

Law of Georgia on Free Industrial Zones

Article 1. The Scope and Purpose of the Law

1. This Law shall lay down the procedure of creation and liquidation of free industrial zones; provide for the procedure of management of free industrial zones and the creation and operation of managerial and supervisory authorities within the framework of the zones; provide for the additional conditions, tax benefits for the enterprises of free industrial zones, tax benefits and the other issues related to the operation of such zones.
2. This Law aims at the creation of the attractive climate for the economic activities, promotion of the inflow of capital and “know how”.

Article 2. The Law of Georgia on Free Industrial Zones

1. The relationships arising with respect to free industrial zones shall be regulated by this Law, the Customs Code of Georgia, the Tax Code of Georgia and other normative acts.

Article 3. A Free Industrial Zone

1. A free industrial zone is the type of the free zone, envisaged by the Customs Code of Georgia, where the additional conditions and tax benefits shall apply.
2. A free industrial zone shall be the part of the territory of Georgia with enclosed boundaries and special status granted by law.
3. A free industrial zone shall be allocated for economic activities for a specific period time and the persons therein shall be subject to special economic and legal treatment envisaged by this Law.
4. A free industrial zone shall not fall within the jurisdiction of local self-government authorities.
5. A free industrial zone may be created on any territory, the area of which exceeds 10 hectares, except for the protected territories, identified by the Georgian legislation.
6. The procedure of creation, arrangement and operation of a free industrial zone shall be specified by a resolution of the Government of Georgia.
7. The entry and exit points of a free industrial zone shall be specified commensurate with the procedure, envisaged by customs legislation of Georgia - the customs check points will be arranged.

Article 4. Creation of a Free Industrial Zone

1. A free industrial zone may be created:
 - a) Under the initiative of a the Government of Georgia;
 - b) On request of a natural or a legal person – organizer (hereinafter the “organizer”).
2. An organizer shall be required to present a guarantee for the creation of a free industrial zone, the amount and terms of which guarantee shall be specified commensurate with the Resolution of the Government of Georgia on the Creation Arrangement and Operational Procedures of Free Industrial Zones.
3. A decision on the creation of a free industrial zone shall be made by the Government of Georgia.

Article 5. Creation of a Free Industrial Zone on Request of an Organizer

1. An organizer shall submit an application on the creation of a free industrial zone to the Government of Georgia, which application must contain the following data:
 - a) The identification data of the person concerned;
 - b) The description of the boundaries of the a industrial zone;
 - c) The plan of arrangement of a free industrial zone;
 - d) An abstract from Public Registry concerning the property right of an organizer or other person(s). For the arrangement of a free industrial zone on the land parcel under the ownership of the other person(s) a consent of an owner/owners thereof shall be required – certifying that they agree to the creation of a free industrial zone for a specified period;
 - e) Evidence, that the terms and conditions laid down by the State for the creation of a free industrial zone, are met, or an obligation that the person concerned will meet the requirements, laid down for the creation of a free industrial zone, within the timeframes, specified by respective Resolution of the Government of Georgia.
2. A free industrial zone shall commence its operation until the fulfillment of the obligation, envisaged by subparagraph (e) of Paragraph 1 of this Article.
3. The Government of Georgia shall consider the application mentioned in Paragraph 1 of this Article within a period of 50 days following the receipt thereof and deliver a resolution on the creation of a free industrial zone or give a well-substantiated refusal to an organizer.

Article 6. Creation of a Free Industrial Zone under the Initiative of the Government

1. In cases, envisaged by subparagraph (a) of Paragraph 1 of this Article 4 of this Law the Government of Georgia or some other state authority duly authorized by the latter, shall arrange an tender for the selection of the organizer of a free industrial zone.
2. The Government of Georgia or some other state authority duly authorized by the latter shall identify the terms and conditions of the tender, mentioned in Paragraph 1 of this Law and specify the composition of tender commission.
3. In the case of the initiative of the Government of Georgia a free industrial zone shall be created in agreement with state or/and local self-government on the land owned by the latter.
4. The land parcel mentioned in Paragraph 4 of this Article shall be leased for a period of no more than 59 years or shall be transferred to the person concerned with the right of ownership or construction.

Article 7. An Enterprise of a Free Industrial Zone

1. An enterprise of a free industrial zone may become an enterprise of any organizational-legal form and ownership type, which is registered within a free industrial zone commensurate with the provisions, laid down by the Georgian legislation for the registration of enterprises.
2. Only the enterprises registered within a free industrial zone shall be entitled to pursue their activities in the zone. The enterprises (both Georgia and foreign ones) registered outside a free industrial zone shall conduct their activities through their permanent establishments registered within the zone.
3. An enterprise of a free industrial zone shall operate on the other territory of Georgia (outside a free zone) in the capacity of a permanent establishment of a foreign enterprise.

4. An organizer of a free industrial zone or/and administration is not an enterprise of the free industrial zone concerned and must be registered on the territory of Georgia (outside a free industrial zone) commensurate with the procedure established by the Georgian legislation.

Article 8. Peculiarities of a Free Industrial Zone

1. The settlement within a free industrial zone shall be allowed in any currency.
2. The settlement between an enterprise of a free industrial zone and a Georgian enterprise shall be undertaken in any currency.
3. By virtue of a Governmental resolution the obligation of obtaining licenses/permits for certain activities may be cancelled or a simplified procedure of obtaining of a license/permit may be introduced commensurate with the Law of Georgia on Licenses and Permits.
4. It shall be inadmissible to use the buildings within free industrial zones as dwelling places.

