



# WHY START A BUSINESS IN AJARA/BATUMI?

- Georgia is number 6 out of 190 countries according to Ease of Doing Business 2019 (IFC/World Bank)
- Georgia is number 16 out of 178 countries according to Index of Economic Freedom 2019 (Heritage Foundation)
- Strategic geographical location connects several important economic regions including European Union, CIS Countries, Turkey and the Caucasus Region
- We have skilled low-cost labor force
- We offer low-cost utilities such as electricity, gas, and water
- We set no restriction on hiring expatriates
- We are a member of the World Trade Organization (WTO) since 14 June 2000
- EU-Georgia Association Agreement supports Georgia's economic integration with the European Union and opening the EU internal market to the country.
- In 2017 Georgia signed Free Trade Agreement with the People's Republic of China.



# HOW TO ESTABLISH A BUSINESS?

## REGISTERING AUTHORITY

All companies shall be registered at the National Agency of Public Registry (NAPR) of the Ministry of Justice of Georgia located at the Public Service Hall  
[www.psh.gov.ge](http://www.psh.gov.ge)

## LEGAL FORMS OF BUSINESS ENTITIES

The Law of Georgia on Entrepreneurs (hereinafter "LOE") sets forth an exhaustive list of legal forms of business entities that can be established in Georgia. In particular:

- Joint-Stock Company (JSC)
- Limited Liability Company (LLC)
- General Partnership (GP)
- Limited Partnership (LP)
- Cooperative (CO)
- Individual Entrepreneur (IE)

N.B. The stipulations in the LOE equally apply to foreign and local companies. Therefore, foreign nationals are eligible to participate in incorporation of legal entities due to the lack of any applicable legal limitation.

## JOINT STOCK COMPANY (JSC)

JSC is a legal entity the charter capital of which is divided into shares of equal nominal value. The share constitutes to a security certifying the claim of a shareholder in relation to the property of the JSC, the rights and obligations of shareholders and JSC towards one another. The liability of a JSC is limited to its whole assets. Shareholders are not liable for obligations of the JSC.

## LIMITED LIABILITY COMPANY (LLC)

LLC is a commercial legal entrepreneur, the liability of which to its creditors is limited to its entire property. LLC may be established by a single person. The capital of the company is divided into shares and unlike the JSC partners may not issue new shares. LLC members are responsible only with their capital contributions.

## GENERAL PARTNERSHIP (GP)

GP is a company where several partners carry out continuous and independent entrepreneurial activity under the same company name. The founders are all personally liable for any debt the company may undertake.

## LIMITED PARTNERSHIP (LP)

LP is a company where several persons jointly carry out independent entrepreneurial activity under the same company name. In LP the obligations of one or several partners towards the creditors of the partnership are limited to their investments into the company (limited partners - Comandits), whereas the other partners (Complementars) are personally liable for such debts.

## COOPERATIVE (CO)

Cooperative is a company incorporated with the objective to develop common business and increase the profits of its members. The objective of the cooperative is to accomplish the interests of its members. A cooperative is not primarily aimed at gaining profit. The cooperative is liable to the creditors only with its own property. Cooperative partners are responsible only in proportion of their contributions (shares) in capital.

## INDIVIDUAL ENTREPRENEUR (IE)

As an owner of a business entity, an individual entrepreneur is a physical person whose entrepreneurial activity shall be conducted in an entrepreneurial manner. In legal relations such person shall act on his/her own behalf. IE is not a legal entity. An individual entrepreneur uses his/her rights and performs his/her obligations as a physical person and bears personal responsibility before creditors for any and all obligations arising from his/her entrepreneurial activity. Such enterprise can be owned by the family, and also it can employ other people.



## REGISTRATION REQUIREMENTS FOR JSC / LLC / GP / LP / CO

In order to register a JSC/LLC/GP/LP/CO, the founder(s) shall submit an application form approved by the Ministry of Justice of Georgia, and the Charter of the entity, in line with the Georgian legislation.

The application for registration and Charter to the NAPR shall be supported by the documents below:

- Decision of the founders on establishing JSC/LLC/GP/LP/CO in Georgia
- Document certifying the proof of registration by the founder in the foreign jurisdiction. If the founder is a legal entity, the same or a separate document should indicate the names of the authorized representatives, supervising authority and other corporate details of the founder (Certificate of Registration)
- Decision on appointing the head of the company (director) or the respective Power of Attorney
- Copies of the passport(s) of the founders and the director(s)
- Evidence of payment of the registration fee.

Charter - a company must have the Charter or the Shareholders' Agreement in which the founders stipulate the details of the company management and operation. The Charter must be submitted to the NAPR for registration and be kept by the company itself.

The Charter contains the following information:

- Company (firm) name

- Legal form of the business entity
- Legal address of the business entity
- Name(s), residential address(es), identification number(s) and signature(s) of the founding partner(s). If the founder is a business entity, the application should include its legal name and registration details, legal address, the name of the registering authority, the date of registration, the identification code, and information regarding its representatives
- Managerial body of the company, procedures for decision making, information on shareholding in the company and profit distribution among the shareholders (applies to LLC only)
- Any limitation to the representation power of persons (including a proxy) authorized to represent and lead a business entity
- In case of LP the Charter should indicate which partner(s) is/are complementary and which is/are comandit
- Name and Surname, Residential Address and Personal ID of Director and/or Representative Persons.

