

How to Register a Business

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Legal

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Disclaimer

This handbook aims to provide the reader only with a general understanding of the business registration requirements in Georgia effective at the time of writing. It neither purports to provide nor is intended to replace professional legal advice or any other advice.

Any reliance made on the information contained in this handbook is your sole responsibility and Deloitte will not be held liable for any losses that may arise thereby. Full professional legal advice should be sought when dealing with specific situations.

1. What types of business entities are regulated under the Georgian Law on Entrepreneurs?

The key principle of the Law on Entrepreneurs (the **“Law”**) is that only those business entities that are specified in the Law may carry out business activities in Georgia. The Law provides for the following six types of business entity:

- sole traders/proprietorships;
- general partnerships (**“GP”**);
- limited partnerships (**“LP”**);
- limited liability companies (**“LLC”**);
- joint-stock companies (**“JSC”**); and
- cooperatives.

1.1 Sole Traders/Proprietorships

The Law does not treat sole traders as business entities. The concept of a sole trader implies that business activities are carried out by a natural person who is personally responsible with his/her own property to creditors and other third parties.

Pursuant to the Law, both Georgian and foreign citizens can register as sole traders and initiate business activities in the country.

1.2 General Partnerships

A GP is a business entity in which several partners conduct business jointly under a common company name. The main determinant and special feature of a GP is the joint liability of its partners to creditors i.e., the partners are jointly liable with all their personal assets.

Normally, partners of a business entity can be either natural persons or business entities. However, GPs differ in this regard in that only natural persons can become partners.

1.3 Limited Partnerships

An LP is a business entity in which several partners carry out business activities under one common company name, where the liability of limited partners towards creditors is limited by the payment of a capital contribution. In an LP, however, general partners are jointly liable with all their personal assets towards creditors as joint debtors. Hence, there are two types of partners in LPs: limited and general partners.

A limited partner may be a natural or legal person. However, by law, general partners must always be natural persons.

Unless otherwise stated in the charter, limited and general partners have different rights and obligations, specifically:

- limited partners do not participate in the management of the business entity;
- limited partners may exercise their right to vote only in the cases laid out in the charter;
- limited partners may request a copy of the annual report and check its accuracy according to the financial books and records of the LP.

1.4 Limited Liability Companies

An LLC is the most common type of business entity in Georgia. Under the Law, an LLC incorporated in Georgia is deemed to have legal personhood distinct from its founders, shareholders and those responsible for its management. Accordingly, it can, in its own name, own property, enter into contracts, be a party to legal proceedings (as either claimant or defendant) and take legal action associated with such claims, etc.

The liability of an LLC to its creditors is limited to all of its assets. Thus, a shareholder(s) of an LLC is not liable for the LLC's obligations, unless the corporate veil is pierced by a court.

The share capital of an LLC is divided into transferable shares. The law does not provide minimum and maximum share capitals. Thus, the share capital of an LLC may be set at any amount.

1.5 Joint-Stock Companies

A JSC is a business entity whose capital is divided into shares of a certain class and quantity as determined by its charter. Pursuant to the Law, a JSC has two types of shares: ordinary and preferred shares. An ordinary share grants the shareholder the right to one vote at the general shareholder meeting. A preferred share does not grant such voting right, but entitles the shareholder to receive dividends at a fixed rate. A charter may otherwise regulate rights related to ordinary and preferred shares. A general meeting of shareholders of a JSC may resolve to designate more classes of shares in addition to those set out by the Law. All shares of the same class must provide equal rights to their holders.

The liability of a JSC to its creditors is limited to all of its assets. Thus, a shareholder(s) of a JSC is not liable for the company's obligations unless the corporate veil is pierced by a court.

A shareholder's title to a share is recorded in the shareholders' register of the JSC, which is not publicly available and can only be accessed by specific persons authorised by law.

A JSC is obliged to establish a supervisory board if:

- it is a publicly accountable enterprise as per Georgia's Law on Securities Markets and has securities tradable on the stock market; or
- it is licensed by the National Bank of Georgia; or
- it has more than 100 shareholders.

The Supervisory Board must consist of three to 21 members who are elected for one year at a general meeting, unless a different term is agreed at the general meeting or specified in the charter.

1.6 Cooperatives

A cooperative is a business entity based on the labour activities of its members or established with the aim of developing business and increasing the incomes of its members. The primary goal of a cooperative is not to gain profit but rather to satisfy the interests of its members.

The Law sets forth different activities that fall under the definition of a cooperative. A cooperative is liable to its creditors with all of its property.

