



# Project Proposal on Establishment of Free Industrial Zone (FIZ) in Khelvachauri

Ministry of Finance and Economy of Ajara A.R.

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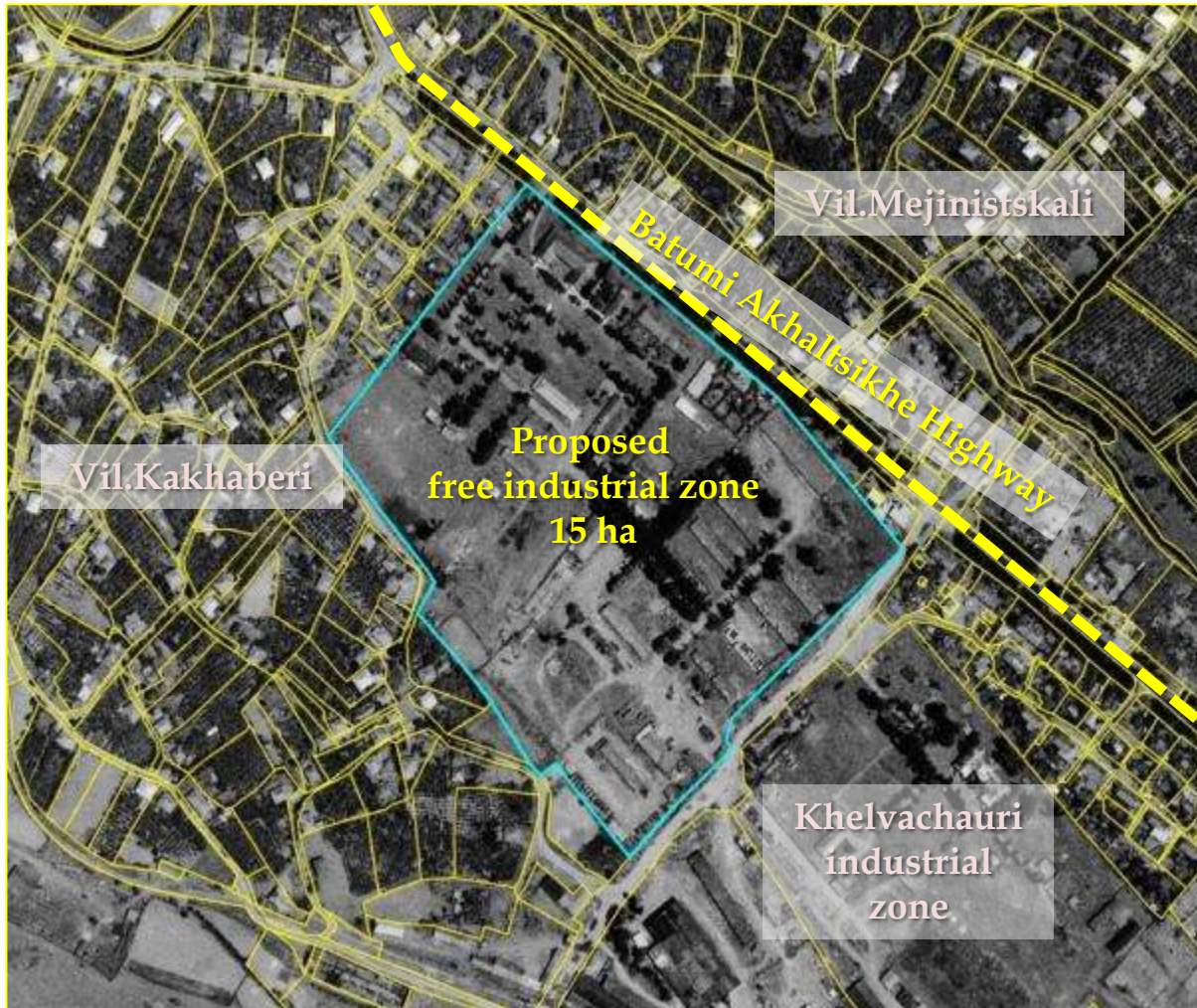
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# Geographic Location



