

HOW TO ESTABLISH A BUSINESS IN BATUMI

INTRODUCTION

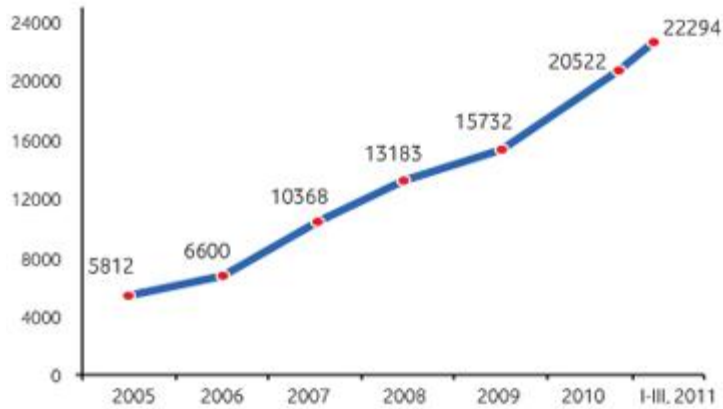
Why to Establish a Business In Batumi ?

- Batumi received “5 Star Diamond Award 2012” for being The Best New Destination
- Autonomous Republic of Ajara received “5 Star Diamond Award 2012” for being Investor-Friendly Region
- We are number 16 out of 183 countries according to “Easy of Doing Business 2012” (IFC/World Bank)
- We are number 34 according to “Index of Economic Freedom 2012” (Heritage Foundation)
- We have Leading Adult Literacy Rate according to Human Development Report
- Our Labor Code is the Most Liberal according to Heritage Foundation
- Strategic Geographic location - connecting several important economic regions with more than one billion people, including European Union, CIS Countries, Turkey and the Caucasus Region
- We have low-cost skilled labor
- We offer low-cost utilities such as electricity, gas, water
- No restriction of hiring expatriates
- A member of the World Trade Organization (WTO) since 14 June 2000
- Low import tariffs (90% of goods free from import tariff)
- No quantitative restrictions (quotas) on trade
- No customs tariff on export and re-export
- Excise tax and VAT apply equally on both import and local products
- No VAT on export
- Simplified export and import procedures

Favorable Trade Regimes

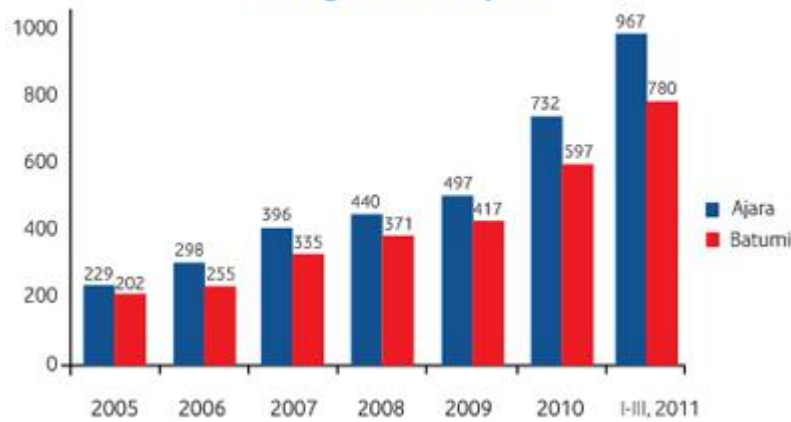
- MFN Tariffs with WTO Members (Most Favored Nation (MFN) trade status provides lower tariffs for WTO members - 153 countries)
- Preferential Tariffs (GSP) with the USA, Canada, Switzerland, Japan and Norway (zero (3300) or lower tariffs(6900) are applied on goods exported from Georgia to those countries)
- GSP Plus with the EU (GSP+ status allows Georgia to export 7200 products to the EU market duty free)
- Free Trade Regime with Turkey, Azerbaijan, Armenia, Ukraine, Russia, Moldova, Turkmenistan, Uzbekistan, Kazakhstan, Belarus, Tajikistan and Kyrgyzstan

Number of Registered Businesses in Ajara (2005-2011)



