



GUIDE TO THE OPENING OF BUSINESS IN GEORGIA

Prepared by the BLC Law Office

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INTRODUCTION

➤ *Legal Forms of Enterprises in Georgia*

The Law of Georgia on Entrepreneurs (hereinafter LOE) sets forth an exhaustive list of enterprises that can be established in Georgia and they are here as follows:

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

The regulations contained in the LOE equally apply to foreign and local companies. Therefore, foreign nationals are eligible to incorporate legal entities enlisted herein, considering the absence of any applicable legal limitation.

➤ *General Rules Applicable to All Types of Business Entities*

Registering Authority – The registration of companies is conducted by the LEPL National Agency of the Public Registry operating within the Ministry of Justice of Georgia (hereinafter Public Registry). Once the registration process is duly performed the Public Registry shall issue a corporate extract indicating the identification data of the company. All and any document submitted before the Public Registry in course of registration process is publicly available.

Charter - A company registered under the laws of Georgia must have its Charter (otherwise referred as - Articles of Association, Bylaws) containing the identification data of the company and rules governing the corporate structure. The Charter must be presented to the Public Registry for the registration purposes and should be maintained at the company itself. Stipulated that the Charter of the company is publicly available, the founder(s) of the company may additionally conclude the Shareholders' Agreement articulating the details of corporate management and operation of the company. The founder(s) are not obliged to submit the Shareholders' Agreement to the Public Registry and it is maintained at the company.

Charter Capital - Company does not have to indicate the amount of its Charter Capital in any of the documents submitted to the Public Registry.

Stamp - Companies in Georgia are not required to maintain a stamp; however, in dealings with banks, tax authorities and civil counteragents, the company will be requested to use the stamp on various documents. Consequently, it is recommended for companies to maintain stamps.

Apostille / Legalization - Please note that the documents executed in countries other than Georgia shall be notarized and *legalized* or

*apostilled*¹ in a manner duly applicable to the respective procedure.

TYPES OF BUSINESS ENTITIES

➤ Joint Stock Company (JSC)

JSC is a legal entity the charter capital of which is divided into shares of equal nominal value. The types of shares applicable in JSC are specifically indicated in LOE. There are two types of shares applicable in the JSC, namely ordinary shares and privileged shares. The shareholders of the JSC may increase the capital of the company through issuing additional shares. The share amounts to a security certifying the claim of a shareholder in relation to the property of the JSC. The liability of a JSC is limited to its total assets. Shareholders are not liable for obligations of the JSC vis-à-vis the third parties.

➤ Limited Liability Company (LLC)

LLC is the most common form chosen for incorporating companies in Georgia. The liability of the shareholder(s) towards the creditors is limited to its entire property. LLC may be established by any individual or legal entity. The capital of the company is divided into shares and unlike the JSC, the partners thereof can not issue any additional shares.

¹ see the definition below

➤ Limited Partnership (LP)

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

➤ General Partnership (GP)

GP is a company where several persons jointly carry out independent entrepreneurial activity under the common company name. In GP the obligations of one or several partners towards the creditors of the partnership is limited to their investments into the company (limited partners - Comandits), while the other partners (Complementars) are personally liable for any debts arising in course of operation of the GP.

➤ 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 against the creditors only with its own property.

➤ **Individual Entrepreneur (IE)**

As the owner of an enterprise, 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 its own behalf. IE is not a legal entity. An individual entrepreneur uses its rights and performs its obligations as a physical person and bears personal responsibility before creditors for any and all obligations arising in course of its entrepreneurial activities.

➤ **Branch Office**

Any foreign legal entity (commercial or non-commercial) without the purpose of incorporating any of the aforementioned separate legal entities under the laws of Georgia, may establish and operate its business through a Branch Office registered in Georgia. The Branch Office is the sub-unit of a business entity and is not considered as a separate legal entity. Therefore, the liability of its founder may not be limited to the assets of the branch itself. The latter denotes that the founder is financially liable for the obligations of the branch.

REGISTRATION REQUIREMENTS

➤ **Registration requirements for JSC/LLC/GP/LP/CO:**

In order to register a JSC/LLC/GP/LP/CO, the founder(s) shall submit a formal application before the Public Registry as well as the Charter (Articles of Association) of the company in compliance with the requirements set forth under Georgian legislation (see Appendix #1).

The documents to be supplemented to the registration application and Charter (Articles of Association) to the Public Registry are presented within Appendix #2.

➤ **Registration requirements for a Branch Office:**

For state registration of the Branch Office of the foreign company, the documentation to be submitted to the Public Registry are presented in Appendix #4

➤ **Registration requirements for the IE:**

For state registration of an Individual Enterprise, a natural person (regardless of nationality) shall submit the relevant documentation to the Public Registry. Please see Appendix #6.

