law on the “Rehabilitation and collective satisfaction of the creditors” as well as amending the law on “Competition” and related legislative acts is remarkable.

The Law of Georgia on “Rehabilitation and Collective Satisfaction of the Creditors”

On September 18, 2020, the Parliament of Georgia passed the law of Georgia on “Rehabilitation and Collective Satisfaction of Creditors” with third reading. In order to be taken appropriate measures from the period of adoption of the law until it’s full enactment, it is determined that the main regulations (articles 1 through 121, out of the total amount of 123 articles) of the law will become effective from April 1, 2021.

In connection with the adoption of the law, mainly technical changes were made to the Tax Code of Georgia, the Law of Georgia on Entrepreneurs, the Code of Administrative Offenses of Georgia, the Law on Competition and other legislative acts. The amendments to all the aforementioned acts will also enact from April 1, 2020.

More detailed review on the novelties proposed by the law on the “Rehabilitation and Collective Satisfaction of the Creditors” can be found in our February 2020 “Tax and Legal Update”.

Amendments to the Law on “Competition”

In order to commensurate Georgian competition law with the substantive and procedural norms of EU law, the Parliament of Georgia has made significant changes to the Law of Georgia on Competition. The amendments address a number of practical and legal shortcomings and serves to improve law enforcement mechanisms.

The amendments to the law increase the effectiveness of regulatory and control mechanisms, as well as the functions of the National Competition Agency, introduce enforcement mechanisms and elements of judicial control.

Under the amendment, it is permissible through the court to cancel a concentration (dissolution of the merger, sale of all necessary assets and shares) that substantially distort effective competition in the goods or services market of Georgia.

The amendment imposes a mandatory fee of GEL 5,000 for the consideration of the notification of concentration. In addition, only the annual turnover (GEL 20 million) becomes the determinant for submitting the notification of concentration and the value of the assets will no longer be taken into account.

It is important that the National Competition Agency becomes a collegial body and the council of an Agency shall have the authority on the issues such as approving the structure and human resources of the agency, initiating an investigation or refusing to initiate an investigation, make a final decision on the investigation, determine the amount of the fine, agree or refuse to concentration and others.

The deadlines for reviewing complaints will increase, in particular, given that the deadline for reviewing complaints under the old version of the law was not sufficient to study a complex case (where conducting market research is necessary) and to enable the interested party to present its views and arguments to the case, depending on the importance and complexity of the case, the investigation period can be extended up to 18 months by the decision of an Agency.

Most of the amendments to the law will enter into force on the 45th day after their publication, i.e. From November 4, 2020.

Amendments to the Code of Administrative Procedure

The amendments to the Law of Georgia on Competition introduced a mechanism of judicial control over certain legal relations in the field of competition, which necessitated the reflection of the relevant procedural provisions in the Code of Administrative Procedure.

The Law of Georgia on Competition, with the consent of the court, provides for the on-site inspection of the undertaking against whom the investigation has been initiated. Also, according to the law, in order to perform the functions provided for in the Law on Competition, in certain cases the Agency has the right to apply to the court to cancel the concentration, to restore the original status, as well as to raise before the court the issue of forced division of an undertaking that holds a dominant position, in the case of repeated violation of the legislation of Georgia by such an undertaking.

Thus, the need to introduce an appropriate regulatory framework for the court on the matters pertaining to

the competition law has led to the addition of Chapter VII (16) to the Administrative Procedure Code, which regulates administrative proceedings in connection with an on-site inspection of an undertaking, Chapter VII (17) – which regulates administrative proceedings, related to obtaining information from an undertaking/party/interested party, Chapter VII (18) - to regulate administrative proceedings in connection with the interim suspension of activities of an undertaking and Chapter VII (19) to regulate administrative proceedings for the abolition of concentration of an undertaking and the forced division of an undertaking.

Contact information

bakertilly
7 Bambis Rigi, 0105, Tbilisi.
(+995 32) 2438 999

office@bakertilly.ge
www.bakertilly.ge

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