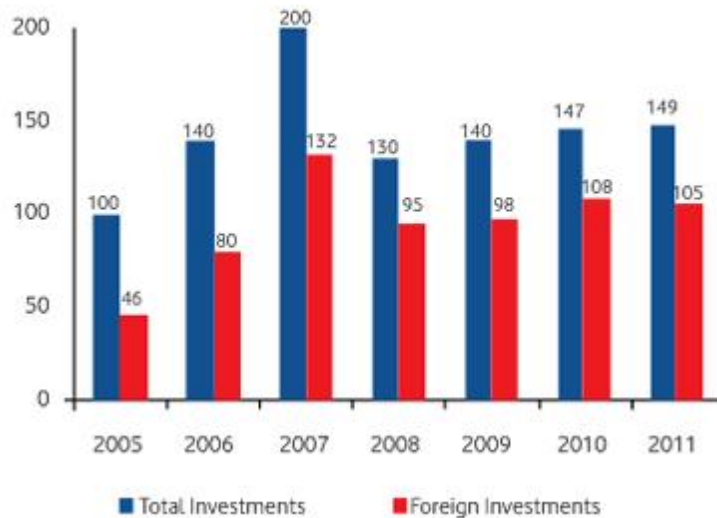
We have very positive growth in number of registered business in Ajara during 2005-2011. Comparing current number of registered businesses to 2005 figure, 4 times more businesses registered in 2011. It is worth mentioning that each year number of registered businesses in Ajara with foreign and joint capital is dramatically rising.

Number of Registered Businesses in Ajara with Foreign/Joint Capital



Strategic geographic location, investor-friendly environment, liberal trade regimes, low and simple taxes, low-cost and competitive labor force, richness of natural resources, unique culture and cosy environment to live and work has led to increasing number of foreign investments in the region.

Investments in Ajara (2005-2011) mln USD



Legal Forms of Business Entities in Batumi

The Law of Georgia on Entrepreneurs (hereinafter “LOE”) sets forth an exhaustive list of business entities that can be established in Georgia and they are as follows:

- Joint-Stock Company (JSC)
- Limited Liability Company (LLC)
- General Partnership (GP)
- Limited Partnership (LP)
- Cooperative (CO)
- Individual Entrepreneur (IE)

The rules contained in the LOE equally apply to foreign and local companies. Therefore, foreign nationals may freely participate in incorporation of legal entities, due to the absence of any applicable legal limitation.\

General Rules Applicable to All Types of Business Entities

- Registering Authority - All companies shall be registered at the National Agency of Public Registry (NAPR) of the Ministry of Justice of Georgia.
- Charter - A company must have a Charter (Articles of Association, Bylaws) or the Shareholders Agreement in which the founders articulate the details of management and operation of the company. The Charter (Articles of Association) must be presented to the NAPR for the registration purposes and be maintained at the company itself.
- Initial Capital - Company does not have to indicate to the National Agency the amount of its initial Capital.
- Stamp - Companies in Georgia do not have to possess a stamp; however, while dealings with banks, tax authorities and civil counteragents, the company will be requested to use the stamp on various documents. Consequently, it is highly recommended for companies to maintain a stamp.

- Apostille/Legalization - Please note that the documents executed in countries other than Georgia shall be notarized and legalized or apostilled in a manner duly applicable to the respective procedure. No apostille or legalization is required for the documents sent from CIS countries (Azerbaijan, Armenia, Belorussia, Kazakhstan, Kirgizstan, Moldova, Russia, Tajikistan, Uzbekistan, Ukraine and Turkmenistan).

TYPES OF BUSINESS ENTITIES

Joint Stock Company (JSC)

JSC is a legal entity the charter capital of which is divided into shares of equal nominal value. The share constitutes to a security certifying the claim of a shareholder in relation to the property of the JSC, the rights and obligations of shareholders and JSC towards one another. The liability of a JSC is limited to its whole assets. Shareholders are not liable for obligations of the JSC.

Limited Liability Company (LLC)

LLC is a commercial legal entity, the liability of which to its creditors is limited to its entire property. LLC may be established by a single person. The capital of the company is divided into shares and unlike the JSC partners may not issue new shares.

General Partnership (GP)

GP is a company where several partners carry out continuous and independent entrepreneurial activity under the same company name. The founders are all personally liable for any debt the company may undertake.

Limited Partnership (LP)

LP is a company where several persons jointly carry out independent entrepreneurial activity under the same company name. In LP the obligations of one or several partners towards the creditors of the partnership is limited to their investments into the company (limited partners - Comandits), while the other partners (Complementars) are personally liable for such debts.

Cooperative (CO)

Cooperative is a company incorporated with the objective to develop common business and increase the profits of its members. The objective of the cooperative is to accomplish the interests of its members. A cooperative is not primarily aimed at gaining profit. The cooperative is liable to the creditors only with its own property.