N.B. The Charter of the business entity must be signed by every partner and notarized in Georgia. If the signed and notarized Charter (Articles of Association) is sent from a foreign country, it must be legalized/apostilled in the founder's country and translated and notarized in Georgia.

## REGISTRATION REQUIREMENTS FOR IE

For state and tax registration of an Individual Entrepreneur, a physical person (regardless of nationality) shall submit the following documentation to the NAPR:

- Application for registration
- Identification Document of the applicant

THE APPLICATION SUBMITTED TO THE NAPR INCLUDES THE FOLLOWING INFORMATION:

- Name of the applicant
- Address of the applicant
- ID number of the applicant
- The date of submitting the application for registration
- Signature of the applicant (the applicant is also entitled to use an electronic signature on the Application)
- Receipt confirming payment of the registration fee.

Legal Forms of Business Entities	Timelines & Fees		Responsibilities
	In 1 working day	The same day	
IE	GEL 20	GEL 50	IE is liable to creditors with all of the property
GP	GEL 100	GEL 200	Partners of GP are liable to creditors with the entire property
LP	GEL 100	GEL 200	Part of the LP partners, - Comandits – have limited liabilities, the other part - Complementaries - are liable with the full and unlimited access to the entire property
LLC	GEL 100	GEL 200	Partners are liable only in proportion of their contributions (shares) in the capital
JSC	GEL 100	GEL 200	
CO	GEL 100	GEL 200	

THE COMPANY OF HIGH MOUNTAINOUS SETTLEMENT STATUS IS EXEMPTED FROM PAYING PERSONAL INCOME TAX, CORPORATE INCOME TAX AND PROPERTY TAX FOR 10 YEARS.

## TAXATION

In 2010, Georgia enacted a new tax code which introduced lower, flat-tax rates and significant procedural and institutional innovations.

There are only 6 types of taxes in Georgia:

- Personal Income Tax - 20%
- Corporate Income (Profit) Tax - 15% (Exempted in case of reinvestment)
- Property Tax - (max) 1%
- VAT - 18%
- Excise Tax rates are fixed per physical unit of excisable good
- Import Tax - 0%, 5%, 12%

## SOME BASIC TAX INCENTIVES FOR INVESTORS

1. Exemption from the Corporate Income (Profit) Tax:

- Income of international organizations, except income received from economic activities
- Income received from the first supply of agricultural products before their processing (i. e. change of code), if total income received from such activities does not exceed GEL 200,000 during a calendar year
- Income received from agricultural

activities that is reinvested in agriculture during the next 3 years after the end of a respective taxation year

- Income of medical establishments (irrespective of their legal form) received from medical activities that is reinvested in rehabilitation of the establishment and/or logistics during the next 3 years
- Gains received from financial services and sale of securities issued by an international financial company
- Income received by a non-resident in Georgia from lease and insurance/reinsurance of risk
- Income received by a Free Industrial Zone Company from activities allowable in the Free Industrial Zone
- Income received by a Tourist Zone Entrepreneur from hotel services till 2026
- Income received from IT technologies produced by a Virtual Zone Legal Person and supplied outside of Georgia
- Income of an investment fund received from financial services
- Income received from gambling club, gaming machines and

bookmaker's, except for the electronic games

2. Exemption from the Property Tax covers:

- Property of an organization and/or property leased to an organization, except for the land and property used for economic activity
- Property in Free Industrial Zone
- Property leased from a resident of Georgia
- Property used for hotel services in FTZ till 2026
- Property, own or leased, used for medical activities
- Land with water reservoirs, and the respective sanitary and technical zones, used for melioration systems
- Uncultivated agricultural lands (during 5 years after receipt)
- Power lines and communication network cables
- Biological assets (animals and plants)

3. Exemption from the Value Added Tax:

Transactions exempt without the entitlement to credit

- Supply and/or import of national and/or foreign currency
- Supply of goods/services between Free Industrial Zone Companies
- Import of agricultural pesticides and agrichemicals, agricultural species, seeding and planting materials
- Provision of financial/medical/educational services
- Provision of services under lotteries, gaming house and games of chance
- Import and/or supply of appliances and equipment, means of transport, spare parts and materials intended for oil and gas operations

- Import of goods and/or provision of construction and installation, repair, restoration, testing services, and/or geological study for the rehabilitation of the energy sector
- Supply of a land plot
- Supply and/or import of goods under the specific codes of Commodity Nomenclature of Foreign Economic Activity

Transactions exempt with the entitlement to credit

- Export/Re-export of goods
- Transportation of goods placed in export, re-export, external processing or transit operations, and supply of services directly related to such operations (air or marine navigation, controllers, and/or information, freight-forwarding services, cargo inspections and transport management)
- Supply of agricultural products produced in Georgia prior to its industrial processing
- Facilitation of access to tourist attractions for foreign tourists by tour guides and supply of tourist service package in Georgia
- Supply of assets as a contribution to a company capital or in case of a company reorganization

4. Import Tax – Exemptions:

- Import of the goods funded under grants or a preferential credit provided by a foreign government body and/or an international organization with at least 25 percent of a grant component
- Import of goods for supply on board for performing international aviation and international maritime trips
- Import of tobacco raw materials/products
- Import of goods under the Commodity Nomenclature of Foreign Economic Activity

