

# Law of Georgia

## On Free Industrial Zones

### Article 1 - Scope and purpose of the law

1. This Law sets the procedure for establishing and liquidating free industrial zones, defines the procedure for managing free industrial zones and for establishing and operating the governance bodies and service/supervisory agencies within the zones. It establishes additional conditions and tax concessions for free industrial zone enterprises, as well as regulates other issues related to the zone activities.
2. This Law aims at creating an attractive environment for economic activity, and at facilitating the capital and technology inflow into Georgia.

### Article 2 - Georgian legislation on free industrial zones

Relations with respect to free industrial zones shall be regulated by this Law, the Tax Code of Georgia, and other normative acts.

*Law of Georgia No 3806 of 12 November 2010 – LHG I, No 66, 3.12.2010, Art. 414*

### Article 3 - Free industrial zones

1. A free industrial zone shall be a type of free zone under the Tax Code of Georgia with additional conditions and tax concessions effective within it.
2. A free industrial zone shall be part of the territory of Georgia with defined borders and a special status granted by law.
3. A free industrial zone shall be designated for economic activities for a certain period of time, and persons within the zone shall be governed under special economic and legal regime as determined by this Law.
4. Powers of local self-government bodies shall not apply to a free industrial zone.
5. A free industrial zone may be established on any territory exceeding 10 hectares, except for protected areas as defined by the legislation of Georgia.
6. The regulations for establishing, developing and operating a free industrial zone shall be defined by an ordinance of the Government of Georgia.
7. Entry into and exit from a free industrial zone, a customs checkpoint, shall be set up as determined by the tax legislation of Georgia.

*Law of Georgia No 3806 of 12 November 2010 – LHG I, No 66, 3.12.2010, Art. 414*

*Law of Georgia No 5951 of 27 March 2012 – website, 12.4.2012*

### Article 4 – Establishment of free industrial zone

1. A free industrial zone may be established:
  - a) at the initiative of the Government of Georgia;
  - b) at the request of a natural or legal person - an organiser ('the Organiser').
2. The Organiser must submit a guarantee for establishing a free industrial zone. The amount and conditions of the guarantee shall be defined under an ordinance by the Government of Georgia on the procedures for establishing, developing and operating a free industrial zone.
3. The Government of Georgia shall make a decision on establishing a free industrial zone.

### Article 5 – Establishment of free industrial zone at the request of the Organiser

1. The Organiser shall submit an application for establishing a free industrial zone to the Government of Georgia. The application must include:
  - a) the identification data of the interested person;
  - b) the description of the free industrial zone boundaries;
  - c) the free industrial zone development plan;
  - d) the extract from Public Registry on land ownership of the Organiser or other person(s). For developing a free industrial zone on the land owned by other person(s), consent of the owner(s) for establishing a free industrial zone on a respective plot of land for a certain period of time shall also be necessary;



e) the evidence of satisfying the conditions for establishing a free industrial zone as determined by the legislation of Georgia, or the obligation of the Organiser to satisfy the requirements for establishing a free industrial zone within the timeframe as defined by the respective ordinance of the Government of Georgia.

2. A free industrial zone shall not operate until the obligation under paragraph (1)(e) of this article is fulfilled.

3. The Government of Georgia shall review the application referred to in the first paragraph of this article within 50 days from its receipt and shall either adopt an ordinance on establishing a free industrial zone, or issue a justified refusal to the Organiser.

#### **Article 6 – Establishment of free industrial zone at the initiative of the Government of Georgia**

1. If so defined by Article 4 (1)(a) of this Law, the Government of Georgia or its authorised public agency shall hold a tender for selecting a free industrial zone organiser.

2. The Government of Georgia or its authorised public agency shall define conditions of the tender referred to in the first paragraph of this article, and shall appoint members of the tender commission.

3. When establishing a free industrial zone at the initiative of the Government of Georgia, it shall be established on a state-owned land and/or on the land owned by a local self-government body in agreement with that body.

4. A plot of land referred to in the third paragraph of this article shall be leased for up to 59-years or shall be transferred to a person with the right of ownership or the right of superficies.

#### **Article 7 - Free industrial zone enterprises**

1. A free industrial zone enterprise may be an enterprise of any legal structure and any form of ownership registered within a free industrial zone according to enterprise registration norms defined by the legislation of Georgia.

2. Activities within a free industrial zone shall be conducted by enterprises registered in that zone. Enterprises registered outside of free industrial zone (both Georgian and foreign) may conduct activities within free industrial zone through permanent establishments registered in that zone, except for Georgian enterprises distributing electricity, water, and natural gas, as well as providing communication and sewerage services and conducting related activities within a free industrial zone.

3. A free industrial zone enterprise shall conduct activities in other territory of Georgia (outside of free industrial zone) as a permanent establishment of a foreign enterprise.

4. The Organiser and/or an administrator shall not be a free industrial enterprise and it must be registered in other territory of Georgia (outside of free industrial zone) as determined by the legislation of Georgia.

*Law of Georgia No 6575 of 28 June 2012 – website, 10.4.2012*

#### **Article 8 – Attributes of free industrial zones**

1. Accounts within a free industrial zone shall be settled in any currency.

2. A free industrial zone enterprise and a Georgian enterprise shall settle accounts in any currency.

3. Ordinance by the Government of Georgia may provide for cancelling an obligation to obtain a licence/permit or introducing a simplified procedure for obtaining a licence/permit for conducting certain activities within a free industrial zone under the Law of Georgia on Licences and Permits.

4. Using buildings to live in shall be inadmissible within a free industrial zone.

#### **Article 9 - Taxation within free industrial zones**

1. Issues related to taxation within a free industrial zone shall be regulated by the Tax Code of Georgia.

2. Profit gained by a free industrial zone enterprise within the free industrial zone shall be exempt from profit tax under the Tax Code of Georgia, except as provided for by the above Code.