Branch Office

Any enterprise may establish a branch. It is the sub-unit of a business entity and is not a separate legal entity. Therefore, the liability of its founder may not be limited to the assets of the branch itself. The latter denotes that the founder is financially liable for the obligations of the branch.

Individual Entrepreneur (IE)

As the owner of an enterprise, an individual entrepreneur is a physical person whose entrepreneurial activity shall be conducted in an entrepreneurial manner. In legal relations such person shall act on its own behalf. IE is not a legal entity. An individual entrepreneur uses its rights and performs its obligations as a physical person and bears personal responsibility before creditors for any and all obligations arising from its entrepreneurial activity.

REGISTRATION REQUIREMENTS

Registration requirements for JSC/LLC/GP/LP/CO:

In order to register a JSC/LLC/JP/LP/CO, the founder(s) shall submit an application form approved by the Ministry of Justice of Georgia as well as the Charter (Articles of Association) of the company in compliance with the requirements set forth under Georgian legislation ([see Appendix #1](#)).

The documents to be submitted with the application for registration and Charter (Articles of Association) to the NAPR are presented in [Appendix #2](#).

Registration timelines & fees:

Timeline: **Fee Payable:**

Registration in 1 business day GEL 100

Registration on the same day GEL 200

[Registration requirements for a Branch Office](#)

For state and tax registration of the Branch Office of the foreign company, founder shall submit to the NAPR the documents listed in [Appendix #3](#). Sample of Board of Directors is given in [Appendix #4](#).

Registration timelines & fees:

Timeline: **Fee Payable:**

Registration in 1 business day GEL 100

Registration on the same day GEL 200

[Registration requirements for the IE](#)

For state and tax registration of an Individual Entrepreneur, a physical person (regardless of nationality) shall submit the relevant documentation to the NAPR. Please see [Appendix #5](#).

Registration timelines & fees:

Timeline: **Fee Payable:**

Registration in 1 business day GEL 100

Registration on the same day GEL 200

Sample of Power of Attorney is given in [Appendix #6](#).

[FAQ](#)

[What is Legalization?](#)

Legalization of a document by the respective authority of a State certifies that the document accords with the legislation of that particular State. It attests the validity of notary signature and the seal thereto. Legalization is carried out by the embassies and consular departments of Georgia in foreign states.

[What is Apostille?](#)

A certificate confirming the authenticity of a document issued in one of the signatory countries for legal purposes in all the other signatory states. Georgia is the member of The Hague Convention Abolishing the Requirement of

Legalization for Foreign Public Documents (October 5, 1961). Therefore, legalization can be substituted by the Apostille in the countries that are also members of Hague Convention ([See Appendix #7](#)).

[What activities require obtaining licenses and permits?](#)

Certain types of activities in Batumi can be carried out only after obtaining respective license or permit (e.g. Construction Permit, Communication License and etc.). Such activities are exhaustively listed in the Law of Georgian on Licenses and Permits.

[What is applicable timing for registering an enterprise in Georgia?](#)

The procedure of registration takes only 1 business day in Batumi. However, the state and tax registration of a business entity can also be carried out on accelerated basis by NAPR immediately upon submission of all the necessary documentation.

[What are the Preconditions of legal stay in Georgia?](#)

A Person possessing ordinary visa and wishing to stay on the territory of Batumi longer than the period determined by the visa, should apply to respective regional services of the Civil Registration Agency of the Ministry of Justice of Georgia for receiving temporary or permanent residence permit, before the expiration of the terms of their legal stay. The duration of a temporary residence permit can be up to 6 years.

[For what time-period can a company be incorporated?](#)

In accordance with the Georgian legislation a company can be incorporated for unlimited as well as for limited time-period. The latter entirely depends on the choice of the founder(s).

[Can a foreign national be a managing officer of a Company?](#)

Yes, the Georgian legislation does not contain any restraints as regard to the nationality of persons that are entitled to participate in corporate governance of the company.

[What are the minimum initial capital requirements?](#)

A company shall have an initial capital, but the legislation does not contain any specific requirements with regards to the amount of such capital. Therefore, it is upon the discretion of founding partners to determine the initial capital amount.

[What is the minimum/maximum number of Directors/Founders Permitted in Georgia?](#)

Georgian legislation does not contain any limitations with regard to the minimum/maximum number of directors/founders of a company.

