

## Georgia

### Law of Georgia on the investment activity promotion and guarantees (1996)

*Unofficial translation*

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## Contents

- Chapter I. General Provisions**
- Chapter II. Legal status of the investment activity subjects**
- Chapter III. Investment promotion and registration**
- Chapter IV. Guarantees for investments**

# **Law of Georgia on the investment activity promotion and guarantees**

Law No. 473-10

## **[Preamble]**

The present law defines the legal bases for realizing both foreign and local investments and their protection guarantees on the territory of Georgia. The purpose of the law is to establish the investment-promotional regime.

# Chapter I. General Provisions

## Article 1. Investments

- 1) Investments shall be deemed to be all types of property and intellectual valuables or rights invested and applied for gaining possible profit in the investment activity carried out in the territory of Georgia.
- 2) Such valuables or rights may be:
  - a. monetary assets, a share, stocks and other securities;
  - b. movable and immovable property - land, buildings, structures, equipment and other material valuables;
  - c. lease rights to land and the use of natural resources(including concession), patents, licenses, know-how, experience and other intellectual valuables;
  - d. other property or intellectual valuables or rights provided for by the law.

## Article 2. Investment activity subject ( Investor ) and object

- 1) An investor shall be deemed to be a natural or legal person as well as an international organization investing in Georgia.
- 2) A foreign investor shall be deemed to be:
  - a. A foreign citizen;
  - b. A stateless person temporarily residing on the territory of Georgia;
  - c. A Georgian citizen permanently residing abroad;
  - d. A legal person registered beyond Georgia.
- 3) An enterprise with a foreign investment not less than 25% shall enjoy the same rights as the foreign investor.
- 4) Investments on the territory of Georgia may be realized in an object with any form of ownership which investment is not prohibited as per paragraph one of Article 9 of this law. Investments in the objects listed in Articles 9 and 12 of this law may be realized only on the basis of an appropriate special permit or license.

# Chapter II. Legal status of the investment activity subjects

## Article 3. Rights of investors

- 1) In conducting the investment and entrepreneurial activity a foreign investor's rights and guarantees shall not be less than when the rights and guarantees enjoyed by Georgian natural and legal person.
- 2) An investor shall be entitled to open current and other accounts in any currency with banking institutions located on the territory of Georgia.

3) An investor shall be entitled to take loans in banking and financial institutions located in Georgia or from natural or legal persons.

4) An investor shall be entitled to acquire stocks, bonds and other securities and property both in Georgia and abroad.

5) A foreign investor shall, upon payment of taxes and necessary levies, have the right to convert the profit (income) gained from investments at the market rate of exchange in Georgian banking institutions and the right of unlimited repatriation abroad.

Such assets may be:

a. any contribution to the capital of an object established with the foreign investments:

b. any profit and dividend as well as the assets remaining after the whole or partial sale of the foreign investment;

c. levies associated with contractual (including debt) liabilities;

d. the right to use property tax to be preliminarily fixed as the income interest gained by using other person's property, including natural resources, copyright, patents (royalty) as well as payment of administrative and other charges.

6) A foreign investor shall be entitled to export the property being in his possession.

7) The right as per paragraph five of this Article may be subject to restriction under law by court's decision in connection with bankruptcy, committing an offense or non-performance of a civil obligation.

#### **Article 4. Duties of investors**

An investor shall be liable to conduct activities in accordance with the effective Georgian legislation as well as legislation concerning the environment and health protection.

## **Chapter III. Investment promotion and registration**

#### **Article 5. Investment promotion**

The state policy associated with the development and accomplishment of the investment activity promotion state programs shall be carried out by the Ministry of Economy of Georgia together with respective agencies.

#### **Article 6. State registration of foreign investments**

1) A foreign investor shall be liable within sixty days from investing to register at the Foreign Investment Agency attached to the Ministry of Trade and Foreign Economic Relations of Georgia an Investment with a value of USD 100,000 (or its equivalent) or more. Otherwise he will be prohibited to engage in investment activity. The purpose of registration is to establish a uniform statistical database on the investment activity realised in Georgia.

2) A foreign investor shall be liable once a year (till the end of the year) to submit to the Foreign Investment Agency the data on the volume of additionally realised investments.

3) A foreign investment shall provide for registration:

- a. a full description of the investment objects; a brief description of main directions of investment activity;
  - b. a copy of the document certifying registration of the appropriate enterprise;
  - c. the document certifying the value of investment;
  - d. a special permit, including a license in the cases as per Articles 9 and 12 of this law.
- 4) The Agency shall not be entitled to request from the investor the submission of any other data which is not specified by paragraph 3 of this Article.
- 5) Within 5 days from the date of filling an application for registration the Foreign Investment Agency attached to the Ministry of Trade and Foreign Economic Relations of Georgia shall register the foreign investment. Should the Agency fail to consider the matter of registration in the stipulated time, such an investment shall be deemed to be valid under the law.
- 6) Refusal of state registration may be possible only in the case where the investor fails to meet the requirements provided for by the first and second paragraphs of Article 9 of this law.
- 7) Refusal of state registration may be appealed against under the procedure established by Article 16 of the law.

