



DOING BUSINESS



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WHY START A BUSINESS IN AJARA/BATUMI?

- ▶ Batumi received “5 Star Diamond Award 2012” by American Academy of Hospitality Sciences for being The Best New Destination, and Autonomous Republic of Ajara was awarded “5 Star Diamond Award 2012” as Investor-Friendly Region
- ▶ Georgia is number 16 out of 190 countries according to Ease of Doing Business 2017 (IFC/World Bank)
- ▶ Georgia is number 23 out of 178 countries according to Index of Economic Freedom 2017 (Heritage Foundation)
- ▶ Strategic geographic 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.

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

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 complementar 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	



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

The company of High Mountainous Settlement Status is exempted from paying Personal Income Tax, Corporate Income Tax and Property Tax for 10 years.



HOW TO BUY A PROPERTY?

FOR POTENTIAL INVESTORS

Information on state-owned properties for sale can be obtained at the Ministry of Finance and Economy of Ajara A.R. Investors may explore web-pages www.mofea.ge and www.investinbatumi.ge for property sales.

The Ministry offers various types of properties for Greenfield (lands) and Brownfield (lands with buildings) investments for development of different businesses, such as:

- ▶ Tourism (recreational resorts, ski resorts, hotels, hostels, restaurants, cafes, etc.)
- ▶ Construction & Real Estate (residential, business, commercial areas, etc.)
- ▶ Agriculture (greenhouse farming, citrus & fruit farming, animal farming, vinery, tobacco products, etc.)
- ▶ Gambling (casinos, slot machines, etc.)

- ▶ Manufacturing (textile and leather, wood processing, food and beverages, plastics, metal and non-metal products, etc.)
- ▶ Regional and Global Logistic Services
- ▶ Other sectors

Once the decision is made, an application shall be filed at the Ministry where qualified and multilingual staff will assist you in choosing the relevant property for your business initiative.

The application form should include the following:

- ▶ Information about the applicant (a) for a physical person: name, address, identification number and contact details; (b) for a legal entity: name of the company and its director, identification code of the company).
- ▶ Land cadastral code (e.g. 05.01.06.010)
- ▶ The applicant's proposal must specify: what business will be managed on the purchased land, the amount of planned investment, the number of local people employed, and the timeframe (approximate date when the company will start operating).

WHO CAN APPLY AND HOW LONG DOES IT TAKE TO PURCHASE A STATE-OWNED PROPERTY?

N.B. Any interested party can apply to buy a state-owned property in Ajara. There is no distinction between a Georgian citizen and a foreign country citizen. An overseas investor goes through the same procedures as a Georgian citizen when buying a state-owned property in Ajara.

PROCEDURES FOR SALE SET BY THE MINISTRY

The Georgian Law on State Property Privatization lists 3 forms of privatization:

- Auction
- Direct Selling
- Direct Selling on the basis of competitive bidding

A buyer of the property may be a Georgian or a foreign citizen or a legal person or association of persons, whose property is less than 25% ownership of to the state or local governing body. In the case of agricultural land privatization, the buyer can be a citizen of Georgia or a private legal entity registered in Georgia.

The process of property privatization, lease and transfer of the rights is implemented by the Ministry of Finance and Economy of Ajara A.R.

The information about bids is published on the web page www.eauction.ge. After privatization the property owner can pay price in full price or by installments. The successful applicant of the auction must pay the property price within 7 - 30 calendar days. If the condition-bound auction is announced, the payment period must not exceed 2 years. In case of privatization through the condition-free auction, the purchase agreement shall be signed within 1 month after the auction is held.



- The decision of direct sale/direct sale on basis of the competitive bidding and direct property lease/transfer of rights is made by the Chairman of the Government of Ajara A.R. The purchase agreement shall be signed within 3 months after issuing the decision, and the successful applicant must pay the price within the period determined by the Chairman of the Government of Ajara A.R.
- In case of direct sale a buyer shall provide a bank guarantee before concluding the purchase agreement and in case of condition-based auction: within 1 month after the auction is held. The bank guarantee must be at least 5% of the investment obligations and the expiry date must exceed the period of meeting investment obligation by at least 2 months.



- In case of property privatization/lease/transfer of the rights the period for conducting an auction may be minimum 5 and maximum 45 calendar days.
- In case of bidding a deposit/bank guarantee must not be less than 10% of the initial privatization price. The validity of the bank guarantee must exceed the period of payment obligation by at least 15 calendar days.
- In case of privatization the ownership rights are transferred after a purchase agreement is signed and the filing with the corresponding registering authority is completed.

PROPERTY LEASING

The property can be leased with or without terms and conditions, with or without payment, with or without bidding.

It is banned to burden the leased property with a mortgage, a collateral, a servitude, or conclude any kind of ownership agreement and issue individual administrative-legal act to replace the owner, unless otherwise stated by law.

The beneficiary (physical or legal entity) of the leased property with the payment obligation must pay the lease price and maintain the property during the lease time. Transferring the property to physical or legal persons with or without payment and without an auction is possible only by the decision of the Chairman of the Government of Ajara A.R.

The bank guarantee/deposit must equal to the lease price of the 3 month period in case of the property leasing; if the property is leased within the period of less than 6 months, 30% of initial price must be paid. The validity of the bank guarantee/deposit must exceed the period of leasing time of at least 7 calendar days.



LICENSES, PERMITS AND CERTIFICATES

PROCEDURES FOR ISSUING CONSTRUCTION PERMIT

The main principles for setting the requirements and issuing permits are transparency and 'one-stop-shop'. Buildings and civil works fall into 5 different classes:

Class I: No construction permit required

Class II: Low risk level

Class III: Moderate risk level

Class IV: High risk level

Class V: Extreme risk level (buildings of special importance).

