Law of Georgia

Civil Code of Georgia

Book One

General Provisions of the Civil Code

Introductory Provisions

Article 1 – Concept; scope of application

This Code regulates property, family and personal relations of a private nature based on the equality of persons.

Article 2 – Civil legislation

1. The Civil Code, other acts of private law and their interpretations shall conform to the Constitution of Georgia.

2. If legal norms of the same rank are in conflict, the special and the most recent law shall apply. If general norms provided for in this Code are in conflict with special norms, special norms shall be applied.

3. Subordinate normative acts shall be applied to regulate civil relations only if they supplement the norms of a law. If such acts contravene the law, the law shall prevail.

4. Customary norms shall be applied only if they do not contravene universally accepted principles of justice and morality or public order.

Article 3 – Entry into force of a civil law

1. A law and subordinate normative acts shall take effect only after they are published in an official journal for general knowledge according to established rules.

2. Ignorance or misunderstanding of the law shall not serve as an excuse for not applying the law or for release from liability stipulated by law.

3. A law shall lose force if so expressly indicated by a new law, or if any former law contravenes a new law, or if a new law encompasses the relations regulated by the former law, or if the relations regulated by the former law no longer exist.

4. A law of a general nature shall not repeal a special law unless such repeal was the direct intention of the legislator.

5. Repeal of a law that repeals a former law shall not reinstate the former law.

Article 4 – Inadmissibility of denying justice in civil proceedings

1. A court may not refuse to administer justice in civil cases even if no legal norm exists or the legal norm is vague.

2. A court may not refuse to apply a law on the grounds that in its opinion a norm of the law is unjust or immoral.

Article 5 – Analogy of law and justice

1. To regulate a relationship that is not expressly provided by law the legal norm that regulates the most similar circumstance (analogy of law) shall be applied.

2. If an analogy of law cannot be used, then the relationship shall be regulated by the general principles of justice and the requirements of fairness, good faith and morality (analogy of justice).

3. Norms regulating special relationships (norms on exceptions) may not be applied by analogy.

Article 6 – Retroactive force of civil laws

Laws and subordinate normative acts shall not be retroactive except as expressly provided for in law. A law may not be given retroactive force if it is prejudicial to or disadvantages a person.

Article 7 – Objects of private law

An object of private legal relations may be a tangible or intangible good having tangible or intangible value, which has not been removed from circulation by law.

Article 8 – Subjects of private law

1. Any natural or legal person may be a subject of private law. This rule shall apply to both entrepreneurial and non-entrepreneurial persons of Georgia and of other countries.

2. Private law relationships between state bodies and legal entities under public law, on the one hand, and other persons on the other hand, shall likewise be regulated by civil laws, unless these relationships, in the interests of the state or the public, are to be regulated by public law.

3. Participants in a legal relationship shall exercise their rights and duties in good faith.

Article 9 – Purpose of civil laws

Civil laws ensure the freedom of civil circulation in the territory of Georgia, unless the exercise of such freedom prejudices the rights of third parties.

Article 10 – Independence of civil rights from political rights; imperative norms of civil law

1. The exercise of civil rights shall not depend on political rights regulated by the Constitution or by other laws of public law.

2. Participants in a civil relationship may exercise any action not prohibited by law, including any action not expressly provided by law.

3. Imperative norms of civil laws protect the freedom of others from the abuse of rights. Actions that contravene these norms shall be void except where the law explicitly defines other effects. Individual interventions through administrative acts shall be

prohibited, unless such acts are applied on the grounds of a specific law.

Section One

Persons

Chapter One

Natural Persons

Article 11 – Capacity for rights

1. The capacity for rights of a natural person is the ability to have civil rights and duties that arise from the moment of the person's birth.

2. The right to inherit shall arise upon conception; the exercise of this right shall depend on birth.

3. The capacity for rights of a natural person shall be terminated by his/her death. The moment of death shall be the moment in which the brain ceases to function.

4. A natural person may not be deprived of his/her capacity for rights.

Article 12 – Legal capacity

1. Legal capacity or the ability of a natural person to fully acquire and exercise civil rights and duties of his/her own will and with his/her action shall arise upon attainment of the age of majority.

2. A person who has attained the age of eighteen years shall be a person of the age of majority.

3. A person who has entered into marriage before attainment of the age of eighteen years shall be deemed to have legal capacity.

4. A person with legal capacity is deemed to be a person in need of psychosocial support (the 'beneficiary of support'), or a person who has a fixed psychological, mental/intellectual disorders which, when interrelating with other impediments, may prevent him/her from participating in public life fully and effectively on equal terms with others if such a person meets the conditions under paragraphs 2 and 3 of this article; furthermore, these impediments, without appropriate advice and aid, significantly make it harder for the person to freely express his/her own will and to make an informed and conscious choice in an area defined by the court.

5. The court may also recognise a minor as a beneficiary of support within the limits when, under the legislation of Georgia, the consent of his/her legal representative is not required while the minor exercises his/her rights and duties.

6. A minor under the age of seven years (an underage) shall be a person with legal capacity.

Decision No 2/4/532,533 of the Constitutional Court of Georgia of 8 October 2014 – website, 28.10.2014

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 13 – Inadmissibility of limiting legal capacity by an agreement

Legal capacity may be limited only where so provided by law. Legal capacity may not be limited by an agreement.

Article 14 – Limited legal capacity

1. A minor from the age of seven to eighteen years shall have limited legal capacity.

2. An adult over whom a court has established a custodianship shall also be deemed to be a person with limited legal capacity. A person with limited legal capacity and a minor shall be equal in their legal capacities.

3. Limitation of legal capacity shall cease when the grounds for limitation of a person's legal capacity no longer exist.

Article 15 – Consent of a legal representative in cases of limited legal capacity

In order for the declaration of intent of a person with limited legal capacity to be valid the consent of his/her legal representative shall be required, except when the person with limited legal capacity acquires a benefit from the transaction.

Article 16 – Limitation of legal capacity by reason of use of alcohol or narcotic substances

1. A court may establish custodianship over an adult who abuses alcohol or narcotic substances and because of this puts his/her family in material hardship. He/she may conduct transactions to administer property or wages, pension or other income only with the consent of his/her custodian, except for minor everyday transactions.

2. Full restoration of limited legal capacity shall cause the cancellation of custodianship.

Article 17 – Right to a name

1. Every natural person shall have the right to a name that includes a given name and a surname.

2. Change of name shall be allowed. Change of name shall require the person's application stating the grounds for change. An appropriate body shall consider the application according to established rules.

3. Change of name shall not serve as the basis to terminate or alter the rights and obligations acquired or assumed under the former name. The person shall be bound to undertake all necessary actions to notify his/her creditors and debtors of the change of his/her name.

Article 18 – Personal non-property rights

1. A person whose right to a name is contested or whose interests are prejudiced as a result of an unauthorised use of his/her name may demand that the wrongdoer cease or refrain from such action.

2. A person may protect in court, according to the procedures laid down by law, his/her honour, dignity, privacy, personal inviolability or business reputation from defamation.

3. If information defaming the honour, dignity, business reputation or privacy of a person has been disseminated in the mass media, then it shall be retracted in the same media. If such information is contained in a document issued by an organisation, then this document shall be corrected and the parties concerned shall be informed of the correction.

4. A person whose honour and dignity has been defamed by information disseminated in the mass media may disseminate information in answer to the defamation through the same media.