Article 9. Taxation within a Free Economic Zone

1. The tax related issues within a free industrial zone shall be regulated by the Tax and Customs Codes of Georgia.
2. Only those enterprises, which enjoy the status of an international enterprise commensurate with the procedure, envisaged by the Tax Code of Georgia, shall be exempted from the payment of profit tax within a free industrial zone.
3. The import of foreign goods into a free industrial zone shall not be subject to value added tax.
4. The transactions within a free industrial zone shall not be not subject to value added tax.
5. The property located within a free industrial zone shall be exempted form the payment of property tax.
6. Bringing of foreign goods into a free industrial zone shall be exempted from customs duties.
7. Bringing (import) of goods manufactured within a free industrial zone from a free industrial zone into the other territory of Georgia (outside a free industrial zone) shall be exempted from customs duties.
8. An employee shall be required to pay the income tax within a free industrial zone on the basis of declaration of incomes.

Article 10. Bringing/Removal of Goods into/from a Free Economic Zone

1. Bringing of Georgian goods into a free industrial zone shall be regarded as an export of goods.
2. Removal of goods from a free industrial zone into the other country shall be regarded as an export of goods.
3. Bringing of goods into the territory of Georgia from a free industrial zone shall be subject to customs approved treatment or use, envisaged by the Customs Code of Georgia. Furthermore, the release of goods, manufactured within a free industrial zone, for free circulation, shall be subject only to value added tax, irrespective of their amount.
4. The procedures of customs declaration and customs control upon the entry-removal of goods into/from a free industrial zone shall be specified by customs legislation.

Article 11. Activities Allowed within a Free Industrial Zone

1. It shall be allowed to manufacture and process any goods and to render services within a free industrial zone, except for the activities envisaged by Article 12 of this Law.
2. The Ministry of Economic Development of Georgia shall issue a certificate of adequate format either personally or through a representative with respect to goods, produced within a free industrial zone, certifying their Georgian origin.

Article 12. Activities Prohibited within a Free Industrial Zone

1. The following activities shall be prohibited within a free industrial zone:
 - a) Production of arms and ammunition; trade in arms and ammunition;
 - b) Production of nuclear, radioactive substances and trade in nuclear, radioactive substances;
 - c) Importation, production, storage or/and sale of narcotic and psychotropic substances;
 - d) Importation, storage, production or/and sale of excise goods, except for the case, envisaged by Paragraph 2 of this Article.
2. The excise goods can be imported into a free industrial zone for the purpose of local consumption and this shall not be regarded as an export of goods.
3. Under the Resolution of the Government of Georgia on the Creation, Arrangement and Operational Procedures of a Free Industrial Zone it shall be admissible to introduce the prohibitions and restrictions with respect to specific activities. Only those prohibitions and restrictions shall apply to a free industrial zone, which were laid down before the creation of a free industrial zone.

Article 13. The Servicing/Supervisory Authorities within a Free Industrial Zone

1. The representative offices of those state authorities which are necessary for the operation of a free industrial zone shall operate within a free industrial zone and they shall render services only to the enterprises registered within this zone.
2. By virtue of a resolution of the Government of Georgia the separate representative offices mentioned in Paragraph 1 of this Article can be amalgamated into a single service/supervision authority.
3. The operation of free industrial zones shall be supervised by the Government of Georgia.
4. The supervision over the protection of safety rules within a free industrial zone shall be undertaken by a respective authority, unless this authorization is delegated to service/supervision authority, envisaged by Paragraph 2 of this Article.

Article 14. Administration of a Free Industrial Zone

1. A free industrial zone shall be managed by an administrator.
2. An administrator may be an organizer himself or a person (either natural or legal) appointed by the latter.
3. The administration of a free industrial zone shall ensure the protection of safety rules within a free industrial zone.

Article 15. Dispute Resolution

1. The Regulations (Charter) of a free industrial zone may provide for the disputes, where one of the parties is not the State to be considered and resolved by an international arbitrage, operating within a free industrial zone.
2. Through its registration within a free industrial zone an enterprise recognizes the terms and conditions laid down by the Regulations (Charter) of a free industrial zone.

Article 16. Liquidation of a Free Industrial Zone

1. A free industrial zone may be liquidated on the following grounds:
 - a) Expiry of the validity period;
 - b) The declaration of the organizer of a free industrial zone about the liquidation thereof;
 - c) A court decision delivered against a submission of the Government.
2. A liquidation commission shall be created by mutual agreement of the organizer and the Government of Georgia.
3. The disputes related to the liquidation of a zone shall be resolved commensurate with the procedure, envisaged by the Georgian legislation.

Article 17. Transitional Provisions

The Government of Georgia shall be hereby be assigned to :

1. Prepare a resolution on the procedure of creation, arrangement and operation of a free industrial zone within a period of two months following the publication of this Law.
2. Prepare the amendments to the Customs Code of Georgia, the Tax Code of Georgia, the Law of Georgia on Licenses and Permits and other laws with a view to the harmonization of the Georgian legislation with this Law within a period of one month following the publication of this Law.
3. Preparation of simplified construction rules for a free industrial zone.

Article 18. Final Provision

1. This Law, except for it Article 17 shall come in force on 1 January 2008.
2. Article 17 of this Law shall come in force upon its publication.

The President of Georgia

Micheil Saakashvili

Tbilisi
3 June 2007