

LAW OF GEORGIA
ON PROMOTION OF INVESTMENTS AND GUARANTEES

The Law determines legal grounds for realization of both foreign and domestic investments and guarantees of their protection. The purpose of the Law is establishing legal regime for investment promotion.

Guarantees for protection of investments shall be determined by the Constitution of Georgia, international treaties of Georgia, this Law and other Georgian legislative acts. *(30. 06. 2006 N 3425)*

Chapter I
General Provisions

Article 1. Investment

1. Investment is any kind of proprietary or intellectual value or right contributed and used in the business activity on the territory of Georgia for earning possible income.
2. Such value or right may be:
 - a) funds, shares, stock and other securities;
 - b) movable and immovable property - land, premises, equipment and other material values;
 - c) right to use land and other natural resources (concession, as well), patent, license, “know-how”, experience and other intellectual value;
 - d) other proprietary or intellectual value or right recognized by the Law.

Article 2. Subject (Investor) and Object of Investment Activity

1. Investor is any individual or legal entity, as well as international organization, which performs investment activities in Georgia.
2. Foreign investor shall be:
 - a) a citizen of foreign country;
 - b) a stateless person not permanently residing on the territory of Georgia;
 - c) a citizen of Georgia permanently residing abroad;
 - d) a legal entity registered outside Georgia.
3. The investment on the territory of Georgia can be made into an object of any legal type investing in which is not prohibited by Article 9.1 of the present Law. Investing in objects listed in Article 9 and 12 of the present Law may be realized on the grounds of appropriate special permit or license.

Chapter II

Legal Status of Subjects of Investment Activities

Article 3. Investor's Rights

1. In the course of investment and business activities, rights and guarantees enjoyed by a foreign investor shall not be less than those granted to Georgian individual or legal entity. *(14.05.97 N 705 Parliamentis Utskebani N 23 -24).*
2. An investor shall be entitled to open current and other accounts in any currency with any banking institution on the territory of Georgia.
3. An investor shall be entitled to take a loan in any banking and finance institution, or from individual or legal entity both in Georgia and abroad.
4. An investor shall be entitled to acquire shares, bonds and other securities and property existing both on the territory of Georgia and abroad.
5. Rights of holding, using and disposing of investment results may be transferred to other legal entity or / and individual in conformity with the procedure prescribed under the Law. In the event of such transfer of rights relations of parties are regulated on the basis of agreement; *(26. 06. 98 N 1513 Parliamentis Utskebani N 25 -26).*
6. A foreign investor after payment of taxes and other charges shall be entitled to convert the earnings (income) gained from investments as well as other funds at the market exchange rate in banking institutions of Georgia as well as to repatriate them abroad without any limitation.

Such funds include:

- a) any contribution to the capital stock of an object established with foreign investment;
 - b) any profit and dividend as well as assets remained after the entire or partial sale or liquidation of foreign investment;
 - c) payments related to contractual obligations and acknowledgements of debt;
 - d) property use tax, which shall be determined as a percentage of profit gained from use of somebody else's property, including natural resources, copyright, interest yield from patent (royalty) use, as well as managerial and other rent.
7. A foreign investor shall be entitled to take property in his / her ownership abroad.
 8. The right provided by Paragraph 5 of this Article may be restricted because of bankruptcy, commission of crime recognized by the court or in connection with non-fulfillment of civil duties, as provided by the Law.

Article 4. Investor's Duty

The investor shall carry out his activity in accordance with the applicable Law, including Laws on environment and health protection.

Chapter III.

Promotion of Investment and Registration

Article 5. Promotion of Investment

State policy related with development of state programs promoting investment activities and fulfillment thereof shall be executed by the Ministry of Economy of Georgia together with the appropriate agencies.

Article 6. Investment Center of Georgia

For the purpose of promoting investments the Investment Center of Georgia is functioning with the Ministry of Trade and International Economic Relations of Georgia, which has the following functions:

- a) Rendering services to investors and facilitating their business activities;
- b) Presenting Georgia as a country having favorable environment for investments, obtaining and dissemination of information on investment environment, legislative framework, taxation system and other issues related with investments;
- c) Revealing potential partners in Georgia and abroad and providing them with recommendations for participation in joint investment projects;
- d) For the purpose of improving investment environment preparation of recommendations and their submission to the legislative and executive bodies of government.
- e) Attracting investments, identification of foreign countries and companies and establishing individual contacts with them. *(26. 06. 98 N 1513 Parliamentis Utskebani N 25 -26).*

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 withdrawn in cases directly specified by the Law only, by court ruling or in case of urgency defined under the Organic Law and with appropriate compensation.
3. Decision on withdrawal of investment as well as compensation terms may be appealed at the court, and if the investor is an alien, the matter shall be settled in accordance with order established by Article 16 of this Law.