5. A person may exercise the rights described in paragraphs 1 and 3 of this article also when his/her image (photograph, film,

video, etc.) has been disseminated without his/her consent. The consent of the person shall not be required when photo-taking (video recording, etc.) is connected with his/her public recognition, the office he/she holds, the requirements of justice or law enforcement, scientific, educational or cultural purposes, or when the photo-taking (video recording etc.) has occurred in public circumstances, or when the person has received compensation for posing.

6. The values referred to in this article shall be protected regardless of the culpability of the wrongdoer. And, if the violation has been caused by culpable action, a person may claim damages. Damages may be claimed in the form of the profit accrued to the wrongdoer. In the case of culpable violation, the injured person may also claim compensation for non-property (moral) damages. Moral damages may be recovered independently from the recovery of property damages.

Law of Georgia No 222 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 91

Article 18^1 – Right to obtain personal data

1. A person may have access to the personal data and records about him/her that are related to his/her financial/material status or other private matters, and obtain copies of such data except as otherwise provided for in the legislation of Georgia.

2. A person may not be denied information that includes personal data and records about him/her.

3. Any person, upon written request, shall transfer the personal data and records held by him/her to another person if that person presents a written consent of the person whose personal data is requested. In that case, the person shall protect the confidentiality of such data or information.

Law of Georgia No 5919 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 39

Article 19 – Protection of personal rights after death

The rights referred to in Article 18 may also be exercised by a person who, although not the bearer of the name or the right to personal dignity himself/herself, nevertheless has an interest deserving protection. He/she may exercise the right to demand such protection of his/her name and dignity which determines the essence of the person and survives his/her death. It shall not be allowed to claim material compensation for moral damages for defamation of the name, honour, dignity or business reputation of a person after his/her death.

Article 20 – Place of residence

1. The place where a natural person chooses his/her ordinary dwelling shall be deemed to be the place of residence of the person. The person may have several places of residence.

2. The place of residence of a minor shall be the place of residence of parents having parental rights, and the place of residence of a ward shall be the place of residence of his/her guardian.

3. The place of residence of a person shall not be cancelled if he/she leaves this place under compulsion or for performance of a state duty for a certain period of time.

Article 21 – Declaring a person missing

1. Based on the application of an interested person, a court may declare a natural person missing if his/her whereabouts are unknown and he/she has not appeared at his/her place of residence for two years. Upon the entry into force of the court's decision, the legal heirs of the missing person shall obtain the right to administer the property of the missing person as property held in trust and the right to receive benefits from it. From this property maintenance shall be paid to the missing person's dependents and debts shall be paid.

2. If the missing person reappears or his/her whereabouts become known, the court decision on the administration of his/her property shall be vacated. He/she may not demand compensation for the benefits received by proper management of the property during his/her absence.

Article 22 – Declaring a person dead

1. A person may be declared dead by a decision of a court, if there has been no information at his/her place of residence on his/her whereabouts for five years, also if he/she went missing under circumstances threatening his/her life, or if his/her death may be presumed because of some unfortunate accident, and no such information has been obtained for six months.

2. A member of the armed services or any other person who went missing in connection with wartime operations may be declared dead by a decision of a court not earlier than two years after the day on which the wartime operations ended.

3. The day of entry into legal force of a court decision declaring a person dead shall be considered to be the day of his/her death.

4. In the cases referred to in paragraphs 1 and 2 of this article, a court may declare that the day of a person's death is the day of his/her presumed death.

Article 23 – Effect of reappearance of a person declared dead

1. If a person who has been declared dead reappears or if his/her whereabouts become known, the court shall vacate its decision regarding the person's death.

2. Regardless of the time of reappearance, the person may recover any remaining property that has been gratuitously transferred to another person following the declaration of his/her death.

3. A person who paid to acquire the property of a person who was declared dead shall return the property to him/her if it is proved that at the time of acquisition of the property the acquirer knew that the person declared dead was alive.

4. If the property of the person declared dead was transferred to and subsequently sold by the state, then after the vacation of the court decision declaring the person dead the proceeds of the sale of his/her property shall be returned to the person.

Law of Georgia No 2239 of 9 December 2005 – LHG I, No 54, 20.12.2005, Art. 360

Chapter Two

Legal Persons

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

I – General Provisions

Article 24 – Concept; types

1. A legal person is an organised entity created to accomplish a certain purpose that owns property, is independently liable with its own property, acquires rights and duties in its own name, enters into transactions and can sue or be sued.

2. A legal person may be organised as a corporation, based on membership, dependent or independent of the status of its members, and engage or not engage in entrepreneurship.

3. Legal entities under public law participate in civil law relations in the same manner as legal entities under private law. The procedures for their creation, organisation and operation shall be regulated by law.

4. State and local self-governing units participate in civil law relations in the same manner as legal entities under private law. In this respect, the powers of the state or of a local self-government shall be exercised by its organs (departments, institutions, etc.) without being legal persons.

5. A legal person whose purpose is entrepreneurial (commercial) activity or its branch shall be created according to the Law of Georgia on Entrepreneurs.

6. A legal person whose purpose is non-entrepreneurial activity shall be registered according to the procedures contained in this Code.

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Article 25 – Capacity for rights of legal persons

1. A legal entity under public law may engage in an activity corresponding to the objectives provided for in law or by its articles of association.

2. A legal entity under private law (entrepreneurial or non-entrepreneurial (non-commercial)) may engage in any activity not prohibited by law, regardless of whether or not this activity is provided for in its articles of association.

3. A legal person may engage in certain kinds of activities, the list of which is determined by law, only after obtaining a special license/permit or authorisation. The right of a legal person to engage in such activity shall arise from the moment the license/permit or authorisation is obtained.

4. The capacity for the rights of a legal person shall arise from the moment of its registration and shall cease to exist from the moment that the completion of its liquidation is registered.

5. A non-entrepreneurial (non-commercial) legal person may engage in an entrepreneurial activity of an auxiliary nature the profit from which shall be used for achieving the objectives of the non-entrepreneurial (non-commercial) legal person. The profit made from such activity may not be distributed to the founders, members, or donors of the non-entrepreneurial (non-commercial) legal person or to those having managerial and representative powers in such non-entrepreneurial (non-commercial) legal person.

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Law of Georgia No 3537 of 21 July 2010 – LHG I, No 47, 5.8.2010, Art. 304

Article 26 – Domicile of a legal person

1. The location of the administration of a legal person shall be deemed to be the domicile of the legal person. A legal person may have only one domicile (legal address).

2. Any other residence of a legal person shall be deemed to be the domicile of its branch.

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

II – Non-entrepreneurial (Non-commercial) Legal Persons

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Article 27 – Name of a non-entrepreneurial (non-commercial) legal person

1. A non-entrepreneurial (non-commercial) legal person shall have a name that includes the indication that it is a non-entrepreneurial (non-commercial) legal person.

2. The name of non-entrepreneurial (non-commercial) legal person may not include any graphic symbols that do not have any sound or verbal equivalent established by linguistic standards or the indications characteristic of the legal person or legal entity under public law specified by the Law of Georgia on Entrepreneurs and the Organic Law of Georgia on Political Associations of Citizens. The name may not include any addition that may mislead a third person and/or cause a mistake and/or misunderstanding of the form or activity of the entity.

3. The name of a non-entrepreneurial (non-commercial) legal person must not be the same as that of an already registered non-entrepreneurial (non-commercial) legal person.

4. A person who unlawfully uses the name of another legal person shall cease such use at the demand of the authorised person and compensate damages caused by such unlawful use.