The tax registration of all the above referred legal entities and the IE is carried out by LEPL Revenue Service of Georgia operating within the Ministry of Finance. The documents required for due registration of legal entities

and IE as the taxpayers are the same as for their incorporation.

FAQ

➤ What is Legalization?

Legalization of a document by the respective authority of a State certifies that the document accords with the legislation of that particular State. It attests the validity of notary signature and the seal thereto. Legalization is carried out by the embassies and consular departments of Georgia in foreign states.

➤ What is Apostile?

A certificate confirming the authenticity of a document issued in one of the signatory countries for legal purposes in all the other signatory states. Georgia is the member of The Hague Convention Abolishing the Requirement of Legalization for Foreign Public Documents (October 5, 1961). Therefore, legalization can be substituted by the Apostille in the countries that are also members of Hague Convention (See Appendix #8).

➤ What activities require obtaining licenses and permits?

Certain types of activities in Georgia can be carried out only after obtaining respective

license or permission (e.g. Building Permission, Communication License and etc.). Such activities are exhaustively listed in Georgian Law on Licenses and Permissions.

➤ What is applicable timing for registering an enterprise in Georgia?

The procedure of registration is completed on the next business day upon submission of all the necessary documents to the Public Registry. However, the incorporation procedure of a business entity can also be carried out on accelerated basis by the Public Registry on the same day business day upon submission of all the necessary documentation.

➤ What are the Preconditions of legal stay in Georgia?

A Person possessing visa of a specific category and intending to stay on the territory of Georgia longer than the period determined by the visa, should apply to Public Registry for receiving temporary or permanent residence permit, at least 40 days prior to expiration of the terms of their legal stay. The duration of a temporary residence permit can be up to 6 years.

➤ For what time-period can a company be incorporated?

In accordance with the Georgian legislation a company can be incorporated for unlimited as well as for limited time-period. The latter is

entirely dependent upon the choice of the founders.

➤ **Can a foreign national be a managing officer of a Company?**

Yes, the Georgian legislation does not contain any restraints with regard to the nationality of personas that are entitled to participate in corporate governance of the Company.

➤ **What are the minimum charter capital requirements?**

A Company shall have a charter capital, but the legislation does not contain any specific requirements with regards to the amount of such capital. Therefore, it is upon the discretion of founding partners to determine the charter capital amount.

➤ **What is the minimum/maximum number of Directors/Founders Permitted in Georgia?**

Georgian legislation does not contain any limitations with regard to the minimum/maximum number of Directors/Founders of a company.

Appendix #1

COMPANY CHARTER CONTENT

Charter (Articles of Association) and application package on registration shall contain the following information:

1. Company (firm) name of a business entity;
2. Legal form of a business entity;
3. Legal address of a business entity;
4. E-mail address of a business entity;
5. Name, residing address, personal number and signature of 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 a body that registered the business entity, the date of registration and identification code, information regarding its representatives;
6. Indication of the managerial body of the company, rule of decision making, information on shareholding participation in the company². Shares of LLC/LP partners should be depicted in fractions/percentages and should be equal to one integer.
7. Obligations related to limitation of ownership title over partners shares.³
8. Name, residing address and personal number of manager of partners share, if any⁴. Name, residing address and personal number and authority term of person

² Applies to LLC and LP only.

³ Applies to LLC and LP only.

⁴ Applies to LLC and LP only.

granted representative/managerial powers.⁵

9. The duration of a business entity (if a company is founded for a determinate time period, its duration shall be indicated by years)
10. Any limitation to the representation power vested in persons (including a proxy) responsible for representing and leading a business entity. If the Company is represented by several persons – information on how they are entitled to represent: jointly or separately;
11. In case of LP the Charter should indicate which of the partners is/are complementar and which is/are comandit.

Please note that the Charter (*Articles of Association, Bylaws*) of the business entity must be signed by every partner and be notarized in Georgia, unless the partner of the company shall sign the Charter before the representative of Public Registry. If the signed and notarized Charter (*Articles of Association*) is sent from abroad, it must be legalized in founder's country / or apostilled, translated and notarized in Georgia.

Appendix #2

REQUIRED DOCUMENTS FOR REGISTRATION OF AN ENTERPRISE

⁵ Information listed in this item is indicated in application on registration.

For registration of an enterprise, the following documents shall be submitted (including **Application** and **Charter**) to the Public Registry.

List of Necessary Documents⁶:

1. Decision of the founders on the incorporation of JSC/LLC/JLC/LP/CO in Georgia;
2. Document certifying the proof of registration of 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);
3. Decision on appointing the Head of the Company (Director) or the relevant Power of Attorney thereof and written consent of the latter on such appointment;
4. Passport photocopies of the founders and director(s);
5. Notarized permission of the company's legal address owner or rent agreement, if office area is rented;
6. Receipt evidencing payment of registration fee.