The categorization is based on the parameters of buildings to be constructed and demolished.

The process for construction permitting covers three stages:

STAGE I

Setting the conditions for city spatial planning: approval of conditions for land plot use for construction - up to 12 days. Approval of conditions for using a land plot for construction means determining the requirements for the construction project documents stipulated by law.

STAGE II

Approval of an architectural/construction design (an architectural design, a structural layout or/and a technological design): up to 18 days. Approval on an architectural/construction design means agreeing on architectural, structural layout, technological design for a factory or/and industrial unit. All these documents might be required upon necessity.

STAGE III

Issuing a construction permit, i.e. certificate: up to 5 days. At this stage, a permit issuing authority shall receive documents required for the respective Class. If no other administrative authority is involved in the permitting, the process may be finalized in one stage incorporating all three stages.



The main requirements for constructing building on a land plot are as follows:

- Land plot development coefficient (K1)
- Land plot development intensity coefficient (K2)
- Land plot greenery coefficient (K3)
- Functional conditions of buildings
- Dimensions of buildings and number of floors
- Construction site setting if public space/area is used

Batumi Municipality approves the general plan for land use, which overrules the city zoning.

A finished constructed unit is put in operation after its conformity with the construction permit terms and conditions is confirmed and supported by respective documentation.

The decision on whether II and III class buildings can be put in operation is made in 15 days after application is presented. The decision for IV and V class buildings and parts of buildings is made within 30 days.

LICENSE FOR EXTRACTING MINERAL RESOURCES

License seekers must submit the following documentation to the Ministry of Finance and Economy of Ajara AR:

1. Application specifying the type, amount, location of the resource to be extracted, and the license validity period
 2. Entry from Public Registry for Legal Entities and Entrepreneurs, and copies of identification documents for physical persons
 3. If the area indicated in the application is in private ownership, the certificate of ownership and consent of the owner must be submitted.
 4. Topographic map indicating the area of interest and location coordinates
- After the documentation is presented, the Ministry sends the submitted documentation to the Administration of Environment Protection and Natural Resources of Ajara A.R. for approval

- After receiving the geo-informational package and the consent (positive resolution) from the Administration of Environment Protection and Natural Resources of Ajara A.R., the Ministry advertises an auction
- The Auction is held within 30 days after the announcement
- The Ministry holds auction on main construction materials (sand/gravel and quarry) and fresh ground water. As for fishing and timbering licenses, the respective license is issued by the National Environmental Agency

EXPORT CERTIFICATES

THERE ARE 4 TYPES OF CERTIFICATE OF THE PRODUCT ORIGIN:

- ✓ Preferential Certificate of Origin (Form A)
- ✓ Non-Preferential Certificate of Origin
- ✓ Preferential Certificate of Origin (CT-1)
- ✓ Preferential Certificate of Origin (EUR.1)

Form of Certificate	Issuing Authority (Export Countries)	Documents required for issuing certificate of origin
Preferential Certificate Form A	Certificates of origin on specified goods exported from the customs territory of Georgia to specified countries are issued by Customs Department of Revenue Service in Autonomous Republic of Ajara (Countries: USA, Canada, Japan, Switzerland, Norway)	<ul style="list-style-type: none"> • Application specifying: name of goods with 11-digit commodity code, amount of goods, name of exporter and importer, address and country • Declaration of Origin of Goods and its Possession • Contract (Agreement) • Invoice
Non-Preferential Certificate of Origin	Certificates of origin on specified goods exported from the customs territory of Georgia to specified countries are issued by the Chamber of Commerce and Industry of Ajara A.R. and Customs Department of Revenue Service in Autonomous Republic of Ajara (on goods exported to all other countries, while products do not satisfy criteria of preferential origin)	<ul style="list-style-type: none"> • Application specifying: name of goods indicating 4-digit commodity code, amount of goods, name of exporter and importer, address and country • Declaration of Origin of Goods and its Possession • Contract (Agreement) • Invoice
Preferential Certificate CT-1	Certificates of origin on specified goods exported from the customs territory of Georgia to specified countries are issued by the Chamber of Commerce and Industry of Ajara A.R. and Customs Department of Revenue Service in Autonomous Republic of Ajara (on goods exported to CIS countries)	<ul style="list-style-type: none"> • Application specifying: name of goods indicating 4-digit commodity code, amount of goods, name of exporter and importer, address and country • Declaration of Origin of Goods and its Possession • Contract (Agreement) • Invoice
Preferential Certificate EUR 1	Certificates of origin on specified goods exported from the customs territory of Georgia to specified countries are issued by the Revenue Service of Georgia (on goods exported to Turkey, EU)	<ul style="list-style-type: none"> • Application form • Declaration of Origin of Goods and its Possession • Contract (Agreement) • Invoice












PREFERENTIAL TRADE REGIMES

DEEP AND COMPREHENSIVE FREE TRADE AGREEMENT (DCFTA)



Since June 27, 2014 Georgia benefits from Deep and Comprehensive Free Trade Area with European Union and the products produced in Georgia can enter EU market without customs duty.

Bilateral Free Trade Agreements (FTA)

-  Armenia
-  Azerbaijan
-  Kazakhstan
-  Moldova
-  Russian Federation
-  Turkey
-  Turkmenistan
-  Ukraine
-  Uzbekistan

Generalized System of Preferences (GSP)

-  Canada
-  Japan
-  Norway
-  Switzerland
-  USA

The background is a complex geometric pattern composed of numerous triangles of various sizes. The color palette is primarily shades of blue, ranging from light sky blue to deep navy blue, with some triangles in shades of purple and magenta. The triangles are arranged in a way that creates a sense of depth and movement, with some pointing towards the center and others pointing outwards.

WWW.INVESTINBATUMI.GE