

Law of Georgia on Industrial Free Zones

Article 1. Scope and aim of the Law

1. The present Law shall define a rule for the creation and liquidation of industrial free zones, a rule for the management of industrial free zones and a rule for the creation and functioning of administrative and service/supervisory bodies, and shall determine additional terms and tax preferences for the industrial free zone enterprises and other issues related to the functioning of these zones.
2. The aim of the present Law is to provide favourable environment for the economic activity and to promote the inflow of capital and technologies to Georgia.

Article 2. Georgian Laws on Industrial Free Zones

Relations related to industrial free zones shall be regulated by the present Law, Customs Code of Georgia, Tax Code of Georgia and other normative acts.

Article 3. Industrial Free Zone

1. Industrial free zone shall be a type of free zone as determined by the Customs Code of Georgia where additional terms and tax preferences apply.
2. Industrial free zone shall be a part of the Georgian territory with defined borders and a special status granted to it by the present Law.
3. Industrial free zone shall be allocated for economic activity for a definite period of time. Persons carrying out their activity within this zone shall be subject to a special economic and legal regime determined by the present Law.
4. Powers of the local self-governing bodies shall not apply to industrial free zone.
5. Industrial free zone may be set up on any territory exceeding 10 hectares, except for the protected territories under the Georgian Law.
6. Rules for the establishment, arrangement and functioning of industrial free zone shall be determined by a resolution of the Government of Georgia.
7. Entry and exit customs checkpoints shall be set up in industrial free zone under the Georgian customs laws.

Article 4. Creation of Industrial Free Zone

1. Industrial free zone may be set up:
 - a) By the initiative of the Government of Georgia;
 - b) Upon request of physical person or legal entity – organizer (hereinafter referred to as the Organizer).
2. The creation of industrial free zone necessitates that the Organizer present a guarantee, the amount and conditions of which shall be determined by a resolution of the Government of Georgia on the rules for creation, arrangement and functioning of industrial free zone.
3. Decision on the creation of industrial free zone shall be made by the Government of Georgia.

Article 5. Creation of Industrial Free Zone on Request of the Organizer

1. The Organizer shall submit to the Government of Georgia an application on the creation of industrial free zone, which should include:
 - a) Person's identification data;
 - b) Identification of borders of industrial free zone;
 - c) Plan for the arrangement of industrial free zone;
 - d) Abstract of the Public Register verifying the property right to the land of the Organizer or other person/persons. Consent of owner/owners shall also be required for the setting up of industrial free zone on a respective plot of land.
 - e) Evidence that the conditions stipulated by the Georgian legislation for setting up industrial free zone are met, or obligation that the conditions for setting up industrial free zone shall be met within a period determined by a respective resolution of the Government of Georgia.
2. Industrial free zone shall not start functioning until the fulfillment of the obligation under subparagraph (e) of 1 paragraph of this Article.
3. The Government of Georgia shall consider an application indicated in the first paragraph of this Article within 50 days from receiving it and shall adopt a decision on the creation of industrial free zone or shall give a motivated refusal to the Organizer.

Article 6. Creation of Industrial Trade Zone on Request of the Government of Georgia

1. In case determined by subparagraph 'a' of 1 paragraph of Article 4 of this Law, the Government of Georgia or any other state body authorized by it shall announce a tender to select an organizer of industrial free zone.
2. The Government of Georgia or any other state body authorized by it shall determine conditions of the tender indicated in 1 paragraph of this Article and membership of a tender commission.
3. In case of the initiative of the Georgian Government, industrial free zone shall be set up on a state-owned plot of land or/and in agreement with the local self-governing body – on an area under its ownership.
4. A plot of land indicated in paragraph 3 of this Article shall be leased for no longer than 59 years with the right of ownership or the right to building.

Article 7. Industrial Free Zone Enterprise

1. Industrial free zone enterprise may be an enterprise of any organizational-legal form, registered in industrial free zone in accordance with the norms of Georgian laws on the registration of enterprises.
2. Enterprises registered in industrial free zone shall carry out their activity in this zone. Enterprises (both Georgian and foreign) registered outside industrial free zone shall carry out their activity through permanent enterprises registered in this zone.
3. Industrial free zone enterprise shall carry out its activity on the other territory of Georgia (outside industrial free zone) as a permanent office of a foreign enterprise.
4. Organizer or/and administrator does not present an industrial free zone enterprise and should be registered on the other territory of Georgia (outside industrial free zone) in accordance with the Georgian legislation.

Article 8. Terms and Conditions of Industrial Free Zone

1. Payment in industrial free zone shall be effected in any currency.

2. Payment between industrial free zone enterprise and Georgian enterprise shall be effected in any currency.
3. By Resolution of the Government of Georgia, an obligation to obtain a license/permission for a certain kind of activity in industrial free zone may be abolished or a simplified rule for obtaining a license/permission in compliance with the rule of Georgia on 'Licenses and Permissions' – introduced.
4. It is inadmissible to use a building in industrial free zone for residence.