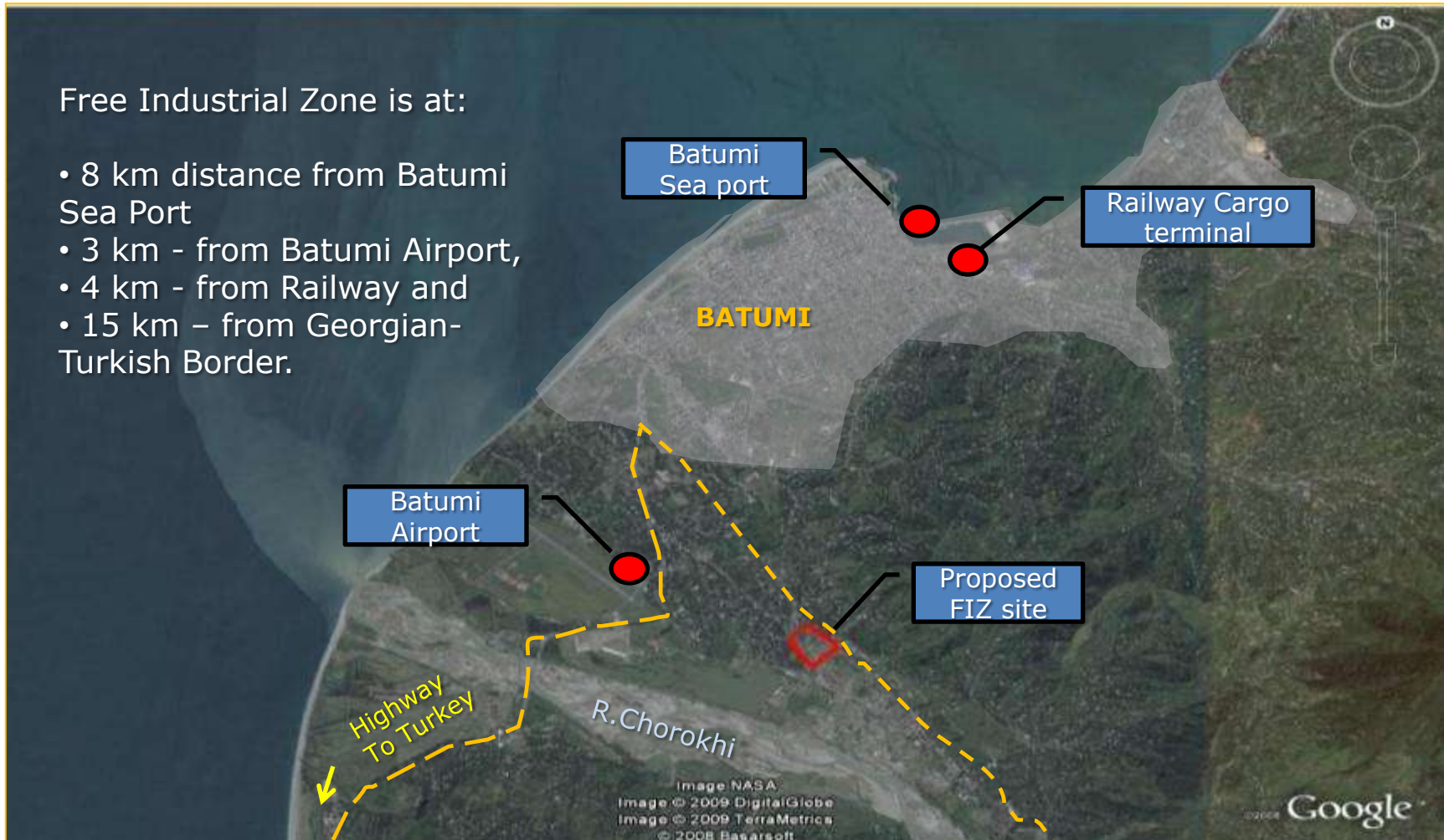
- ❑ Located in Khelvachauri district near Batumi along the road of strategic importance by which the Caucasus is connected to Eastern Europe
- ❑ Area of FIZ = 15 ha
- ❑ Separated from *Khelvachauri Industrial Zone*, which has been established since 1960
- ❑ 8 km from Batumi Sea Port
- ❑ 3 km from Batumi Airport
- ❑ 4 km from Railway
- ❑ 15 km from Georgian-Turkish border

# Geographic Location



Free Industrial Zone is at:

- 8 km distance from Batumi Sea Port
- 3 km - from Batumi Airport,
- 4 km - from Railway and
- 15 km – from Georgian-Turkish Border.