## **Chapter IV. Guarantees for investments**

### **Article 7. Investment inviolability**

- 1) Investment shall be fully and unconditionally protected under legislation of Georgia in force.
- 2) Investment requisition is possible only in the cases directly specified in the law, at decision of the Court or in the case of urgent necessity established by organic law and only with appropriate compensation.
- 3) A decision of requisition of investment as well as the compensation terms may be appealed against in court as well as under the procedure established by Article 16 of this law, should the investor be a foreigner.

### **Article 8. Compensation for investment requisition**

- 1) The compensation to be given to the investor shall correspond to the actual value of the seized investment directly at the time when such requisition took place.
- 2) The compensation shall be paid without any delay and it shall also comprise the damage suffered by the investor from the moment of requisition till the payment of the sum of compensation.
- 3) A foreign investor shall be entitled to convert the sum of compensation at market rate in a banking institution of Georgia and freely repatriate it abroad.

### **Article 9. Prohibition and restriction in the sphere of investment activity**

- 1) A list of branches where the investment realization is prohibited shall be subject to approval of Parliament of Georgia on presentation by President of Georgia.
- 2) An investor shall not be entitled without a permit or license issued by an appropriate agency to engage in the following activity:

- a. manufacture and sale of weapons and explosives;
- b. preparation and sale of medicines and substances that are subject to special control;
- c. use of forest resources and entrails;
- d. setting up of casinos and other gambling houses which provide for arranging games and lotteries;
- e. banking activity;
- f. insurance activity;
- g. issue of securities for public circulation;
- h. wireless communication service and TV and radio channels' creation;
- i. other activities defined by the effective Georgian legislation.

**Article 10. Labour relations, social security and pensions**

- 1) An investor shall be entitled to hire a foreigner in accordance with the effective Georgian legislation. A foreigner not permanently residing in Georgia upon payment of taxes and mandatory levies shall have the right to freely transfer or export the gained income.
- 2) The minimum number of Georgian citizens to be mandatorily elected or appointed to the management body of an enterprise shall not be fixed.
- 3) Requirements of the law concerning the payment of necessary taxes and fees for social insurance, security and pensions of employees shall not apply to the workers not residing permanently in Georgia.

**Article 11. Investment activity taxation**

The taxation regime associated with investment activity and its favourable treatment shall be regulated under the tax legislation of Georgia.

**Article 12. Acquisition of property right to land and other natural resources**

Acquisition of the property right to land and other natural resources as well as the right to develop natural resources shall be regulated under laws of Georgia "On Property of Agricultural Land", "On Lease of Agricultural land", "On the Procedure for Granting Concessions to Foreign Countries and Companies", "On entrails" and other legislative acts.

**Article 13. Legal regime of the realized foreign investments**

The enterprises established with foreign investments that had taken a foreign investment license under established procedure before the present law came into force shall, within 5 years from the date of its issue, retain privileges provided for in the law of Georgia "On foreign Investments" of 30 June, 1995 in the sphere of activity for which the foreign investment license has been granted.

**Article 14. Investment security during the state of war and military conflict**

A foreign investor who has suffered damages during the state of war and a military conflict shall not be subject to the terms of compensation worse than those of a local investor.

**Article 15. Guarantees during amendment of legislation**

1) A new legislative act which worsens investment conditions established under this law shall not apply to the already realized investments within ten years from the date of its entry into force . In such a case an investor shall conduct his activities in accordance with legislation being in force before the new legislative act has been effected.

2) Later on, Articles 7, 8 and 16 shall not be subject to the legislation amendment.

**Article 16. Procedure for dispute resolution**

1) A dispute between a foreign investor and an enterprise registered in Georgia shall be subject to resolution under the agreement of the parties or in courts of Georgia.

2) A dispute between a foreign investor and a state agency shall unless the procedure for its resolution is not defined by way of their agreement, be subject to resolution in courts of Georgia or in the International Center for the Resolution Investment Disputes. Unless the dispute is considered in the International Center for the Resolution of Investment Disputes, a foreign investor shall be entitled to apply to any international arbitration body which has been set up by the Commission of the United Nations for International Trade Law - UNCITRAL to resolve the dispute in accordance with the rules established under the arbitration and international agreement.

3) Any award of the international arbitration bodies as indicated in paragraph 2 of this Article shall be final and not subject to appeal. Its observance shall be secured by the state.

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