



Georgian Legal News

Refer to the Law

Important amendments to the Civil Code of Georgia

On 28 June 2017, the parliament of Georgia adopted a new regulation on health insurance, which entered into force on 10 July 2017.

Pursuant to the amendments, health insurance covers expenses related to health deterioration, damage and other services.

Such a wide scope provides protection of the rights of a user to avail opportunities set forth by the legislation without any limitations when exercising the right to health protection.

The amendments enshrine the possibility of exercising the right to subrogation by an insurer in health insurance cases. The purpose of the amendments is to strictly regulate the scope of provisions concerning health insurance. It precludes the wrong and bad practice of insurance companies to refuse compensation of damages by using an analogy of the law with respect to property damage clauses.





Important amendments to the Tax Code of Georgia

On 13 July 2017, several amendments, which were adopted by the parliament of Georgia on 30 June 2017, officially entered into force, including the following:

- Paragraph 12 was added to Article 4 of the Tax Code, according to which an extension of the time limit in cases of transferring loss shall apply only to those tax obligations, the amount whereof is affected by such transfer of loss.
- Paragraph 13 was also added to Article 4, which provides that the time limit for submitting a tax request to a taxpayer will not be considered to be expired should a relevant tax request be placed on the taxpayer's authorized user page prior to the expiration of the time limit.
- A new paragraph was added to Article 82, which provides that the profit received as a result of the recognition of ownership in accordance with the Law of Georgia on "Recognition of Ownership Rights over Lands in the Possession (Use) of Natural Persons and Legal Persons of Private Law" will be exempted from income tax.
- Paragraph 103 was added to Article 309, according to which:
For the purpose of Article 98¹:
 - a) Dividends distribution received from net profit during the counting period from 1 January 2008 to 1 January 2017 is considered to be profit distribution, the next distribution of these dividends received by the person defined by article 2(1) of the Law on the Entrepreneur (except for the sole trader and profit tax exempt entity in compliance with the Tax Code) is not considered to be profit distribution.
 - b) Next Distribution of the dividends received in the counting period until 1 January 2017 is not considered to be distribution of profit.

Important amendments to the Law on Entrepreneur

On 13 July 2017, the changes to the Law on Entrepreneur came into force, according to which:

- The use of a micro-power electricity generating station connected with electric energy distribution by a natural individual or legal entity or other organizational structures is not considered as entrepreneur activity.
- Article 5⁸ was added to the law, which established a new legal term—a single person enterprise. This includes a limited liability company or joint-stock company that has one shareholder/stakeholder. By virtue of this change, the regulations that enable one person to solely set up an LLC/JSC were unified.

- Pursuant to the amendments, information and details of the shareholder/stakeholder of a single person enterprise shall be indicated in the Registry of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Persons in case of an LLC, but in the event of a JSC—the registry of stocks, which shall be publicly available.
- If an enterprise has one shareholder/stakeholder, he/she solely exercises the rights for general meetings. The decision made under this authorization shall be in writing.
- The restriction set forth by Article 5⁸ will enter into force on 1 September 2018 for the enterprise, for which annual turnover does not exceed EUR 1,000,000 equivalent in Lari according to the official currency exchange.

Possible changes to the Law on Insurance

The parliament of Georgia is considering possible changes to the law on insurance, for which the purpose is financial independence of the LEPL Insurance State Supervision Service of Georgia by virtue of finance transferring from the state budget to private budget sources. Moreover, the purpose of the changes is the establishment of internal audit for insurance companies in compliance with international standards and national legislation.

Article 9² may be added to the law, according to which the activities of insurance companies are subject to inspection of internal audit, which provides an assessment of the legal compliance, correctness, and adequacy of the current activities of insurance companies.

Under the possible changes, Article 19¹ might be added to the law, which enshrines the supervisory fees rate, which will be defined by the law.

Case Law

On 24 February 2015, the Tbilisi City Court rendered an important decision on paternity leave, which was officially published on 7 July 2017 (Case No. 3/4193-14).

Under Georgian legislation, for the purpose of child care, both parents have maternity/paternity leave, as well as a respective monthly reimbursement for a certain period. This right applies to women, however, there is no such regulation related to men.

The court ordered that maternity/paternity leave implies a vacation, which is given to persons during and after pregnancy, child care or adoption of an infant. Therefore, the subjects of maternity/paternity leave are for pregnant persons, and furthermore, persons who take care of a child.

The court pointed to the practice of the majority of European countries, including Georgia, which provides vacations for child care for both women and men. The majority of these countries applies this right to men and women.

Hence, the court ordered that working as a public officer shall not be grounds for discrimination according to the meaning of the term discrimination.



If you have any questions regarding the information provided in this newsletter, please contact one of the Tax & Legal professionals at our Deloitte office in Georgia:

Giorgi Tavartkiladze
Director of Tax & Legal Department

gtavartkiladze@deloitte.ge

Giorgi Khurodze MLB (Bucerius/WHU)
Head of Legal, Attorney at Law

gkhurodze@deloitte.ge



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