5. In the case of defamation of the business reputation of a legal person, the rules of Article 18 of this Code shall apply.

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Law of Georgia No 5017 of 1 July 2011 – website, 14.7.2011

Article 28 – Procedure for the registration of non-entrepreneurial (non-commercial) legal persons and branches (representative offices) of foreign non-entrepreneurial (non-commercial) legal persons

1. Non-entrepreneurial (non-commercial) legal persons and branches (representative offices) of foreign non-entrepreneurial (non-commercial) legal persons shall be registered in the Register of Non-entrepreneurial (Non-commercial) Legal Entities.

2. The Register of Non-entrepreneurial (Non-commercial) Legal Entities is maintained by the Legal Entity under Public Law (LEPL) – National Agency of Public Registry of the Ministry of Justice of Georgia.

3. Non-entrepreneurial (non-commercial) legal persons and branches (representative offices) of foreign non-entrepreneurial (non-commercial) legal persons shall be registered according to the procedures contained in this Code as well as by the legislation of Georgia for registration of entrepreneurial entities and branches (representative offices) of foreign entrepreneurial legal persons.

Law of Georgia No 1902 of 28 December 2002 – LHG I, No 4, 22.1.2003, Art. 20

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 3140 of 25 May 2006 – LHG I, No 18, 31.5.2006, Art. 134

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Law of Georgia No 1964 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 253

Law of Georgia No 2458 of 25 December 2009 – LHG I, No 49, 30.12.2009, Art. 370

Law of Georgia No 2978 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 144

Law of Georgia No 5017 of 1 July 2011 – website, 14.7.2011

Article 29 – Conditions for registration of non-entrepreneurial (non-commercial) legal persons

1. If the registration of a non-entrepreneurial (non-commercial) legal person is requested, the interested person shall submit to the registration authority the founders'/members' agreement and an application containing the necessary details required under the Law of Georgia on Entrepreneurs for the registration of entrepreneurial legal persons.

2. If the registration of a non-entrepreneurial (non-commercial) legal person is requested, in addition to the data required by paragraph 1 of this article, its articles of association shall contain:

a) the object of the activity of the non-entrepreneurial (non-commercial) legal person;

b) the procedures for admitting, withdrawing and excluding members of the non-entrepreneurial (non-commercial) legal person if it is a non-entrepreneurial (non-commercial) legal person based on membership;

c) name of the body (person) making a decision on reorganisation or liquidation and the decision-making procedure;

d) the procedures for creating (electing) and the tenure of the management body (managing person) of the non-entrepreneurial (non-commercial) legal person.

3. Other procedures for registration of non-entrepreneurial (non-commercial) legal persons shall be defined by the Law of Georgia on Entrepreneurs, the Law of Georgia on Creative Workers and Creative Unions, and the Organic Law of Georgia on Trade Unions.

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Law of Georgia No 1964 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 253

Law of Georgia No 2458 of 25 December 2009 – LHG I, No 49, 30.12.2009, Art. 370

Law of Georgia No 2978 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 144

Law of Georgia No 5017 of 1 July 2011 – website, 14.7.2011

Law of Georgia No 3827 of 30 November 2018 – website, 14.12.2018

Article 30 – (Deleted)

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Law of Georgia No 1964 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 253

Law of Georgia No 2458 of 25 December 2009 – LHG I, No 49, 30.12.2009, Art. 370

Law of Georgia No 2978 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 144

Law of Georgia No 5017 of 1 July 2011 – website, 14.7.2011

Article 31 – Registration of changes made by non-entrepreneurial (non-commercial) legal persons and branches (representative offices) of foreign non-entrepreneurial (non-commercial) legal persons

1. The decision of an authorised person/body duly made and certified or the transaction made by authorised persons according to the procedures laid down by the legislation of Georgia shall serve as the basis for changing the registered records.

2. The changes made by non-entrepreneurial (non-commercial) legal persons and branches (representative offices) of foreign non-entrepreneurial (non-commercial) legal persons, which cause a change in their registration documents, shall require registration. A change shall be deemed to have been made from the moment the change is registered in the Register of Non-entrepreneurial (Non-commercial) Legal Entities.

3. Changes made in the registered records of non-entrepreneurial (non-commercial) legal persons/branches (representative offices) of foreign non-entrepreneurial (non-commercial) legal persons shall be registered according to the procedure laid down for the registration of entrepreneurial legal persons/branches (representative offices).

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 3140 of 25 May 2006 – LHG I, No 18, 31.5.2006, Art. 134

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Law of Georgia No 1964 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 253

Law of Georgia No 2458 of 25 December 2009 – LHG I, No 49, 30.12.2009, Art. 370

Law of Georgia No 2978 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 144

Law of Georgia No 5017 of 1 July 2011 – website, 14.7.2011

Article 32 – Procedure for making decisions on the registration of non-entrepreneurial (non-commercial) legal persons and branches (representative offices) of foreign non-entrepreneurial (non-commercial) legal persons

1. On the matters defined by this chapter and the matters falling within the scope of its authority, the registration authority shall make decisions required by the Law of Georgia on Public Registry for registration and access to information, as well as the decisions provided for in Article 14^2 of the Law of Georgia on Entrepreneurs.

2. The procedure by which the registration authority cancels decisions on the registration of non-entrepreneurial (non-commercial) legal persons is defined in Article 14^2 of the Law of Georgia on Entrepreneurs.

3. If the registration of a non-entrepreneurial (non-commercial) legal person or of the branch (representative office) of a foreign non-entrepreneurial (non-commercial) legal person is requested, or when the alteration of the registered records is requested, the registration authority, except for the grounds defined by the legislation of Georgia for an entrepreneurial entity, shall make a decision on suspending the registration proceedings if:

a) the objectives of the non-entrepreneurial (non-commercial) legal person or of the branch (representative office) of the foreign non-entrepreneurial (non-commercial) legal person the registration of which is sought, contradict the applicable laws, recognised moral standards or the constitutional and legal principles of Georgia;

b) there are conditions provided for in Article 26(3) of the Constitution of Georgia.

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Law of Georgia No 1964 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 253

Law of Georgia No 2458 of 25 December 2009 – LHG I, No 49, 30.12.2009, Art. 370

Law of Georgia No 2978 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 144

Law of Georgia No 5017 of 1 July 2011 – website, 14.7.2011

Article 33 – State control over the activities of non-entrepreneurial (non-commercial) legal persons

1. A decision to suspend or prohibit the activity of non-entrepreneurial (non-commercial) legal persons shall be made by a court in the cases and in the manner provided by an organic law of Georgia.

2. If a non-entrepreneurial (non-commercial) legal person has substantively engaged in entrepreneurial activity, a court, based on the application from the registration authority and/or the interested person, shall consider and make a decision to suspend or prohibit the activity of the non-entrepreneurial (non-commercial) legal person.

3. After the court makes a decision to prohibit the activity of a non-entrepreneurial (non-commercial) legal person, the

registration authority shall revoke the registration of the non-entrepreneurial (non-commercial) legal person.