# Existing Infrastructure



- ❑ Partly established roads and drainage
- ❑ Possibility of building artesian well
- ❑ Natural gas with 1 000 m<sup>3</sup> for the year of 2012 ( the cost of taking it to the Free Industrial zone is 800 GEL/ 472 USD)
- ❑ Electricity = 1 kWh for 9,7 Tetri / 0,057 USD

# Conditions for FIZ Development



- ❑ Probable leasing term = 49 years
- ❑ 15 ha of land with developed transport infrastructure
- ❑ At least 2 000 new jobs
- ❑ Development of 15 ha territory within 2-5 years
- ❑ Leasing price 1 GEL/0.57 USD for m<sup>2</sup> per year

# Custom and Tax Tariff Preferences



- ❑ All companies who have received International Company Status are **free from Corporate Income tax** in FIZ
- ❑ Importing foreign goods to the FIZ is **not taxed with VAT**
- ❑ All operations in FIZ are **free of VAT**
- ❑ All property in FIZ is **not taxed with Property tax**
- ❑ Import from FIZ to other parts of Georgia is **exempt of custom duties**, only VAT is applied
- ❑ International Companies who are registered in FIZ can also benefit from custom preferences through *trade regimes applicable to Georgia* when they export goods to the third country

# Custom and Tax Tariff Preferences



	TAXES IN THE COUNTRY (2010)		TAXES IN FIZ	
1	Custom tax on import	5-12%	Custom tax on import	0
2	VAT on import	18%	VAT on import	0
3	Export (except junk metal)	0	Export	0
4	VAT on production	18%	VAT on production	0
5	Property tax	1%	Property tax	0
6	Personal Income tax	20%	Personal Income tax	20%
7	Corporate Income tax	15%	Corporate Income tax	0
8	Excise tax	Differenced	Excise tax	Making of excise goods is prohibited

**Remark:** Moving goods from FIZ to any territory of Georgia is considered as an import of goods.



# Bans Imposed in FIZ



- ❑ Producing and trading weapon and ammunition
- ❑ Producing and trading Nuclear, radioactive substances
- ❑ Producing, trading, storing, importing and selling drugs
- ❑ Producing, trading, storing, importing and selling excise goods (except the excise goods for local consuming)
- ❑ Textile factories are prohibited in FIZ
- ❑ Transferring the leasing and liabilities



# Establishment and Liquidation of FIZ



For the purpose of establishment of the FIZ the organizer shall place the application stating the initiative to establish the FIZ to the Government of Georgia.

## **The application shall be accompanied by:**

- A. In case of a natural person - the data of the personal identification card;
- B. In case of a legal person - company name, tax registration data (date, information about the person(s) authorized on representation), information of the beneficiaries owning a share of more than 10%;
- C. Topographic plan in a 1 : 5 000 or larger scale model depicting the land plots adjacent to the FIZ land holding, existing buildings and facilities, underground and surface communications, other units as well as their purpose;

# Establishment and Liquidation of FIZ



- D. Public register reference certifying the proprietary right of the FIZ land holding as well as cadastre map;
- E. In case of co-ownership of the land holding, the notarized agreement of co-owners, and in case of lease of land holding - notarized agreement of the owner of land plot on establishment of FIZ on the land holding under his/her possession;
- F. FIZ arrangement and development concept;
- G. Draft charter FIZ in compliance with the conditions defined in Rules;
- H. Bank guarantee in amount as defined by the Resolution of the Government of Georgia on “Amount of guarantee to be placed for establishment of free zone, rules on establishment conditions of free zone, its operation, storage of goods and customs control”;

# Establishment and Liquidation of FIZ



- I. Documented evidences verifying compliance with the conditions defined by the Georgian legislation for establishment of FIZ or written obligation assumed by the organization on meeting the requirements defined by Georgian legislation for establishment of FIZ within due terms;
- J. Other information and documents at the discretion of organizer;

## **Following shall be the grounds for FIZ liquidation:**

- A. Expire of FIZ term;
- B. Organiser's application on FIZ liquidation;
- C. Court decision on the basis of petition of Government of Georgia.



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