Article 9 – Taxes in Industrial Free Zone

1. Issues related to taxes in industrial free zone shall be regulated by the Tax and Customs Codes of Georgia.
2. Profits taxes shall not apply only to those enterprises in industrial free zone that are granted the status of international enterprise under the Georgian Tax Code.
3. Import of foreign goods into industrial free zone shall be exempted from value added tax.
4. Operations carried out in industrial free zone shall be exempted from value added tax.
5. Property in industrial free zone shall be exempted from property taxes.
6. Import of foreign goods into industrial free zone shall be exempted from customs duties.
7. Import of the goods produced in industrial free zone from industrial free zone to other territory of Georgia (beyond industrial free zone) shall be exempted from customs duties.
8. Employees shall pay income taxes in industrial free zone on the basis of income declaration.

Article 10 – Import/Export of Goods to/from Industrial Free Zone

1. Import of Georgian goods into industrial free zone shall be considered as **export** of goods.
2. Export of goods from industrial free zone to other country can be considered as export of goods.
3. While being transported from industrial free zone into the other territory of Georgia goods shall be subject to the customs clearance procedure under the Customs Code of Georgia. While using the customs procedure of releasing goods for free circulation, the goods produced in industrial free zone, irrespective of their amount, shall be subject only to value added tax.
4. While importing/exporting of goods to/from industrial free zone, customs declaration and customs control rules shall be defined by the customs laws of Georgia.

Article 11 – Activity Permitted in Industrial Free Zone

1. Industrial free zone shall be open to production or processing of any goods or provision of services except for the activities set forth in Article 12 of this Law.
2. The Ministry of Economic Development of Georgia shall issue, directly or through a representative, a certificate verifying the Georgian origin of the goods produced in industrial free zone.

Article 12 - Activity Prohibited in Industrial Free Zone

1. The following activities shall be prohibited in industrial free zone:
 - a) Production of arms and munitions, trade in arms and munitions;
 - b) Production of nuclear and radioactive substances, trade in nuclear and radioactive substances;
 - c) Import, storage, production or/and sale of narcotic and psychotropic substances;

- d) Import, storage, production or/and sale of excise goods except for the cases indicated in paragraph 2 of this Article.
2. Excise goods may be brought into industrial free zone for the use on the spot that shall not be considered as export of goods.
3. In accordance with the resolution of the Government of Georgia concerning the rules for the creation, arrangement and functioning of industrial free zone, prohibitions and restrictions may be imposed on certain kinds of activities. Industrial free zone shall be subject only to those prohibitions and restrictions that may be imposed before the creation of industrial free zone.

Article 13. Service/Supervisory Bodies of Industrial Free Zone

1. Representations of those state bodies, which are necessary for the functioning of industrial free zone shall be set up in industrial free zone and shall serve the enterprises registered in this zone.
2. By resolution of the Government of Georgia it is possible that some representations indicated in 1 paragraph of this Article be united under one service/supervisory body.
3. The Government of Georgia shall exercise supervision over the functioning of industrial free zones.
4. Supervision over the compliance with security norms in industrial free zone shall be carried out by a respective state body unless this authority is granted to a service/supervisory body.

Article 14. Administrator of Industrial Free Zone

1. Industrial free zone shall be administered by the Administrator.
2. Functions of the Administrator may be assumed by the Organizer or a person (either physical or legal) appointed by him/her/it.
3. Administrator of industrial free zone shall insure compliance with the security norms in industrial free zone.

Article 15. Rule for the Resolution of Disputes

1. Regulations (charter) of industrial free zone may stipulate that disputes in industrial free zone, in which the State is not one of the disputing parties shall be considered and resolved by the international arbitration court.
2. Through the obtaining of registration in industrial free zone, an enterprise recognizes terms and conditions set forth in the regulations (charter).

Article 16. Liquidation of Industrial Free Zone

1. Grounds for the liquidation of industrial free zone shall be:
 - a) expiration of validity period;
 - b) organizer's application on the liquidation of industrial free zone;
 - c) court's decision on the basis of the Georgian Government's petition.
2. A liquidation commission shall be set up on the basis of an agreement between the Organizer and the Government of Georgia.
3. Disputes concerning the liquidation of industrial free zone shall be reviewed under the rule established by the Georgian laws.

Article 17. Transitional Provisions

To assign to the Government of Georgia:

- a) to prepare within two months from the publication of this law a resolution on the rules of creation, arrangement and functioning of industrial free zone;
- b) to prepare within one month from the publication of this law amendments to the Customs Code of Georgia, Tax Code of Georgia, Law of Georgia on Licenses and Permissions and other laws to bring them into compliance with the present law.
- c) to prepare within two months from the publication of this law simplified rules of construction for industrial free zone.

Article 18. Final Provisions

1. To enforce this law, except for articles 1-16, upon publication.
2. To enforce 1-16 Articles as of 1 January 2008.

President of Georgia

Mikheil Saakashvili

Tbilisi
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