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Law of Georgia No 1964 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 253

Article 33^1 – (Deleted)

Law of Georgia No 5282 of 11 July 2007 – LHG I, No 30, 30.7.2007, Art. 346

Law of Georgia No 1964 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 253

Article 34 – (Deleted)

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 3140 of 25 May 2006 – LHG I, No 18, 31.5.2006, Art. 134

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Law of Georgia No 1964 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 253

Law of Georgia No 2978 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 144

Law of Georgia No 5017 of 1 July 2011 – website, 14.7.2011

Article 35 – Management and representation of non-entrepreneurial (non-commercial) legal persons

1. A founder/member of a non-entrepreneurial (non-commercial) legal person may grant exclusive right to one person to manage the activities of a non-entrepreneurial (non-commercial) legal person and/or may establish joint management and/or representation by two or more persons.

2. Managerial authority means making decisions on behalf of a non-entrepreneurial (non-commercial) legal person within the scope of its authority, and representative authority means acting on behalf of a non-entrepreneurial (non-commercial) legal person in relations with third parties. Unless otherwise determined by the registration documents, a managerial authority shall include representative authority.

3. The organisational structure of a non-entrepreneurial (non-commercial) legal person shall be regulated by its charter (founders'/members' agreement) that shall be duly certified.

4. The rules laid down in Article 9 of the Law of Georgia on Entrepreneurs for persons authorised to represent entrepreneurial entities shall apply to the origination and termination of the managerial and representative authorities of a non-commercial legal person.

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 617 of 26 November 2004 – LHG I, No 36, 8.12.2004, Art. 168

Law of Georgia No 1051 of 25 February 2005 – LHG I, No 9, 17.3.2005, Art. 59

Law of Georgia No 3140 of 25 May 2006 – LHG I, No 18, 31.5.2006, Art. 134

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Law of Georgia No 1964 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 253

Law of Georgia No 2978 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 144

Law of Georgia No 5017 of 1 July 2011 – website, 14.7.2011

Article 36 – Transfer of assets owned by non-entrepreneurial (non-commercial) legal persons

The assets owned by a non-entrepreneurial (non-commercial) legal person may be transferred if the transfer serves the activity of the non-entrepreneurial (non-commercial) legal person, its organisational development, promotes the achievement of its objectives or serves charitable purposes.

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Article 37 – Compensation for damage

1. A non-entrepreneurial (non-commercial) legal person shall be liable for damages incurred to third parties as a result of an action performed by a person(s) with managerial and representative authorities in the course of his/her duties, which gives rise to the obligation to pay damages.

2. The person(s) vested with managerial and representative authority shall run the affairs in good faith. In case of nonfulfillment of the duties, he/she shall be accountable to the non-entrepreneurial (non-commercial) legal person for damages incurred. Waiver of a claim for damages shall be void if it is necessary to satisfy the claims of third parties.

3. A non-entrepreneurial (non-commercial) legal person shall be independent from the status of its member(s) or from that of its manager(s) and representative(s). The liability of the non-entrepreneurial (non-commercial) legal person shall be limited to its property. The members of a non-entrepreneurial (non-commercial) legal person or its manager(s) and representative(s) shall not be liable for the obligations of the non-entrepreneurial (non-commercial) legal person. Nor shall the non-entrepreneurial (non-commercial) legal person be liable for the obligations of its members or person(s) with managerial and representative authorities.

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Article 38 – Reorganisation of non-entrepreneurial (non-commercial) legal persons

1. The legal form of a non-entrepreneurial (non-commercial) legal person may not be changed, except when a change in its legal form transforms the non-entrepreneurial (non-commercial) legal person into a legal entity under public law.

1^1. A non-entrepreneurial (non-commercial) legal person shall be divided (by demerger, separation), combined (by merger, acquisition) and liquidated according to the procedures contained in the legislation of Georgia for liquidation/reorganisation of entrepreneurial entities.

2. Founders/members of a non-entrepreneurial (non-commercial) legal person shall determine the person entitled to receive the assets remaining after the liquidation of a non-entrepreneurial (non-commercial) legal person in the application for registration. When the non-entrepreneurial (non-commercial) legal person is liquidated, its assets may be transferred if:

a) the transfer promotes the achievement of its objectives;

b) the transfer serves charitable purposes;

c) the property is transferred to another non-entrepreneurial (non-commercial) legal person.

3. The assets remaining after the liquidation of a non-entrepreneurial (non-commercial) legal person may not be distributed to its founders/members or persons with managerial and representative authorities.

4. If the founders/members of a non-entrepreneurial (non-commercial) legal person do not identify the person entitled to receive the assets remaining after its liquidation, a court shall transfer the assets remaining after the liquidation of the non-entrepreneurial (non-commercial) legal person to one or several non-entrepreneurial (non-commercial) legal entities with the same or similar objectives as those of the liquidated non-entrepreneurial (non-commercial) legal person. If no such legal persons exist or can be found, a decision may be made on transferring the assets to the State. The court may distribute the assets after six months from the registration of the commencement of the liquidation proceedings.

5. Based on a final judgment of conviction in a criminal case, the liquidator(s) appointed by the court shall carry out the liquidation of a non-entrepreneurial (non-commercial) legal person. Liquidation and reorganisation procedures may not be initiated against a non-entrepreneurial (non-commercial) legal person from the moment of initiation of criminal proceedings until the entry into force of a judgment of conviction or until the termination of criminal proceedings.

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Law of Georgia No 1964 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 253

Law of Georgia No 2978 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 144

Law of Georgia No 5017 of 1 July 2011 – website, 14.7.2011

Law of Georgia No 651 of 30 May 2013 – website, 12.6.2013

Article 38^1 – (Deleted)

Law of Georgia No 1964 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 253

Law of Georgia No 2978 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 144

Law of Georgia No 5017 of 1 July 2011 – website, 14.7.2011

Article 39 – Non-registered unions (associations)

1. The matters related to the organisation and structure of a non-registered union (association) shall be determined by a mutual agreement of its members. A non-registered union (association) shall not be considered a legal person.

2. The membership dues paid by members and the assets acquired with those dues make up the common property of a non-registered union (association).

3. A non-registered union (association) may be represented by its members or duly authorised persons in court or in out-of-court relations.

4. Creditors' claims may be fulfilled from the common property of a non-registered union (association). At the same time, the persons who acted on behalf of the non-registered union (association) shall also be liable as debtors both individually and jointly.

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 3140 of 25 May 2006 – LHG I, No 18, 31.5.2006, Art. 134

Law of Georgia No 3536 of 25 July 2006 – LHG I, No 37, 7.8.2006, Art. 277

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Article 40 – (Deleted)

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Article 41 – (Deleted)

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Article 42 – (Deleted)

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Article 43 – (Deleted)

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Article 44 – (Deleted)

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Article 45 – (Deleted)

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Article 46 – (Deleted)

Law of Georgia No 3140 of 25 May 2006 – LHG I, No 18, 31.5.2006, Art. 134

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Article 47 – (Deleted)

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Article 48 – (Deleted)

Law of Georgia No 3140 of 25 May 2006 – LHG I, No 18, 31.05.2006, Art. 134

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Article 49 – (Deleted)

Law of Georgia No 3140 of 25 May 2006 – LHG I, No 18, 31.5.2006, Art. 134

Section Two

Transactions

Chapter One

General Provisions

Article 50 – Concept

A transaction is a unilateral, bilateral or multilateral declaration of intent aimed at creating, changing or terminating a legal relation.

Article 51 – Validity of a unilateral declaration of intent

1. The declaration of intent that requires acceptance by another party shall be considered valid from the moment it reaches the other party.

2. The declaration of intent shall not be considered valid if the other party rejects it in advance or contemporaneously.