A cooperative may have a supervisory board and determine the number of its members in its charter.

1.7 Single Shareholder Companies

A single shareholder company is a legal arrangement that enables one person to independently establish an LLC or a JSC.

Furthermore, if all shares in an LLC or a JSC are transferred to one shareholder, such a company will become a single shareholder company.

In such cases, the sole shareholder exercises the powers of a general meeting and must record all decisions.

1.8 Branch Offices

A branch/representative office of a foreign business entity must be registered at the Public Registry, but it is not considered as a legal person under the Law. This means that the branch/representative office enters into contracts in the name of the foreign business entity and the latter will be ultimately held liable.

The registration requirement does not apply to branch offices of a Georgian company.

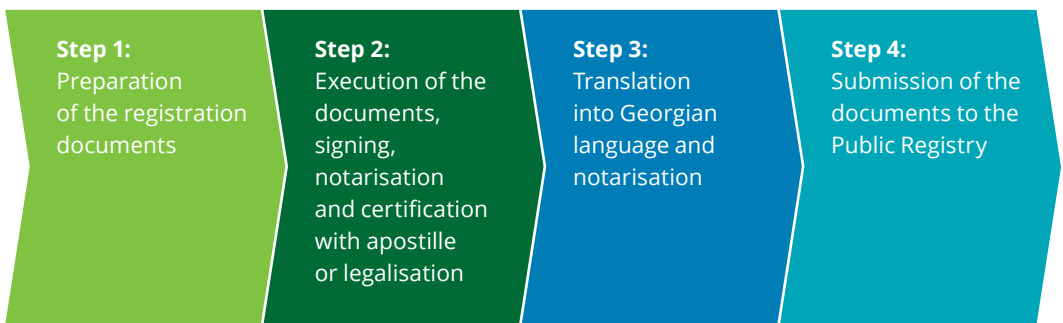
Companies with branch offices are liable to all creditors of the branch with its assets.

2. What documents are required for incorporation of business entities/branches in Georgia?

2.1 The National Agency of Public Registry (the “Public Registry”)

The registration of business entities/branches is mandatory in order for them to conduct business in Georgia. The registration is carried out by the National Agency of Public Registry, a legal entity under public law within the Ministry of Justice of Georgia (www.napr.gov.ge) and all services needed for the business registration are provided by the Public Registry through the Public Service Hall (www.psh.gov.ge). Upon registration, business entities/branches are assigned an identification number and deemed officially established business entities.

2.2 Steps for Incorporating Business Entities/Branches



2.3 List of Necessary Documents

- An application: to be completed in the presence of a representative of the Public Registry;
- The charter: it should include all essential information on the business entity/branch, indication of its legal form, names of shareholders, information on authorized representative(s), legal address, e-mail, etc. It must be signed by every founder of the business entity/branch, notarised and certified with apostille/legalised in accordance with the laws of the founder’s country of residence.
- Consent from the relevant person on becoming the authorized representative of a business entity/branch;
- A document confirming the legal address of the business entity/branch: a copy of a lease agreement or a letter from a Georgian landlord certifying the legal address of the business entity/branch is necessary. This document must be notarised by a Georgian notary. If the document is signed in the presence of a Public Registry representative, notarisation is not needed.
- A Power of Attorney: granted to the relevant service provider (if any) in order to carry out registration services. The document must be signed by an authorized representative of the founder and then notarised in the founder’s country of residence, and legalized or certified by apostille.

2.4 Registration Fees

The registration fee is GEL 100, and registration will be completed within one working day from the date the application is submitted; alternatively, for GEL 200 the registration procedure can be fast-tracked and completed the day of the application.

2.5 Legalisation and Certification with Apostille

Generally, documents prepared outside Georgia must be certified with an apostille or legalisation seal and notarised in order to be used in Georgia.

Legalisation/apostilles certify the validity of stamp/seals and the authority of the person who signed the document.

Georgia is a signatory to the Hague Convention of 5 October 1961 on Abolishing the Requirement of Legalisation for Foreign Public Documents (the **"Hague Convention"**). Thus, if a document is prepared in a country that is a signatory to the Hague Convention, then the document must be certified with an apostille.

If a Hague Convention signatory country is also a signatory to the Minsk Convention on Legal Assistance and Legal Relations in Civil, Family and Criminal Matters (the **"Minsk Convention"**), then documents need neither apostille nor legalisation.

Documents prepared in a country that is not a signatory to the Hague Convention must be legalised.

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