



Georgian Legal News Refer to the Law

Proposal of a new draft bill “On Rules for Expropriation on the Grounds of Public Necessity”

On 5 April 2017, the government tabled a new draft bill “On Rules for Expropriation on the Grounds of Public Necessity” in the parliament of Georgia. The bill regulates several important issues in a new manner. Namely, ‘expropriation’ thereunder will entail both negotiated as well as forced expropriation. The bill establishes new terms, such as “eviction”, “negotiated and forced eviction”, “expropriation rights seeker”, “expropriation property”, etc. Furthermore, a plan of works of public necessity and/or a plan prepared by a project executor must be approved by the government of Georgia.



The bill, as opposed to the law operating at present, sets forth the main provisions related to “eviction”, which entail stages of both negotiated as well as forced eviction for the purposes of freeing land. The bill envisages compensation for the property; the size, form and condition whereof is insignificant or which is less valuable/uneconomical, but which is connected to expropriation property and is useless without it.



Possible amendments to the law “On Entrepreneurs”

On 13 April 2017, the government proposed amendments to the law of Georgia “On Entrepreneurs” in the parliament of Georgia. It provides that an audit committee of a person of public interest be determined as a sub-committee of supervisory board and requires that the committee be constituted by supervisory board members only. In addition, supervisory board must elect an independent person as a chairman of the audit committee.

Under the bill, Article 461 will be added to the law, pursuant where to during the sale of a share by a partner in a limited liability company, the remaining partners will have a pre-emptive right commensurate with their shares, unless otherwise provided by a memorandum of association. The procedure for notifying a partner on their pre-emptive right is also provided therein. The foregoing provision will apply only to the limited liability companies established after the law enters into force.

The same regulation will apply to joint stock companies as well, however, a shareholder meeting will be entitled to annul or limit the right. The decision will be rendered on the basis of a written report from the director or supervisory board, wherein the reason(s) for the limitation or annulment of pre-emptive rights must be provided.

Possible amendments to the law “On the Securities Market”

On 13 April 2017, the government of Georgia tabled another bill in the parliament, which sets forth amendments to the law “On the Securities Market”. According to the current version of Article 111 of the law, a shareholder or group of shareholders holding 5 percent of the shares or more has the right to receive information from the director or board of directors and members of the supervisory board of the accountable enterprise regarding received salary as well as other types of income. Under the bill, such information will be accessible to any shareholder, however, the shareholders will be obliged not to disclose such information. Moreover, the right to receive information on income of directors will be available only in those accountable enterprises, the shares of which are listed on stock exchange. Pursuant to the bill, an accountable enterprise will not be obliged to issue such information to a shareholder if the information is provided in the most recent financial account of the accountable enterprise, accessible to shareholders.

Under the amendments, the agreement, parties whereof are interested persons and the value whereof is 10 percent or more of the assets of an accountable enterprise, or a lesser amount provided by a memorandum of association, must be inspected by an external auditor/certified accountant. During the inspection, it will be checked whether the agreement in question is being concluded with essentially the same conditions as it would have been concluded between non-interested persons. The conclusion issued as a result of the inspection will be sent to a supervisory board or a general meeting for approval prior to approving the agreement. Accountable enterprises are obliged to ensure compliance with these regulations within one year after the amendments enter into force.

Case Law

Invalidity of a lease agreement

On 4 April 2017, the Appellate Court of Georgia issued an important decision on the invalidity of lease agreements (Case 28/5318-15).

In its decision, the court interpreted Article 11(1) and (5) of the law of Georgia "On Public Registry", which provides that in order to give rise to rights under a lease agreement that has a term of more than one year and the party whereof is a legal person of private law, it must be registered at a public registry. The court found that, notwithstanding the foregoing, the real intent of a legislator must be taken into account during the interpretation, which, in the present case, was to ensure that the rights related to immovable property are public and interests of third persons are protected. The panel noted that albeit registration at a public registry is a necessary requirement for conclusion of an agreement on immovable property, the absence of such registration does not automatically render the agreement void. An unregistered lease agreement gives rise to rights and obligations for parties thereto, but will not have any force in third-party relations.

Risk of indicating a telephone number

On 17 April 2017, ruling №28/33-15 of the Appellate Court was issued, where the panel notes that since the Civil Procedure Code of Georgia provides for the possibility of serving a subpoena via telephone, it is served via telephone number indicated by party. Should a party transfer the number indicated in a claim to a family member who does not live with the family permanently, he/she must bear the risk related to serving a subpoena and, accordingly, having a default judgement rendered against him/her.

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