3. The validity of the declaration of intent may remain unaffected by the death of the party to the transaction, or in a case provided for under Article 1293(4) of this Code, if this event occurred after the declaration of intent.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 52 – Interpretation of a declaration of intent

In interpreting the declaration of intent, the intention shall be determined by a reasonable deliberation, and not only from the literal meaning of the wording.

Article 53 – Non-existence of a transactions when its content cannot be ascertained

A transaction shall not exist when its content cannot be ascertained from its form of expression or from other circumstances.

Article 54 – Unlawful and immoral transactions

A transaction that violates the rules and prohibitions laid down by law or that contravenes the public order or principles of morality shall be void.

Article 55 – Invalidity of a transaction by reason of abuse of influence

A transaction that has been made by one party's undue influence over the other party when their relationship is based on exceptional confidence shall be void.

Law of Georgia No 6151 of 8 May 2012 – website, 25.5.2012

Article 56 – Sham and fraudulent transactions

1. A transaction that has been made only for the sake of appearances, without intent to create legal implications (sham transaction), shall be void.

2. If, by making a sham transaction, the parties intended to hide another transaction, then the rules applicable to hidden transactions shall apply (fraudulent transactions).

Article 57 – Invalidity of a transaction when the declaration of intent lacks seriousness

1. The declaration of intent that has been made not seriously (humorously), under the presumption that the lack of seriousness of the declaration would be understood, shall be void.

2. A recipient of the declaration of intent shall be paid damages resulting from the fact that he/she trusted the seriousness of the declaration, provided he/she did not know and could not have known of its lack of seriousness.

Article 58 – Voidance of a transaction due to minority or mental disorder

1. The declaration of intent made by a minor shall be void.

2. The declaration of intent made by a person during loss of consciousness or temporary mental disorder may be deemed void.

3. The declaration of intent made by a person with mental disorder while concluding a transaction shall be void when it is inconsistent with the correct perception of reality if the person does not benefit from this transaction, even if the court has not recognised him/her as a beneficiary of support.

Decision No 2/4/532,533 of the Constitutional Court of Georgia of 8 October 2014 – website, 28.10.2014

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 58^1 – Conclusion of a transaction by a beneficiary of support

1. If a beneficiary of support concludes a transaction without having received the support defined by the court decision, the validity of the transaction shall depend on whether the supporter approves it or not, except when the beneficiary of support benefits from the transaction.

2. The procedure established under Articles 64 and 66 of this Code shall apply to the conclusion of a transaction by a beneficiary of support without having received the support defined by the court decision.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 59 – Transaction made without observance of the form

1. A transaction shall be void if made without observance of the form provided by law or the contract, or without permission, if

permission is required for the transaction.

2. A voidable transaction shall be void from the moment of its execution if it is rescinded. Rescission shall be declared to the other party to the contract.

3. An interested person shall have the right to rescind.

Article 60 – Conversion of transactions

If a void transaction meets the requirements established for another transaction, then the latter transaction shall be applied, provided that the parties, upon detecting that the first transaction is void, wish the second transaction to be valid.

Article 61 – Significance of confirmation when transactions are void

1. An indisputably void (null and void) transaction shall be deemed void from the moment of its making.

2. If a person making an indisputably void transaction confirms it, then his/her action shall be considered as the making of a new transaction.

3. If a person having a right to rescind confirms the transaction, by doing so he/she shall forfeit the right to rescind.

4. If the parties confirm an indisputably void bilateral transaction, then they are bound, when in doubt, to transfer to each other everything that would have accrued to them if the transaction had been valid initially.

5. The confirmation shall become valid only when the contract or the transaction does not contravene the principles of morality and the requirements of public order.

Article 62 – Invalidity of parts of a transaction

Invalidity of part of a transaction shall not cause the invalidity of its other parts, if it can be presumed that the transaction would have been made even without the void part.

Chapter Two

Legal Capacity as a Condition for Validity of Transactions

Article 63 – Transactions made by a minor

1. If a minor makes a bilateral transaction (contract) without the required consent of his/her legal representative, then the validity of the transaction depends on whether the representative subsequently approves it or not, except when the minor acquires a benefit by the transaction.

2. If a minor becomes a person with legal capacity, he/she may decide the validity of his/her own declaration of intent.

Article 64 – Repudiation of a transaction made by a minor

1. Before a contract made by a minor is approved, the other party may repudiate the contract.

2. If the other party knew of the minority of the person, then he/she may repudiate the contract only if the minor deceived him/her by claiming that consent from the legal representative had been obtained.

Article 65 – Emancipation of a minor

1. A contract made by a minor without the consent of his/her legal representative shall be deemed valid if the minor has performed his/her part of the contract with the means transferred to him/her for this purpose or for his/her free disposal by the legal representatives or with these representatives' consent by third parties.

2. If a legal representative gives the right to independently manage an enterprise to a minor who has attained the age of sixteen, then the minor shall acquire full legal capacity in the relations routine for this field. This rule shall apply to the establishment and the liquidation of an enterprise as well as to the commencement and completion of labour relations.

3. The permission to manage an enterprise requires the legal representative's consent with the approval of the guardianship and custodianship authority.

Article 66 – Invalidity of transactions made without the required consent of the representative

A unilateral transaction made by a minor without the necessary consent of the legal representative shall be void. Such a transaction shall be void also if the legal representative gave his/her consent but the minor failed to present a written document confirming it, and for this reason the other party repudiates the transaction without delay. Such repudiation shall not be allowed if the other party has been informed of the consent of the legal representative.

Article 67 – Obligation of permission before the limitation of legal capacity

A transaction made before the limitation of legal capacity shall require permission if it is established that the grounds for which the legal capacity has been limited obviously existed at the time of making of the transaction.

Chapter Three

Form of a Transaction

Article 68 – Significance of form for the validity of a transaction

For a transaction to be valid the form of the transaction prescribed by law shall be observed. If no such form is prescribed, the parties may determine it themselves.

Article 69 – Form of a transaction

1. A transaction may be made verbally or in writing.

2. A transaction may be made in writing if so provided for in law or by agreement of the parties.

3. If the transaction is in written form, the signatures of the parties to the transaction shall be sufficient.

3^1. When a beneficiary of support concludes a written transaction, in addition to the parties involved, it shall be signed by a supporter. By signing it, the supporter confirms that he/she will provide the support defined by the court decision at the time of concluding the transaction by the beneficiary of support.

4. Restoration, reproduction or imprinting of a signature by mechanical means shall be allowed where this practice is customary, inter alia, when signing securities issued in large numbers.

5. When a transaction is in a written form the genuineness of the signatures of the parties to the transaction shall be certified by a notary or any other person determined by law in cases provided by law or by agreement of the parties.

Law of Georgia No 3879 of 8 December 2006 – LHG I, No 48, 22.12.2006, Art. 321

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 70 – Entrusting signature to another person

A person who cannot sign a transaction due to illiteracy, physical defect, illness or in other cases provided for in law may entrust the signature of the transaction to another person. The signature of that person shall be officially authenticated. At the same time, the reason for which the person making the transaction was unable to sign the transaction shall be indicated.

Law of Georgia No 3709 of 15 October 2010 – LHG I, No 57, 25.10.2010, Art. 366

Article 71 – Making a transaction by drawing up several documents

If a transaction is made by drawing up several documents of the same content, it shall be sufficient that each party sign a copy of the document that is intended for the other relevant party.

Chapter Four

Voidable Transactions

I – Transactions Made by Mistake

Article 72 – Concept

A transaction may become voidable if the declaration of intent has been made on the basis of a substantial mistake.