Article 8. Compensation for Withdrawal of Investment

1. Compensation to be given to the investor shall correspond to the real market value of the withdrawn investment by the very moment of the withdrawal.
2. Compensation shall be given without any delay and shall include compensation for those losses, which have occurred from the moment of withdrawal 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 placement of investments shall be prohibited in the following sectors:
 - a) Designing, production and distribution of nuclear, bacteriological and chemical weapons;
 - b) Construction of firing ground for testing nuclear, bacteriological and chemical weapons;
 - c) Import of nuclear and toxic waste from abroad for the purpose of burying / neutralizing;
 - d) Conducting scientific research related with human cloning;
 - e) Production of drugs;
 - f) Cultivating plants of poppy, coca bush and cannabis;
 - g) Activities prohibited under the international treaties of Georgia.
 - h) Import or selling lead containing (over 0.0013 gr per liter) petrol, tetraethyl lead, falsified (substandard) household liquid gas (investments in import of tetraethyl lead shall be permitted only in cases allowed by the production technology). (22. 07. 99 N 2299 Sakanonmdeblo Macne N 40 (47)).
2. Only the Georgian state shall be permitted to invest in:
 - a) Production of bank notes, coins, state award badges, postage stamps;
 - b) Activities related with marking of items made of precious metals;
 - c) Activities related with import, export, transportation, wholesale realization of narcotics of medical designation and invention of new narcotic substances;
 - d) Production, processing, import, export, transporting, wholesale realization and development of new types of psychotropic drugs subject to special control;
 - e) Dispatching activities in energy sector.
3. On the territory of Georgia placement of investments without granting the right of management to foreign and private investors shall be permitted in:
 - a) Activities related with regulation of movement of marine – transportation means in the territorial waters of Georgia and sea port harborage, ensuring their safety and control;
 - b) Dispatching activities of rail transport;
 - c) Activities related with regulation of aircrafts in the Georgian airspace, ensuring flying safety and control;

- d) Production and sale of new military – fighting equipment for the purpose of raising defense of the country in agreement with the National Security Council with the President of Georgia, designing and testing of new types and modified arms;
- e) Military – Industrial Complex;

Activities related with application of nuclear energy for peaceful purposes (*26. 06. 98 N 1513 Parliamentis Utskebani N 25 -26*).

Article 10. Labor Terms, Social Security and Pension

1. An investor shall be entitled 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 minimum 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 Civil Code of Georgia, Laws of Georgia on Ownership of Land for Agriculture Use, Concerning the Lease of Land for Farming, Concession Law, On Entrails, On Oil and Gas (*25. 12. 2002 N 1857*) and other legal acts. (*26. 06. 98 N 1513 Parliamentis Utskebani N 25 -26*).

Article 13. Legal Regime for Realized Foreign Investment

Enterprises established with foreign investments and having obtained the foreign investment license in accordance with the applicable Law before the effective date of the present Law, shall reserve benefits determined by the Law of Georgia On Foreign Investments of June 30, 1995 in the field of activity provided by the issued foreign investment license within 5 years from the day of its issuance.

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, which worsens the terms of investment established by the present Law, shall not be applied to the investment having already been realized, within 10 years of its taking the effect. In such event the investor shall carry out his activity in accordance with the Laws applied before 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 amending in the future.

Article 16. Procedure of Dispute Resolution

1. Disputes between a foreign investor and enterprise registered in Georgia shall be settled according to the procedure set by the parties or in the court of Georgia.
2. Disputes between a foreign investor and governmental body, if the order of its resolution is not determined under the agreement, shall be settled in the court of Georgia or in 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 shall be entitled to refer a dispute to the additional institution of the Centre or to any international arbitration body 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. Decision of the international arbitration mentioned in Paragraph 2 of this Article is final and shall not be subject to appeal. Its enforcement shall be provided by the state.

Article 17. Transitional Provision

1. Enterprises and objects, activities and investment sources of which do not comply with requirements of the present Law shall change profile or cease operations and ensure compliance of the realized investments with the Law within six months. Otherwise, mechanisms provided for in Articles 7 and 8 will take effect against them (26. 06. 98 N 1513 Parliamentis Uckebani N 25 – 26).
2. Prior to effective date of Subparagraph (h), Paragraph 1 of Article 9 of this Law environment protection and natural resources committee and economic sector committees of the Parliament of Georgia shall ensure control and coordination of preparing and implementing preparatory measures.
3. The Ministries of Heating and Energy of Georgia, Environment Protection and Natural Resources, Internal Affairs, Economy, State Customs Department of Georgia and Sakstandard shall develop and implement preparatory measures. Sakstandard shall prior to September 1, 1999 develop respective standards for household liquid gas consumption.
4. Implementation of requirements of Subparagraph (h), Paragraph 1, Article 9 of this Law shall be ensured by Sakstandard and other authorized bodies of state governance within the competence defined under the Law. (22. 07. 99 N 2299 Sakanonmdeblo Macne N 40 (47)).

President of Georgia

Tbilisi

12. 11. 1996

No. 473-Is

Eduard Shevardnadze

