

Law of Georgia
“On Promotion and Guarantees of
Investment”

Amendments made

as per Laws of Georgia

under No. 705 of 14.05.1997

and No. 1413 of 26.06.1998

Law of Georgia

“On Promotion and Guarantees of Investment”

The Law determines legal grounds of realization of both foreign and domestic investments and guarantees of their protection. The target of Law is establishment of the legal regime of promotion of the investments.

Chapter I.

General Provisions

Article 1. Investment

1. Investment is any kind of property or intellectual value or right to be contributed and used in the entrepreneurial activity carried out on the territory of Georgia for earning of possible income.
2. Such value or right may be:
 - a) funds, shares, stocks and other securities;
 - b) movable and immovable property - land, buildings, equipment and wealth;
 - c) land tenure or right to use other natural resources (concession, as well), patent, license, “know-how”, experience and other intellectual value;
 - d) other legally recognised property and intellectual value or right.

Article 2. Investment Entity and Investment Object

1. Investor is any physical or legal person, or international organization realizing investments in Georgia.
2. Foreign investor may be:
 - a) a citizen of foreign country (alien);
 - b) a stateless person not residing on the territory of Georgia;
 - c) a citizen of Georgia permanently residing abroad;
 - d) a legal person registered outside Georgia.

3. The investment on the territory of Georgia may be contributed into an object of any legal type where investing is not prohibited as per Article 9.1. of the present Law. Investing in objects listed in Articles 9 and 12 of the present Law may be realised on the grounds of appropriate special permit or license only.

Chapter II.

Legal Status of Investment Entities

Article 3. Investor's Rights

1. A foreign investor whilst executing investment and entrepreneurship enjoys the rights and guarantees not less than those granted to a physical and legal person of Georgia except the cases set up by the law.
2. An investor is entitled to open current and other accounts in any currency with any banking institution on the territory of Georgia.
3. An investor is entitled to take a loan at any banking and finance institution, or from physical or legal persons on the territory of Georgia and abroad.
4. An investor is entitled to acquire stocks, bonds and other securities as well as property on the territory of Georgia and abroad.
5. By the investor's decision the rights of disposal, use and ownership resulted from the investment may be transferred to other legal and/or natural person under the rule established by the law. Such assignment shall be regulated on the grounds of agreement between the parties.
6. A foreign investor after payment of taxes and other charges is entitled to convert the earnings (income) gained after investments as well as other funds at the market exchange rate in bank institutions of Georgia as well as to repatriate them abroad without any limitation.

Those funds include:

- a) any contribution to the equity of an object established with foreign investment;
 - b) any profit and dividend as well as assets remained after the entire or partial sale of the foreign investment after liquidation;
 - c) payments related to contractual obligations and acknowledgements of debt;
 - d) property use tax to be determined as the royalty for use of other's property, including natural resources, copyright, patent, as well as management payment and other rent.
7. A foreign investor is entitled to take the owned property abroad.
 8. The right provided by paragraph 5 of this Article may be restricted under the law by the court judgement in connection with the, committed crime or non-fulfilment of civil duties.

Article 4. Investor's Obligation

The investor shall carry out his activity in accordance with the applicable law of Georgia, including the laws concerning environment and health protection.

Chapter III.

Promotion of Investment and Registration

Article 5. Promotion of Investment

The state policy related to the elaboration and implementation of state program for promotion of investment is carried out executed by the Ministry of Economy of Georgia together with the appropriate departments.

Article 6. Investment Centre of Georgia

For promotion of investments there operates the Investment Centre of Georgia under the Ministry of Trade and Foreign Economic relations of Georgia, the functions of which are:

- a) serving investors and assisting them in their entrepreneurial activity;
- b) presenting Georgia as a investment favourable country, searching for and spreading of information about the investment surrounding, legislative base, tax system and other matters concerning the investment;
- c) revealing the possible partners in Georgia and abroad and providing them with recommendations for participation in the joint investment project;
- d) making recommendations for improvement of the investment surrounding and presentation of them to the legislative and executive authorities of Georgia;
- e) attracting investments, identification of foreign countries and companies and establishment of economic contacts with them.

Chapter IV.

Investment Protection Guarantees

Article 7. Inviolability of Investment

1. The investment is entirely and unconditionally protected in Georgia by the applicable law.
2. Investment may be seized in cases directly specified by the law only, by court judgement or in case of emergency established by the fundamental law and with appropriate compensation only.
3. Decision on seizure of investment as well as the compensation terms may be appealed against at the court, and if the investor is an alien, the matter shall be settled in accordance with the rule established by Article 16 of this Law.

Article 8. Compensation for Seizure of Investment

1. Compensation to be given to the investor shall correspond to the real market value of the confiscated investment by the very moment of the seizure.

2. Compensation shall be given without any delay and shall account those losses suffered by the investor from the moment of seizure till the payment of a compensation amount.
3. A foreign investor has the right to convert the compensation amount at the market exchange rate in the bank institutions of Georgia and transfer it abroad freely and without delay.