⁶ Please note that document issued abroad, also the samples of the signatures needed, should be notarized and legalized in founder's country / or Apostilled, translated and notarized in Georgia. No legalization / Apostile is needed for documents issued in the 1993 Minsk Convention on Civil, Family and Criminal Law Issues Legal Assistance and Legal Relationships ("Minsk Convention").



It is not mandatory to submit the signature samples (facsimile) of person(s) responsible for managing the company before the Public Registry. However, in case the company intends to open a corporate account at any of the commercial banks operating in Georgia, it is highly recommended to prepare the signature sample in advance. The signature sample should either be certified by the Notary.

If the founders (partners) are not present at submitting the Application Form at the Public Registry, they shall issue a power of attorney. In addition, if a person responsible for representation or the manager of the company (the director) is not in Georgia to certify his/her signature sample at a local Notary Office, it is necessary to send duly executed signature sample.

If the activities of an entity are related to producing/distribution/realization of food/fodder/forage, it should be indicated in documents submitted for registration.

Appendix #3

SAMPLE OF THE MINUTES OF SHAREHOLDERS/PARTNERS MEETING (To Establish an Enterprise in Georgia)

The Meeting was convened on ----- in-----
-----, -----.

The Meeting started at ----- p.m. and ended at
----- p.m.

The Meeting was attended by the following partners: -----

Mr./Ms. ----- opened the General Meeting and presented to the participants the agenda of the meeting.

AGENDA:

1. Establishing the JSC/LLC etc. under the laws of Georgia
2. Elect the members of the Supervisory council (if any)
3. Elect the members of the Board of Directors
4. Approve the Charter of the company

Meeting discussed the issues determined by the agenda and resolved:

- To establish the JSC/LLC etc. under the legal name of -----JSC/LLC etc. (the company), the company name in Georgian ----
-----”
- Charter Capital of the company shall be -----
----- GEL;
- The Share Capital of the Company is -----
----- GEL of total ----- registered shares with the nominal value of 1 (one) GEL each. (WITH REGARD TO JSC ONLY)
- The shares shall be distributed among the founding shareholders as follows: -----
----- shares -----%; ----- shares -----
%;
- The legal address of the company shall be: ---
-----.
- Supervisory Council of the Company consists of ----- members.
Members of the Supervisory Council are: o ----



- Board of Directors of the Company was elected consisting of --- members. Members of the Board of Directors are: o -----
- Mr./Ms----- was elected as a CEO of the Company.
- Shareholders approved the charter of the company.

Thus the Chairman announced the meeting adjourned.

Signatures of the founding shareholders:

Appendix #4

REQUIRED DOCUMENTS FOR THE REGISTRATION OF A BRANCH OFFICE

The Public Registry requires following documents to be submitted by foreign legal entities⁷ of a branch⁸: (including an application for registrations):

1. Decision of the founder on opening a branch in Georgia;
2. Charter (Articles) of the founder company;
3. Document certifying the proof of registration of the founder company in the foreign jurisdiction; if the founder is a legal entity, the same or the separate document should indicate the names of

⁷ Please note, that branch of Georgian legal entity is not subjected to registration in Georgia.

⁸ Please note that document issued abroad, also the samples of the signature needed, should be notarized and legalized in founder's country / or apostilled, translated and notarized in Georgia.

- the authorized representatives and other corporate details of the founder;
- 4. Decision on appointing the Head of the Company (director) or the relevant Power of Attorney thereof and consent of the latter on such appointment;
- 5. Notarized permission of the company's legal address owner or rent agreement, if office area is rented
- 6. Passport photocopies of the director to be appointed of a branch;
- 7. Power of Attorney from the director (head) to be appointed at the branch;
- 8. Receipt evidencing payment of registration fee

Appendix #5

SAMPLE OF FOUNDERS RESOLUTION (To Establish a Branch Office in Georgia)

(Place: ____, _____)

On this day of _____, 2015, We, the undersigned, being members of _____, being empowered and acting pursuant to the signature rights of _____ of _____, registered under the laws of _____, on _____, Registration No. _____, legal address: _____ (hereinafter - the Company), declare as follows:

1. It has been resolved that the Company shall open a branch in Georgia under legal name of _____ the Branch of _____ (hereinafter – the Brach).

2. It has been further resolved that the principal activities of the Branch shall be _____.
3. It has been further resolved that the legal address of the Branch shall be _____.
4. It has been further resolved that the representation authority of the Branch shall be vested to the Director: _____ (please indicate: name, surname, nationality, passport number, ID number (if any), domicile of the directors) including the power to organize and manage the offices in more than one regions of Georgia.
5. It has been further resolved to issue a power of attorney to _____ (born on dd/mm/yyyy, ID card No. _____, Personal No. _____, expiry date: dd/mm/yyyy, residing at: _____) and _____ (ID card No. _____, Personal No. _____, residing at: _____) In order to jointly and/or separately carry out actions necessary and appropriate to register the Branch in Georgia, sign any document on behalf of the founder related with registration including the Bylaws of the Branch, application on registration and the lease agreement or the memorandum of understanding for the local office space. The trustees shall be authorized to pay any expenses necessary for prompt registration of the Branch. The trustees shall also be authorized to open the banking account of the Branch.

