



Georgian Business Development News

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**Mgaloblishvili, Kipiani, Dzidziguri
(MKD) Law Firm**

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- **New Customs Rates Come Into Force**
- The new law reducing customs tariffs came into force on September 2. The previous system, which had sixteen different rates, has been simplified. Now rates stand at 12, 3 or zero percent. Duties have been annulled on ninety percent of products, including technological and mechanical goods, cocoa and coffee. Duties have been reduced on agricultural products as well, but these now stand at the highest rate of 12 percent in an effort to protect local producers. Similarly, construction materials are not subject to the new liberalization, and are also taxed at 12 percent. However, customs duties are slated to get lower still: in 2007 products currently taxed at 12 percent will have their duty slashed to five percent, and this will fall further still in 2008. Seasonal tariffs on certain agricultural products, developed as a lever to protect local production, will also be annulled, as some officials at the ministry of economy say it has complicated the tax system. Those goods that fall under the seasonal tariff category will be taxed by 12 percent as well. Although this year the state budget will lose about GEL 100 million, profits are expected to accrue from the scheme in 3 years time. The idea of reducing customs rate to zero belongs to the Ministry of Economic Development, and is supported by Prime Minister Zurab Noghaideli. Proponents say that in the long term Georgia stands to gain, and point to examples like Hong Kong and Singapore; they argue the initiative will help consumers purchase imported goods at lower prices and boost high quality EU products in the country. (The Messenger)
- **Georgia Plans To Sign Agreement On Avoiding Double Taxation With Seven More States**
- Georgia plans to sign agreements on avoiding double taxation with seven more states, Sarke has been told in the Finance Ministry. Currently, Georgia is in talks with three of them – Turkey, Denmark and Spain. Georgia launched talks with Turkey as early as 1997 and has conducted several rounds since (in 1999, 2000 and 2005), but the parties have failed to negotiate the issue. The sticking point is the construction sector. Georgia conducted the first round of talks with Denmark and Spain in March-April 2006. Other countries included in the list of the seven states are as follows: Finland, Malta, Egypt and the UAE. Talks with the states have not yet started. According to the Finance Ministry, overall, Georgia has signed the agreements on avoiding double taxation with 22 states, and ratified them with 20. 18 documents

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- have already been enacted. Among the countries with which the country has the agreement enacted are the UK, the Netherlands, Italy, Belgium, Austria, Ukraine, China, Azerbaijan etc. The agreements with Russia and Poland ratified in 2000 and 2001 consequently, have not been enacted. The agreement with the Czech Republic was signed in May 2006, Germany in June, but documents have not been ratified yet. The agreement on avoiding double taxation were endorsed with four states – Switzerland (in 1999), Estonia (2001), France and Kyrgyzstan (both in 2004). (Sarke Information Agency)
- **EBRD Plans To Acquire 10% Stake in the Bank Republic**
- Business The EBRD plans to acquire a 10% stake in the *Bank Republic*. At the moment, the bank has three shareholders – physical entities.
- **Kutaisi And Tskaltubo Entities Put To Privatization Auction**
- The Economic Development Ministry of Georgia will be accepting bids on next privatization auctions, through which entities located in the Kutaisi and Tskaltubo districts will be sold, until October 4. The starting price of JSC Kutaistkalmsheni is \$350,000. The total area covered by the JSC building is 897 square m, while its land site – 7,736 square m. The chartered capital of the JSC is 78,100 GEL, bills receivable – 12,209 GEL, while bills payable – 20,551 GEL. The Alioni restaurant in the Partskhanakanevi village, the Tskaltubo district, is estimated at \$250,000. Non-residential space is around 396, 8 km, while its land site – 3,837 square m. The starting price of Sataplia, the former department store in Tskaltubo, is \$150,000. The building and its land site sit on 1,354 square m each. #5 bakery in the Kvitari village of the same district has been also put to auction. The starting price is \$100,000. The building covers 714 square m, while its land site – 1,250 square m. The privatization auction will take place in the Economic Development Ministry on October 4. (Sarke Information Agency)
- **Georgia Top Reformer In CIS States**
- Georgia led the global top 10 reformer rankings on the ease of doing business in 2005–2006, according to a Doing Business 2007 report prepared by the World Bank and the International Finance Corporation (IFC). Georgia improved in 6 of the 10 areas, studied by Doing Business – reduced the time, cost, and hassle for businesses to comply with legal and administrative requirements according to the report. Georgia leads the list of reformer-states, which includes Romania, Mexico, China,

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- Peru, France, Croatia, Guatemala, Ghana and Tanzania. Doing Business 2007 also ranks 175 economies on the ease of doing business. Georgia jumped a spectacular 75 places and ranks 37th this year. Armenia ranks 34th, Kazakhstan 62nd, China – 93rd, Russia 96th and Ukraine 128th.
(Sarke Information Agency)
- **Georgia - EU relations**
- Georgia has recently been ushered into the EU's GSP+ preferential trade regime, meaning Georgian goods headed for the EU market will largely escape customs duties. 7 200 categories of exports will be marked for free entry to EU countries. While this is more than the actual variety of products produced in the country, Georgian officials are hopeful that the trade benefits will attract investment capital and spur an overall economic boost for Georgia. Prime Minister Zurab Noghaideli, in his recent visit to Brussels, brought up a question for discussion on the possibility of an entirely free trade regime between Georgia and the EU.
- (Sarke Information Agency)

Mgaloblishvili, Kipiani, Dzidziguri (MKD) law firm was founded in November 1996. It operates as a general partnership and is recognized as well-established, respected leading law firm in Georgia with major national, regional and international clients.



Mgaloblishvili, Kipiani, Dzidziguri (MKD)
4, Tavisupleba Square
0105 Tbilisi, Georgia
Tel: + 995 32 923880/923882
Fax: + 995 32 923884
info@mkd-law.com
www.mkd-law.com

If any of your details are incorrect or have recently changed or if you no longer wish to receive this bulletin or other marketing publications, please contact Mrs. Natia Bardavelidze at nbardavelidze@mkd-law.com;