Article 73 – Types of substantial mistakes

A mistake shall be deemed substantial when:

a) a person intended to make a different transaction than that to which he/she expressed his/her consent;

b) a person was mistaken about the content of the transaction that he/she intended to make;

c) the circumstances, which the parties consider to be the grounds for the transaction under the principles of good faith, do not exist.

Article 74 – Mistake with respect to the identity of a contracting party

1. A mistake with respect to the identity of a contracting party shall be deemed substantial only when the identity of the

contracting party itself or the consideration of his/her personal characteristics is the principal basis for making the transaction.

2. A mistake with respect to basic characteristics of an object shall be deemed substantial only when these features are significant in determining the value of the object.

Article 75 – Mistake with respect to a right

A mistake with respect to a right shall be deemed substantial only if the right was the sole or principal basis for making the transaction.

Article 76 – Mistake with respect to the grounds of a transaction

A mistake with respect to the grounds of a transaction shall not be deemed substantial, except when the grounds were the subject of the agreement.

Article 77 – Consent of a contracting party in transactions made by mistake

The declaration of intent made by mistake shall not become voidable if the other party agrees to perform the transaction according to the wish of the party that intends to make the transaction voidable.

Article 78 – Petty mistakes

Petty mistakes in computations or in a written declaration of intent shall give rise to the right only to correct the mistake, not to rescind the transaction.

Article 79 – Validity of rescission

1. Rescission shall be declared within one month after the moment at which the grounds for rescission were detected.

2. If a transaction has become voidable and a mistake has been caused by the negligence of the person entitled to rescind, then he/she shall compensate the other party for damages caused as a result of the invalidity of the transaction. The obligation to compensate shall not arise if the other party knew of the mistake or it was unknown to him/her due to his/her negligence.

Article 80 – Mistakes caused by an intermediary

The declaration of intent that has been incorrectly communicated by an intermediary may become voidable under the same conditions that apply to the transactions made by mistake under Article 73.

II – Transactions Made by Deceit

Article 81 – Concept

1. If a person has been deceived into making a transaction, then he/she may demand avoidance of the transaction. Avoidance shall

occur when it is evident that the transaction would not have been made without the deception.

2. If one party keeps silent with respect to the circumstances in the case of disclosure of which the other party would not have declared his/her intent, then the deceived party may demand avoidance of the transaction. The obligation to disclose shall exist only when the other party expected it in good faith.

Article 82 – Transaction rendered void by reason of deceit

When rendering a transaction void, it makes no difference whether by communicating wrong information the party intended to gain some advantage or to inflict harm on the other party.

Article 83 – Deceit by a third person

1. In the case of a deception by a third party, the demand for avoidance of the transaction may be made if the person benefiting from the transaction knew or ought to have known of the deception.

2. If both parties to the transaction have acted deceitfully, then neither of them may demand avoidance of the transaction or compensation for damages on the grounds of deception.

Article 84 – Limitation period for rescission

A transaction made by deceit may be rescinded within one year. The period shall be computed from the moment at which the party rightful to rescind becomes aware of the existence of the grounds for rescission.

III – Transactions Made by Duress

Article 85 – Concept

The use of duress (violence or threat) for the purpose of making a transaction shall entitle the person subjected to the duress to demand avoidance of the transaction even when the duress is exercised by a third person.

Article 86 – Nature of duress

1. Avoidance of a transaction shall be justified because of duress that by its nature may influence a person and inspire a fear of real injury to his/her person or property.

2. In assessing the nature of duress, the age, sex and life circumstances of persons shall be taken into consideration.

Article 87 – Duress against near relatives of a person

Duress serves as the basis for voiding a transaction also when it is directed against the spouse, other family members or near relatives of one of the parties to the transaction.

Article 88 – Duress by lawful means

Actions exercised neither for illegal purposes nor by using illegal means shall not constitute duress under Articles 85-87, except when the means and purpose do not coincide.

Article 89 – Period for rescission

A transaction made by duress may be rescinded within one year after the moment in which the duress ends.

Chapter Five

Conditional Transactions

Article 90 – Concept

A transaction shall be deemed conditional when it is contingent upon a future or uncertain event so that the performance of the transaction is either postponed until the occurrence of the contingency, or the termination of the transaction is timed to coincide with the occurrence of the contingency.

Article 91 – Invalidity of unlawful and/or immoral conditions

A condition that contravenes the provisions of law or the principles of morality, or the performance of which is impossible, shall be void. A transaction that depends upon such a condition shall be void in full.

Article 92 – Condition dependent upon will

A condition shall be deemed to be dependent upon will when its occurrence or non-occurrence depends only on the will of the parties to a transaction. A transaction made with such a condition shall be void.

Article 93 – Positive condition precedent

1. If a transaction is made on the condition that some event will occur within a certain period of time, then the condition shall be deemed legally ineffective if this period of time has elapsed and the event has not occurred.

2. If no period of time is fixed, then the condition may be fulfilled at any time. The condition may be considered invalid when it is obvious that the occurrence of the event is already impossible.

Article 94 – Negative condition precedent

1. If a transaction is made on the condition that some event will not occur within a certain period of time, then the condition shall be deemed fulfilled if this period of time has elapsed without the occurrence of the event. The condition shall be deemed fulfilled also when before the complete lapse of the period it is obvious that that the occurrence of the event is impossible.

2. If no period of time is fixed, then the condition shall be deemed fulfilled only when it is obvious that the event will not occur.

Article 95 – Inadmissibility of influencing the occurrence of a condition

1. A person who has made a transaction contingent upon a certain condition may not perform, before the occurrence of the condition, any action that may hinder the performance of his/her obligation.

2. If the condition occurs at a certain time and the person has already performed such action, then he/she shall compensate the other party for damages caused by such action.

Article 96 – Transactions with a condition of postponement

A transaction shall be deemed to be made with the condition of postponement if the creation of rights and duties stipulated by the transaction depends on a future or uncertain event or on an event that has already occurred but is yet unknown to the parties.

Article 97 – Transactions on a condition subsequent

A transaction shall be deemed to be made on a condition subsequent when the occurrence of this condition causes termination of the transaction and reinstates the state of affairs existing before the making of the transaction.

Article 98 – Significance of good faith with respect to the occurrence of a condition

1. If the party for whom the occurrence of the condition is unfavourable delays its occurrence in bad faith, the condition shall be deemed to have occurred.

2. If the party for whom the occurrence of the condition is favourable promotes its occurrence in bad faith, then the condition shall not be deemed to have occurred.

Chapter Six

Consent in Transactions

Article 99 – Concept

1. If the validity of a transaction depends upon the consent of a third party, both the consent and the refusal of it may be declared to either party to the transaction.

2. The consent need not be in a form that is prescribed for a transaction.

3. If a transaction, the validity of which depends upon the consent of a third party, has been made with the consent of that person, then the second and third sentences of Article 66 shall apply accordingly.

Article 100 – Consent granted in advance (permission)

Consent granted in advance (permission) may be revoked before making a transaction, unless otherwise agreed by the parties. Both parties shall be notified of the revocation of the consent (permission).

Article 101 – Subsequent consent (approval)

Subsequent consent (approval) shall be retroactive from the moment at which a transaction is made, unless otherwise established.

Article 102 – Administration of property by an unauthorised person

1. Administration of property by an unauthorised person shall be valid if it is done with the prior consent of the authorised person.