Signed: _____

Notary: _____

Appendix #6

DOCUMENTS TO BE SUBMITTED FOR REGISTRATION OF AN INDIVIDUAL ENTERPRISE

For state registration of an Individual Enterprise, a natural person (regardless of nationality) shall submit the following documentation to the Public Registry:

- Application for registration;
- Identification Card of individual;

The Application submitted to the Public Registry shall include the following information:

1. Name of the applicant;
2. Address of the applicant;
3. ID number of the applicant;
4. The date of submitting the application for registration;
5. Signature of the applicant (the applicant is also entitled to use an electronic signature on the Application);
7. Receipt evidencing payment of registration fee;

Appendix #7

SAMPLE OF POWER OF ATTORNEY

Place: __, _____

In accordance with the decision of _____, identification code: _____, legal address: _____), dated _____, represented



by its Director Mr./Ms. (name/last name:_____, residing address:_____, passport number:_____, personal number:_____, expiry date:_____), dated _____, this power of attorney is issued to Mr./Ms. _____ (born on dd/mm/yyyy, ID card No. _____, Personal No. _____, expiry date: dd/mm/yyyy, residing at: _____) and Mr./Ms. _____ (ID card No. _____, Personal No. _____, residing at: _____) in order to jointly and/or separately carry out actions necessary and appropriate to register the JSC/LLC etc. (please indicate the name of a JSC/LLC etc.) in Georgia, sign any document on behalf of the founder related with

registration including the Charter/Shareholders Agreement of the JSC/LLC etc., application on registration and the lease agreement or the memorandum of understanding for the local office space. The trustees shall be authorized to pay any expenses necessary for the registration of the company.

Signed:_____

Notary:_____

Disclaimer: this Brochure is prepared by BLC Law Office based on the legislation / information effective as of the date of its preparation.

It is prepared solely for informative purposes and cannot substitute legal advice and/or cannot be used by third parties for similar purposes. Brochure contains general information and does not list any and all items related to the reviewed issue in details.

This Brochure is limited to the matters directly addressed herein and shall not be deemed applicable to the explanations, clarifications or matters other than expressly contemplated herein.

Appendix 8**SIGNATORIES TO THE HAGUE CONVENTION**

<ul style="list-style-type: none"> • Albania • American Samoa • Andorra • Anguilla • Antigua & Barbuda • Argentina • Armenia • Aruba • Australia • Austria • Azerbaijan • Bahamas • Barbados • Belarus • Belgium • Belize • Bermuda • Bosnia & Herzegovina • Botswana • British Antarctic Territory • British Guyana • British Virgin Islands • Brunei • Bulgaria • Comoros • Islands 	<ul style="list-style-type: none"> • Cook Islands • Croatia • Cyprus • Czech Republic • Denmark • Djibouti • Dominica • Ecuador • El Salvador • Estonia • Falkland Islands • Fiji • Finland • France • French Guiana • French Polynesia • Germany • Gibraltar • Greece • Grenada • Guadeloupe • Guam • Guernsey • Honduras • Hong Kong • Hungary • Iceland • India • Ireland • Isle of Man • Israel • Italy 	<ul style="list-style-type: none"> • Japan • Jersey • Kazakhstan • Kiribati • Korea (Republic of) • Latvia • Lesotho • Liberia • Liechtenstein • Lithuania • Luxemburg • Macao • Macedonia • Malawi • Malta • Marshall Islands • Mauritius • Mexico • Moldova • Monaco • Montserrat • Mozambique • Namibia • Netherlands Antilles • Netherlands • New Caledonia • New Zealand • Niue (Savage Island) 	<ul style="list-style-type: none"> • Northern Mariana Islands • Norway • Panama • Paraguay • Poland • Portugal • Puerto Rico • Reunion Island • Romania • Russia • Saint Vincent & the Grenadines • Samoa • San Marino • Serbia & Montenegro • Seychelles • Slovakia • Slovenia • Solomon Islands • South Africa • Spain • St Georgia & South Sandwich Islands 	<ul style="list-style-type: none"> • St Kitts & Nevis • St Lucia • Suriname • Swaziland • Sweden • Switzerland • Tonga • Trinidad & Tobago • Turkey • Turks & Caicos • Tuvalu • Ukraine • United Kingdom & Northern Ireland • United States of America • Venezuela • Wallis & Futuna • Yugoslavia
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USEFUL CONTACT INFORMATION

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