Article 9. Ban and Restriction in the Sphere of Realization of Investment

1. On the territory of Georgia investing is banned:
 - a) in creation, production and proliferation of nuclear, bacteriological and chemical weapons;
 - b) in construction of nuclear, bacteriological and chemical test ranges;
 - c) in import of nuclear and toxic waste materials from foreign countries for their dumping and rendering harmless;
 - d) in execution of the scientific and research works related to the human cloning;
 - e) in production of drugs;
 - f) in planting of

Article 10. Labour Terms, Social Protection and Pension Provision

1. An investor has right to take an alien on work in accordance with the applicable law of Georgia. The alien not permanently residing in Georgia has right after payment of taxes and charges to transfer or take his income abroad without delay and hindrance.
2. No mandatory minimal number of citizens of Georgia to be elected or assign to the governing bodies of enterprise may be fixed.
3. The legal requirements for social insurance, mandatory payment of taxes and contributions for social and pension welfare shall not be applied to those foreign employees who permanently not reside in Georgia.

Article 11. Taxation on Investment

Regime and conditions of taxation related to the investment shall be regulated by the tax legislation of Georgia.

Article 12. Obtaining Property Right on Land and Other Natural Resources

Obtaining property right on land and other natural resources as well as the right on treatment and development of natural resources shall be regulated by the Laws of Georgia ““On Ownership of Land for Agriculture Use”, “Concerning the Lease of Land for Farming”, “Concession Law”, “On Entrails” and other legal acts.

Article 13. Legal Regime of Foreign Investment Having Been Realised

Enterprises established with foreign investments and having obtained the foreign investment license in accordance with the applicable law before the putting into force of the present Law, shall reserve benefits determined by the Law of Georgia "On Foreign Investments" of 30.06.1995 in the field of activity provided by the issued foreign investment license within 5 years from the day of the issue of license.

Article 14. Protection of Investment in Time of Martial Law and Armed Conflict

A foreign investor suffered within the period of martial law and armed conflict shall enjoy the terms of loss compensation not worse than the domestic investor.

Article 15. Guarantees under Change of Legislation

1. A new legal act worsening the terms of investment established by the present Law shall not be applied to the investment having already been realised, within 10 years of its taking the effect. In such event the investor shall carry out his activity in accordance with the laws applied till the coming in force of a new legal act.
2. Articles 7,8,14 and 16 of the present Law shall not be subject to legislative modification in future.

Article 16. Rule of Resolution of Disputes

1. Disputes between a foreign investor and enterprise registered in Georgia shall be settled by amicable agreement as established by procedure or by the court of Georgia.
2. Disputes between a foreign investor and governmental body, if the order of its resolution is not agreed between them, shall be settled at the court of Georgia or at the International Centre for the Resolution of Investment Disputes. Should dispute be not considered in the International Centre for the Resolution of Investment Disputes the foreign investor is entitled to refer a dispute to the additional institution of the Centre or to any international arbitration established in accordance with regulations provided by the arbitration and international agreements of the Commission of the United Nations for International Trade Law - UNCITRAL.
3. The award of the international arbitration mentioned in Clause 2 of this Article is final and shall be without appeal. Its enforcement shall be provided by the state.

President of Georgia

Eduard Shevardnadze

Tbilisi

12.11.1996

No. 473-Is

Resolution

of the Parliament of Georgia
Concerning Law “On Promotion and Guarantees of Investment”

The Parliament of Georgia resolves:

1. The Law of Georgia “On Promotion and Guarantees of Investment” shall come into effect on promulgation.
2. From the day of promulgation of this Law the Law of Republic of Georgia “Concerning Investments” of 10.08.1991 (“Bulletin of Supreme Council of Georgia”, 1991, N 8, Art. 588), the Law of Republic of Georgia “On Foreign Investments” of 30.06.1995 (“Bulletin of Parliament of Georgia”, 1994-1995, N 27-30, Art. 654) and other legislative acts which contradict this law shall be declared null and void.
3. To require from President of Georgia to submit the list of those fields where investments will be prohibited, to the Parliament of Georgia for consideration till December 15.
4. To charge the Finance and Budget Committee of the Parliament of Georgia together with Committee for Economic Policy and Reform and appropriate departments with working out of proposals concerning modification in tax legislation till December 20, 1996 for attraction and promotion of investments.

Deputy Chairman

of the Parliament of Georgia (signed)

Edward Surmanidze

Tbilisi

12.11.1996

N 474-Is

Law of Georgia

Concerning Making Supplements in the Law of Georgia «On Promotion and Guarantees of Investment»

The Parliament of Georgia enacts:

1. To add the following words to the first paragraph of Article 3 of the Law of Georgia «On Promotion and Guarantee of Investment» of November 12, 1996 (Bulletin of Parliament, 1996, N 29-30/5):

«except cases set up by he law».

2. This Law shall become effective upon its promulgation.

President of Georgia

Tbilisi

May 14, 1997

No. 705-11s

Eduard Shevardnadze

(signed & sealed)