3. Bringing foreign goods in a free industrial zone shall be exempt from value added tax.

4. Transactions within a free industrial zone shall be exempt from value added tax.

5. Property within a free industrial zone shall be exempt from property tax.

6. Bringing foreign goods in a free industrial zone shall be exempt from import tax.

7. Bringing (importing) goods produced within a free industrial zone from the free industrial zone in other territory of Georgia (outside of free industrial zone) shall be exempt from import tax.



8. Employees within a free industrial zone shall pay income tax based on income declaration.

*Law of Georgia No 3806 of 12 November 2010 – LHG I, No 66, 3.12.2010, Art. 414*

*Law of Georgia No 4964 of 24 June 2011 – website, 30.6.2011*

*Law of Georgia No 6016 of 10 April 2012– website, 30.4.2012*

#### **Article 10 – Bringing/taking goods in/out of free industrial zones**

1. Bringing Georgian goods in a free industrial zone shall be considered as export of goods.

2. Taking goods out of a free industrial zone to other country shall be considered as export of goods.

3. When bringing goods from a free industrial zone in other territory of Georgia, a goods transaction under the Tax Code of Georgia shall apply to the above goods. Furthermore, when goods produced within a free industrial zone are to be imported, the goods shall be subject to only value added tax, irrespective of their quantity.

4. Customs declaration and customs control regulations for bringing/taking goods in/out of a free industrial zone shall be defined by the tax legislation of Georgia.

*Law of Georgia No 3806 of 12 November 2010 – LHG I, No 66, 3.12.2010, Art. 414*

*Law of Georgia No 5951 of 27 March 2012 – website, 12.4.2012*

#### **Article 11 - Activities permitted within free industrial zones**

1. Production and processing of any goods, or rendering any services shall be permitted within a free industrial zone, except for the activities under Article 12 of this Law.

2. For goods produced within a free industrial zone, the Ministry for Economy and Sustainable Development of Georgia shall, by itself or through a representative, issue a respective certificate of Georgian origin of goods.

*Law of Georgia No 4469 of 22 March 2011 – website, 1.4.2011*

#### **Article 12 - Operations prohibited within free industrial zones**

The following activities shall be prohibited within a free industrial zone:

a) manufacturing arms and ammunition, trading in arms and ammunition;

b) manufacturing nuclear and radioactive substances, trading in nuclear and radioactive substances;

c) bringing in, storing, manufacturing and/or selling narcotic and psychotropic substances;

d) bringing in, storing, manufacturing and/or selling tobacco products and/or tobacco raw materials, except as provided for in the second paragraph of this article.

2. Goods under paragraph 1(d) of this article may be brought into a free industrial zone for consumption within the zone but it shall not be considered as export of goods.

3. Prohibitions and restrictions may be imposed on a certain type of activity by an ordinance of the Government of Georgia on the procedures for establishing, developing and operating a free industrial zone. Only the prohibitions and restrictions imposed before a free industrial zone was established shall apply to free zone.

*Law of Georgia No 4964 of 24 June 2011– website, 30.6.2011*

*Law of Georgia No 6016 of 10 April 2012– website, 30.4.2012*

#### **Article 13 – Service /supervisory agencies within free industrial zones**

1. Representation offices of public agencies that ensure operation of a free industrial zone shall conduct activities within the free zone. They shall render services exclusively to the enterprises registered in that zone.

2. By the resolution of the Government of Georgia, certain representation offices referred to in the first paragraph of this article may be merged into a single service/supervisory agency.

3. The Government of Georgia shall exercise supervision over the operation of free industrial zones.



4. A respective public agency shall exercise supervision over observing safety standards within free industrial zone, unless the powers to do so are granted to the service/supervisory agency under the second paragraph of this article.

#### **Article 14 - Free industrial zone administrators**

1. An administrator shall manage a free industrial zone.
2. An administrator may be the Organiser itself or a person designated by the Organiser (either a natural or a legal person).
3. A free industrial zone administrator shall be responsible for observing safety standards within free industrial zone.

#### **Article 15 - Procedure for dispute resolution**

1. Regulations (charter) of a free industrial zone may designate international arbitration operating in the free industrial zone to adjudicate and resolve disputes within the free industrial zone where the state is not a party to.
2. By getting registered in a free industrial zone, an enterprise shall recognise the requirements and conditions determined by regulations (charter) of the free industrial zone.

#### **Article 16 - Liquidation of free industrial zones**

1. A free industrial zone may be liquidated on the basis of:
  - a) expiration of its term;
  - b) an application of the Organiser for liquidating a free industrial zone;
  - c) a court decision upon a motion of the Government of Georgia.
2. A liquidation committee shall be set up by agreement between the Organiser and the Government of Georgia.
3. Disputes over liquidation of a free industrial zone shall be adjudicated as determined by the legislation of Georgia.

#### **Article 17 - Transitional provisions**

The Government of Georgia shall:

- a) within two months from publishing this Law, draft an ordinance on the procedures for establishing, developing and operating a free industrial zone;
- b) within one month from publishing this Law, and for ensuring compliance of the legislation of Georgia with this Law, draft changes to the Customs Code of Georgia, the Tax Code of Georgia, the Law of Georgia on Licences and Permits, and other laws;
- c) within two months from publishing this Law, draft simplified construction procedures for a free industrial zone.

#### **Article 18 - Final provisions**

1. This Law, except for Articles 1-16 of this Law, shall be enacted upon its publication.
2. Articles 1-16 of this Law shall be enacted as from 1 January 2008.

**President of Georgia**

**Mikheil Saakashvili**

**Tbilisi**

**3 July 2007**

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