

Tax Legislation Updates

Amendment to the Tax Code of Georgia

In August 2022, no significant changes were made in the Tax Code of Georgia.

Other Legal Updates

Amendments to the Law on Payment System and Payment Services and Related Legislation

Through the Association Agreement with the European Union, Georgia undertook the liability to ensure the gradual conformity of its financial services legislation with the EU financial services legislation. For this purpose, based on the European Parliament and Council Directive (EU) 2015/2366(PSD2) of November 25, 2015 on payment services in the internal market, the amendments were made to the law of Georgia on the payment system and payment services.

In addition, the amendments intend to reduce security risks in the provision of payment services and electronic payments in the country, improve existing legislative gaps, bring the law in line with international standards, create more guarantees for the protection of consumer rights, as well as create simple, effective and impartial dispute resolution mechanisms related to payment services raised by consumers.

Along with the changes made in the law on the payment system and payment services, the amendments also were made to the "Securities Market" Law, the law on "Enforcement Proceedings", the law on "Activities of Commercial Banks", the law on "Microfinance Organizations" and other related laws.

The relevant amendments were adopted by the Parliament of Georgia in the third reading on September 9, 2022.

Amendments to Civil, Administrative and Criminal Procedure Codes

On March 3, 2022, Georgia submitted an application for joining the European Union. According to the conclusion of the European Commission regarding the application, Georgia should be given the prospect of EU membership, and at the same time it recommended the implementation of issues, prescribed in 12 points.

According to point 11 out of the mentioned 12 points, envisaged for granting candidate status to Georgia, it must adopt relevant legislation that ensures proactive consideration of decisions of the European Court of Human Rights in Georgian courts.

In order to fulfil the mentioned obligation, changes were initiated in the criminal, administrative and civil procedure codes of Georgia, as well as in other normative acts (for example: Law of Georgia on lawyers, law on prosecutor's office, organic law on general courts and others).

According to the initiated changes, the possibility of referring to the decisions of the European Court of Human Rights in the procedural documents (lawsuit, counterclaim, court ruling, judgement, verdict, appeal, cassation etc.) is clarified and created. In principle, the mentioned issue was already implemented in practice, however, by implementing the amendments, a legal basis is provided for the use of case law of the European Court of Human Rights in Georgian proceedings.

The mentioned changes were initiated by the Human Rights and Civil Integration Committee of the Parliament of Georgia on August 5, 2022, and it is anticipated to enact those changes at the end of October 2022.

Amendments to the Organic Law of Georgia "On the National Bank", Related to Virtual Assets

On August 31, 2022, the amendments to the Organic Law "On the National Bank" was submitted to the Parliament of Georgia for consideration, which was adopted in the third reading, in an accelerated manner on September 9, 2022.

The amendment concerns the regulation of virtual assets, in particular, it determines the concepts of virtual assets, including convertible virtual asset, virtual asset service and virtual asset service provider. According to the amendment, only convertible virtual assets fall under the regulation of the National Bank of Georgia.

According to the changes, the activity of the virtual asset service provider will be subject to mandatory licensing and supervision by the National Bank of Georgia.

It is worth mentioning that the amendment establishes that the virtual asset is not legal tender on the territory of Georgia. Accordingly, the only legal means of payment in Georgia is GEL. At the same time, the

National Bank of Georgia can be empowered by a legal act to determine the exceptional cases in which virtual asset payments will be allowed.

The virtual asset service provider can be not only the virtual asset service provider registered by the National Bank of Georgia, but also the individual representatives of the financial sector. At the same time, the entity registered as a virtual asset service provider is prohibited from performing other activities, except for the activities concerning virtual assets and the auxiliary activities necessary for the provision of this services.

The law will enact from January 1, 2023.

Along with the amendments adopted regarding the regulation of virtual assets, an amendment was made to the Law of Georgia "On Registration Fees", according to which the amount of registration fee for registration as a service provider of virtual assets is 10,000 GEL.

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