2. The administration shall become valid if approved by the authorised person.

Chapter Seven

Agency in Transactions

Article 103 – Concept

1. A transaction may be made through an agent as well. The power of an agent may arise either by operation of law or out of a mandate (power of attorney).

2. This rule shall not apply when, in view of the nature of a transaction, it is to be made by a particular person, or when the law prohibits the making of a transaction through an agent.

Article 104 – Agency and the effects of a transaction on an addressee

1. A transaction made by an agent within the scope of his/her authority, and on behalf of the person represented by him/her shall give rise only to the rights and obligations of the principal.

2. If a transaction is made on behalf of another person, then the other party to the transaction may not use the absence of the agent's authority, if the principal has created the circumstances that led the other party to the transaction to believe in the existence of such authority in good faith.

3. If when making a transaction an agent fails to indicate his authority of agency, then the transaction shall have legal consequences for the principal only if the other party ought to have presumed the existence of the agency. The same rule shall apply when it does not matter for the other party with whom he/she makes the transaction.

Article 105 – Limited legal capacity of an agent

A transaction made by an agent shall be valid even if the agent had limited legal capacity.

Article 106 – Defect of the declaration of intent in agency

1. When a transaction is voidable by reason of a defect in the declaration of intent, the declaration of intent of the principal shall prevail.

2. If the defect in the declaration of intent relates to the circumstances determined by the principal in advance, then this defect may give rise to the right to rescind only if the defect was caused by the principal.

Article 107 – Power of agency

1. Authority (power of attorney) shall be conferred by the declaration of intent made with respect to the person who is given the power of attorney or a third person with whom the agency is to be exercised.

2. The declaration of intent need not be in the form prescribed for making the transaction for which the power of attorney has been granted. This rule shall not apply when a special form is prescribed.

Article 108 – Obligation of notification upon changing the authority

Third persons shall be notified of alterations in or revocation of authority. If this requirement is not fulfilled, such alterations and revocation of authority shall not be valid with respect to third parties, except when the parties knew or should have known about it when making the transaction.

Article 109 – Grounds for termination of power of agency

A power of agency shall be extinguished by:

a) expiration of the term for which the authority was granted;

b) renunciation by the authorised person;

c) revocation of the authority by the grantor of the authority;

d) the death of the grantor of the authority;

e) performance;

f) recognition of a grantor of the authority as a beneficiary of support if the support was assigned to him/her to exercise representative authority or property disposal rights.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 110 – Obligation of agent upon extinguishment of authority

Upon extinguishment of his/her authority, an agent shall return the instrument of authority to the grantor. The agent may not retain the instrument.

Article 111 – Entering into a transaction without a power of agency

1. If a person enters into a transaction on behalf of another person without the power of agency, the validity of the transaction shall depend on the ratification of the principal.

2. If the other party demands ratification from the principal, then only he/she shall be notified of the ratification. The ratification may be given within two weeks after a demand; otherwise the demand for ratification shall be deemed to have been rejected.

Article 112 – Right to repudiate a contract

Before a contract is ratified, the other party may repudiate the contract, except when this party knew of the defect in the power of

agency at the time the contract was entered into. Repudiation of the contract may be declared also to the agent.

Article 113 – Agent's obligation when there is a defect in the power of agency

1. If a person who makes a transaction as an agent fails to prove his/her power of agency, then he/she shall, at the option of the other party, either perform the obligation assumed or pay damages, if the principal refuses to ratify the contract.

2. If the agent did not know of the defect in his/her authority, then he/she shall be bound to compensate only those damages that the other party sustained in relying upon the authority.

3. The agent shall not be liable if the other party knew or should have known of the defect in his/her power of agency. Likewise, the agent shall not be liable if his/her legal capacity was limited, except when he/she acted with the consent of his/her legal representative.

Article 114 – Inadmissibility of entering into a transaction with oneself

Unless otherwise provided by the consent an agent may not make a transaction on behalf of the principal and with himself/herself, either in his own name or as an agent of a third party, except when the transaction already exists for the performance of certain obligations.

Section Three

Exercise of Rights

Article 115 – Inadmissibility of abusing rights

A civil right shall be exercised lawfully. A right may not be exercised with a sole intention to inflict damages on another person.

Article 116 – Damage inflicted within the limits of necessary self-defence

1. An action exercised within the limits of necessary self-defence shall not be unlawful and the damages caused by it shall not be recovered.

2. Self-defence shall be deemed necessary if it is required to ward off a present unlawful assault on oneself or others.

Article 117 – Damage caused by extreme necessity

1. Any damages caused to ward off a danger that in the given circumstances could not be warded off by other means, provided that the damage inflicted is less significant than the damage avoided, shall be compensated by the one who inflicted the damage (extreme necessity).

2. In view of the factual circumstances under which damages have been inflicted, the liability to pay damages may be imposed on a third party in whose interests the one who inflicted the damages acted, or both the third party and the one who inflicted the damages be released from liability in whole or in part.

Article 118 – Self-help

If help from authorities cannot be obtained in good time, and without immediate intervention there is a danger that the realisation of the claim will be prevented or be considerably more difficult, then the action of a person who for the purpose of self-help removes, destroys or damages a thing, or who for the same purpose restrains the liberty of a responsible person who may escape, or overcomes the resistance to an action of a responsible person who has a duty to perform that action shall not be deemed unlawful.

Article 119 – Limits of self-help

1. Self-help may not extend further than is necessary to ward off danger.

2. If property is removed, it is necessary to immediately make a declaration on the attachment of the property.

3. If the liberty of a responsible person is restrained, he/she shall be taken before the relevant authorities without undue delay.

Article 120 – Obligation to pay damages

A person who does the actions provided for in Article 118 under the mistaken assumption that it was necessary to ward off an unlawful action, shall reimburse the other party damages caused at that time.

Section Four

Periods of Time

Chapter One

Computation of Periods of Time

Article 121 – Scope of the rules for computing periods of time

The rules prescribed in this chapter shall apply to the fixing of periods of time contained in laws, court decisions and transactions.

Article 122 – Beginning of a period of time

If a period commences on the occurrence of an event or at a point of time falling in the course of a day, then the day on which the event or point of time occurs shall not be included in the computation of the period.

Article 123 – End of a period of time

1. A period of time specified by days shall end on the expiry of the last day of the period.

2. A period of time specified by weeks, by months or by a duration of time comprising more than one month – year, half-year, quarter – ends on the expiry of the day of the last week or of the last month which corresponds to the day on which the event or the point of time occurs.

3. If a period of time specified by months lacks a specific day on which the period is due to expire, then the period ends on the

expiry of the last day of that month.

Article 124 – Concepts

1. A half-year denotes a period of time of six months, a quarter year denotes a period of three months computed from the beginning of a year, and a half-month is understood to mean a period of fifteen days.

2. If a period of time comprises one or more full months and a half-month, then the fifteen days shall be counted last of all.

Article 125 – Computation of a period of time in the event of its extension

If a period of time is extended, the new period shall be computed from the expiry of the previous period.

Article 126 – Computation of a period of time by months

1. If a period of time is specified by months or years in such a manner that they need not run consecutively, a month shall be computed as thirty days, and a year as three hundred and sixty-five days.

2. The first day of a month shall be deemed to be the beginning of the month, the fifteenth day of a month the middle of the month, and the last day of a month the end of the month.

