

## Georgian Tax & Legal News

Refer to the Law



### Changes to the Georgian Law on Implementing the Foreign Account Tax Compliance Act (FACTA)

The Parliament of Georgia is discussing a package of amendments aimed at improving the performance of international tax obligations between the governments of the United States of America and Georgia at the second hearing. The amendments are also aimed at improving the obligations adopted by the Government of Georgia for the purposes of FATCA compliance.

Changes will apply to the following normative acts:

- The Georgian Law on Insurance
- The Georgian Law on Commercial Banks
- The Georgian Law on the Securities Market
- The Georgian Law on Non-banking Depository Institutions and Credit Unions
- The Georgian Law on Non-state Pension Insurance and Allowance
- The Georgian Law on Microfinancial Organizations
- The Georgian Law on Payment Systems and Payment Services
- The Organic Law of Georgia on the National Bank
- The Georgian Administrative Procedural Code

Amendments are also planned for Article 864 of the Civil Code of Georgia. According to the bill, credit institutions will additionally be authorized to terminate contracts if the right is envisioned in law, even when the account holder cannot obtain similar services otherwise.

According to the amendments to the Tax Code, the tax authorities will be authorised to request confidential information from commercial banks and transfer it to the respective US state authority.

### Amendments to the Civil Code of Georgia

The Parliament of Georgia adopted amendments to the regulations on Hereditary Building Rights. The aim of amendments is to eliminate uncertainties in the law and make the regulations more flexible.

The amendments concern Article 236 of the Civil Code, according to which the owner has the right to terminate the Hereditary Building Right unilaterally in case of non-payment for two years. The new regulation shall allow the parties to determine the outcomes of such a breach themselves and establish conditions different to the ones prescribed in the Civil Code.

Article 239 has also been amended. According to the new regulations, the parties shall be able to determine the payment procedures and the future of the relationship arising from the Hereditary Building Right.

## **Sanitary norms for the prevention and control of infectious diseases during cosmetic procedures**

On 14 September 2015, the Government of Georgia enacted sanitary norms for the prevention and control of infectious diseases during cosmetic procedures.

These norms apply to public facilities, where cosmetic procedures are performed on the surface of humans' skin. Such procedures carry the risk of spreading infectious diseases through interaction between customers and personnel via contaminated instruments and/or by violation of practical hygienic rules.

The decree covers issues such as informing customers, the assessment and management of risks, the safety of equipment and facilities and the safe management of waste.

## **Rules for the issuance of the Permit for Customs Warehouses and Duty Free Shops**

The Government of Georgia enacted Decree No. 471 on 14 September 2015, which establishes instructions on the issuance of Permits for Customs Warehouses and Duty Free Shops.

The Decree was drafted in accordance with the requirements of the Tax Code of Georgia as well as the Georgian Law on Licenses and Permits. It describes the preconditions which should be met by the seeker of the Permit for Customs Warehouses and/or Duty Free Shops.

The LEPL Revenue Service issues the above-mentioned Permit and supervises the fulfilment of the terms, liabilities and termination of the Permits.

## **Case law**

On 29 June 2015, the Supreme Court of Georgia issued an important interpretation regarding acting against the good faith principle in creditor-debtor relationships and a creditor's abuse of its own rights (case No. სს-1338-1376-2014).

The Supreme Court discussed whether the creditor (a commercial bank) abused its own rights by selling the leased property of the debtor, when it did not reply to another commercial bank's offer to perform the loan agreement in favor of the creditor.

In this specific case, the creditor's interest was to receive lent money back. The bank was obliged to act in good faith based on the best interests of its client and take into consideration the terms of the other commercial bank's offer to perform the loan obligations in favor of the client.

The court took the view that in this particular case, the commercial bank used the most radical measure to satisfy its claims (alienation of leased property at auction) and therefore abused the creditor's rights.

Georgian Legislative Tracking are available [here](#).

# Deloitte Legal

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