APPENDIX #1 COMPANY CHARTER CONTENT

[Charter \(Articles of Association\) contains the following information:](#)

1. Company (firm) name;
2. Legal form of a business entity;
3. Legal address of a business entity;
4. Name, residing address, personal number and signature of founding partner(s); If the founder is a business entity - the application should include its legal name and registration details, legal address, the name of an body that registered the business entity, the date of registration and identification code, information regarding its representatives;
5. Indication of the managerial body of the company, rule of decision making, information on shareholding in the company and the way of profit distribution among the shareholders;
6. The duration of a business entity (if a company is founded for a determinate time period, its duration shall be indicated by years);

7. Any limitation to the representation power vested in persons (including a proxy) responsible for representing and leading a business entity;
8. In case of LP the Charter should indicate which of the partners is/are complementary and which is/are comandit.

Please note that the Charter (Articles of Association) of the business entity must be signed by every partner and be notarized in Georgia. If the signed and notarized Charter (Articles of Association) is sent from abroad, it must be legalized /apostilled in founder's country and translated and notarized in Georgia.

APPENDIX #2 DOCUMENTS REQUIRED FOR REGISTRATION OF AN ENTERPRISE

For registration of a business entity, the following documents shall be submitted (including Application and Charter) to the NAPR.

List of Necessary Documents:

1. Decision of the founders on the creation of JSC/LLC/GP/LP/CO in Georgia;
2. Document certifying the proof of registration by the founder in the foreign jurisdiction; if the founder is a legal entity, the same or a separate document should indicate the names of the authorized representatives, supervising authority and other corporate details of the founder (Certificate of Registration);
3. Decision on appointing the Head of the company (director) or the relevant Power of Attorney thereof;
4. Passport photocopies of the founders and director(s);
5. Receipt evidencing payment of registration fee.

If the founders (partners) are not present at the time of submission of the application for registration at the NAPR, they must issue a power of attorney. In addition, if a person responsible for representation or managing the company (the director) is not in Georgia to sign the application at the NAPR, it is necessary to send duly executed power of attorney thereon.

APPENDIX #3 DOCUMENTS REQUIRED FOR THE REGISTRATION OF A BRANCH OFFICE

The NAPR requires following documents to be submitted by foreign legal entities of a branch : (including an application for registration):

1. Decision of the founder on opening a branch in Georgia;
2. Charter (Articles) of the founder company;
3. Document certifying the proof of registration of the founder company in the foreign jurisdiction; if the founder is a legal entity, the same or the separate document should indicate the names of the authorized representatives and other corporate details of the founder;
4. Decision on appointing the Head of the company (director) or the relevant Power of Attorney thereof;
5. Passport photocopies of the director to be appointed for a branch;
6. Power of Attorney from the director (head) to be appointed at the branch;
7. Receipt evidencing payment of registration fee.

In addition, the Application form shall include the following information:

1. Company name;
2. Legal address of the branch;
3. The legal name of the founder of a branch and its registration details, legal address, the name of the body that registered the business entity, the date of registration and identification code;

4. Date of submission of application for registration.

APPENDIX #4 SAMPLE OF BOARD OF DIRECTORS RESOLUTION

(Place: __, _____)

On this day of _____, 2009, we, the undersigned, being members of _____, being empowered and acting pursuant to the signature rights of _____ of _____, registered under the laws of _____, on _____, Registration No. _____, legal address: _____ (hereinafter - the company), declare as follows:

1. It has been resolved that the company shall open a branch in Georgia under legal name of _____ the Branch of _____ (hereinafter _____ - _____ the _____ Branch).
2. It has been further resolved that the principal activities of the Branch shall be _____.
3. It has been further resolved that the legal address of the Branch shall be _____.
4. It has been further resolved that the representation authority of the Branch shall be vested to the director: _____ (please indicate: name, surname, nationality, passport number, ID number (if any), domicile of the directors) including the power to organize and manage the offices in more than one regions of Georgia.
5. It has been further resolved to issue a power of attorney to _____ (born on dd/mm/yyyy, ID card No. _____, Personal No. _____, expiry date: dd/mm/yyyy, residing at: _____) and _____ (ID card No. _____, Personal No. _____, residing at: _____) In order to jointly and/or separately carry out actions necessary and appropriate to register the Branch in Georgia, sign any document on behalf of the founder related with registration including the Bylaws of the Branch, application on registration and the lease agreement or the memorandum of understanding for the local office space. The trustees shall be authorized to pay any expenses necessary for prompt registration of the Branch. The trustees shall also be authorized to open the banking _____ account _____ of _____ the _____ Branch.

Signed: _____

Signed: _____

Notary: _____

APPENDIX #5 DOCUMENTS TO BE SUBMITTED FOR REGISTRATION OF AN INDIVIDUAL ENTERPRISE

For state and tax registration of an Individual Entrepreneur, a physical person (regardless of nationality) shall submit the following documentation to the NAPR:

- Application for registration;
- Identification Card of individual;

The Application submitted to the NAPR shall include the following information:

1. Name of the applicant;
2. Address of the applicant;
3. ID number of the applicant;
4. The date of submitting the application for registration;
5. Signature of the applicant (the applicant is also entitled to use an electronic signature on the Application);
6. Receipt evidencing payment of registration fee.

APPENDIX #6 SAMPLE OF POWER OF ATTORNEY

Place: __, _____

In accordance with the decision of _____, identification code: _____, legal address: _____), dated _____, represented by its director Mr./Ms. (name/last name: _____, residing address: _____, passport number: _____, personal number: _____, expiry date: _____), dated _____, this power of attorney is issued to Mr./Ms. _____ (born on dd/mm/yyyy, ID card No. _____, Personal No. _____, expiry date: dd/mm/yyyy, residing at: _____) and Mr./Ms. _____ (ID card No. _____, Personal No. _____, residing at: _____) in order to jointly and/or separately carry out actions necessary and appropriate to register the JSC/LLC etc. (please indicate the name of a JSC/LLC etc.) in Georgia, sign any document on behalf of the founder related with registration including the Charter/Shareholders Agreement of the JSC/LLC etc., application on registration and the lease agreement or the memorandum of understanding for the local office space. The trustees shall be authorized to pay any expenses necessary for the registration of the company.

Signed: _____

Notary: _____

APPENDIX #7 SIGNATORIES TO THE HAGUE CONVENTION

Albania	France	• Mauritius
American Samoa	French Guiana	• Mexico
Andorra	French Polynesia	• Moldova
Anguilla	Germany	• Monaco
Antigua & Barbuda	Gibraltar	• Montserrat
Argentina	Greece	• Mozambique
Armenia	Grenada	• San Marino
Aruba	Guadeloupe	• Serbia & Montenegro
Australia	Guam	• Seychelles
Austria	Guernsey	• Slovakia
Azerbaijan	Honduras	• Slovenia
Bahamas	Hong Kong	• Solomon Islands
Barbados	Hungary	• South Africa
Belarus	Iceland	• Spain
Belgium	India	• St Georgia & South Sandwich
Belize	Ireland	Islands
Bermuda	Isle of Man	• St Kitts & Nevis
Bosnia & Herzegovina	Israel	• St Lucia
Botswana	Italy	• Suriname
British Antarctic Territory	Japan	• Swaziland
British Guyana	Jersey	• Sweden
British Virgin Islands	Kazakhstan	• Switzerland
Brunei	Kiribati	• Tonga
Bulgaria	Korea (Republic of)	• Trinidad & Tobago
Comoros	Latvia	• Turkey
Cook Islands	Lesotho	
Croatia	Liberia	
Cyprus	Liechtenstein	
	Lithuania	

Czech Republic
Denmark
Djibouti
Dominica
Ecuador

Luxemburg
Macao
Macedonia
Malawi
Malta
Marshall Islands

- Turks & Caicos
- Tuvalu
- Ukraine
- United Kingdom & Northern Ireland
- United States of America
- Venezuela
- Wallis & Futuna
- Yugoslavia

USEFULL WEB LINKS

Government of Autonomous Republic of Ajara

www.ajara.gov.ge

Ministry of Finance and Economy of Ajara

www.mofea.ge

Georgia Revenue Service

www.rs.ge

Public Service Hall

www.house.gov.ge

Civil Registration Agency of the Ministry of Justice of Georgia

www.reestri.ge

National Agency of Public Registry of the Ministry of Justice of Georgia

www.reetri.gov.ge

Ministry of Education, Culture and Sport of Ajara

www.moecs.ge

Ministry of Health and Social Affairs of Ajara

www.molhs.gov.ge

Ministry of Agriculture of Ajara

www.moa.ge

Batumi City Hall

www.batumi.ge

Batumi City Council

www.batumicc.ge

Department of Tourism and Resorts of Ajara

www.visitbatumi.travel

International Investors Association

www.iiia.ge

Ajara Builders and Developers Association

www.adjaradevelopers.ge

Georgian National Investment Agency

www.investingeorgia.org