Article 127 – Days off and holidays

If an action is to be performed on a certain day and that day or the last day of the time period falls on a

non-business day or on a day declared to be an official holiday or on another non-business day at the place of performance of the action, then the next business day shall be used instead of that day.

Chapter Two

Period of Limitation

Article 128 – Concept; Types

1. The right to demand that another person perform or refrain from a certain action shall be subject to a period of limitation.

2. A period of limitation shall not apply to:

a) personal non-property rights, unless otherwise provided by law;

b) claims of depositors for deposits made with a bank or other credit institutions.

3. The standard period of limitation shall be ten years.

Article 129 – Period of limitation on contractual claims

1. The period of limitation on contractual claims shall be three years and on contractual claims relating to immovable property six years.

2. The period of limitation on claims arising out of obligations subject to periodic performance shall be three years.

3. In individual cases, other periods of limitation may be fixed by law.

Article 130 – Commencement of the period of limitation

Limitation shall commence from the moment at which the claim arises. The claim shall be deemed to have arisen from the moment at which the person became or ought to have become aware of the violation of the right.

[Article 130 – Commencement of the period of limitation

1. A period of limitation shall commence from the moment at which the claim arises. The claim shall be deemed to have arisen from the moment at which the person became or ought to have become aware of the violation of the right.

2. In the case of sexual, economic, domestic or other forms of violence against a minor, the period of limitation on the right to file a claim for damages with a court shall be suspended until the minor attains the age of majority or until the minor applies to a court during the period of his/her minority. ***(Shall become effective from 1 September 2020)***]

Law of Georgia No 5013 of 20 September 2019 – website, 27.9.2019

Law of Georgia No 5913 of 21 May 2020 – website, 25.5.2020

Article 131 – Origination of a claim

If the origination of a claim depends upon an action of an obligee, then the period of limitation shall commence from the moment at which the obligee could have taken this action.

Article 132 – Suspension of running of the period of limitation

The running of the period of limitation shall be suspended:

a) if performance of an obligation is postponed by executive authorities or by the National Bank of Georgia on the basis of the Organic Law of Georgia on the National Bank of Georgia under the regime of a resolution of a commercial bank (moratorium);

b) if filing of a claim is prevented by extraordinary and, under given circumstances, unavoidable force majeure;

c) if a creditor or a debtor is in a unit of the defence forces of Georgia that has been put in a state of war;

c^1) if private mediation provided for by the Law of Georgia on Mediation is initiated;

d) in other cases provided by law.

Law of Georgia No 3607 of 31 October 2018 – website, 21.11.2018

Law of Georgia No 4596 of 18 September 2019 – website, 27.9.2019

Law of Georgia No 5667 of 20 December 2019 – website, 31.12.2019

Article 133 – Suspension of the running of the period of limitation during marriage

The period of limitation for claims between spouses shall be suspended for as long as the marriage exists. The same rule shall apply to claims between parents and children until the attainment of the age majority as well as to claims between guardians (custodians) and their wards during the whole period of guardianship.

Article 134 – Suspending the running of the period of limitation for a person with limited legal capacity and a beneficiary of support

If a claim has been brought by a person with limited legal capacity that has no legal representative, or a beneficiary of support who has not been provided with an appropriate support, or the claim is directed against such a person, then the period of limitation shall be deemed suspended until the person acquires full legal capacity, or until a legal representative or a supporter is designated for him/her.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 135 – Time during which the running of the period of limitation is suspended

The time, during which the running of the period of limitation is suspended, shall not be counted in computing the period of limitation.

Article 136 – The moment of suspending the running of the period of limitation

1. The period of limitation shall be suspended if the circumstances under Article 132 have arisen or continued to exist in the last six months of the period of limitation. If this period is less than six months, then at any time during the period of limitation.

2. From the day of eliminating the circumstances leading to the suspension of the period of limitation, the period of limitation shall continue to run for another six months; and if the period of limitation itself is less than six months, then until the period of limitation expires.

Article 137 – Interruption of the running of the period of limitation

The running of the period of limitation shall be interrupted if the obligor acknowledges the claim towards the obligee by paying an advance or interest, by providing security, or otherwise.

Article 138 – Interruption of the running of the period of limitation by bringing an action

The running of the period of limitation shall be interrupted if the rightful person brings an action for satisfaction of the claim or for its ascertainment, or tries to satisfy the claim by some other means such as by filing a declaration of the existence of the claim with a state body or with a court, or by obtaining a writ of execution. Articles 139 and 140 shall apply accordingly.

Article 139 – Duration of interruption of the period of limitation

1. Interruption of the running of the period of limitation on the grounds of bringing an action shall continue until the court decision takes effect or until the litigation is otherwise completed.

2. If the litigation is interrupted by agreement between the parties or by reason of the impossibility of its further continuation, then the running of the period of limitation shall be interrupted along with the agreement between the parties or upon completion of the last proceedings of the court. If one of the parties continues the proceedings, then the new limitation period that has begun after the interruption of the legal proceedings shall be interrupted again in the same manner as the running of the period of limitation is interrupted by the filing of a claim.

Article 140 – Renunciation of a claim

1. The filing of a claim shall not interrupt the running of the period of limitation if the claimant renounces the claim or if a court dismisses the claim by a final decision.

2. If the rightful person files a new claim within six months, then the period of limitation shall be deemed interrupted from the time of filing the first claim.

Article 141 – Computation of the running of limitation period anew

If the running of the period of limitation is interrupted, then the time elapsed before the termination shall not be counted and the period shall begin to run anew.

Article 142 – Period of limitation on claims confirmed by a court decision

1. The period of limitation on a claim confirmed by a court decision that has entered into legal force shall be ten years, even if the claim is subject to a lesser limitation.

2. If the court's confirmation of the claim relates to periodically repeated actions to be performed in the future, then the limitation under Article 129(2) shall apply to them.

143 – Period of limitation on real claims

If property with respect to which a real claim exists is transferred by succession of title to a third person, then the period of limitation which elapsed during possession by the predecessor in title shall apply to the successor in title also.

Article 144 – Rights of an obligor upon the lapse of the period of limitation

1. After the period of limitation expires, the obligor may refuse to perform an action.

2. If the obligor has performed the obligation after the lapse of the period of limitation, then he/she may not revoke the performance, even if at the time of performance he/she did not know that the period of limitation had elapsed.

3. The same rule shall apply to the acknowledgement and the security of an obligor.

Article 145 – Period of limitation on additional claims

The period of limitation on additional claims shall be deemed to expire simultaneously upon the lapse of the period of limitation on the principal claim, even if the period of limitation on additional claims has not elapsed yet.

Article 146 – Inadmissibility of altering the period of limitation by agreement of the parties

Periods of limitation and the rule of computing them may not be altered by agreement of the parties.

Book Two

Law of Things

Section One

Property

Article 147 – Concept

Property, according to this Code, is all things and intangible property, which may be possessed, used and administered by natural and legal persons, and which may be acquired without restriction, unless this is prohibited by law or contravenes moral standards.

Article 148 – Types of things

A thing may be either movable or immovable.

Article 149 – Immovable things

Immovable things shall include a plot of land with its subsoil minerals, the plants growing on the land, and buildings and other structures firmly attached to the land.

Article 150 – Essential component parts of a thing

1. Any part of a thing that cannot be severed without either destroying the whole thing or such part or extinguishing their purpose (an essential component part of a thing) may be the object of separate rights only if so provided by law.

2. The essential component parts of a plot of land shall include buildings, structures and things firmly attached to the land and not intended for temporary use, which may also be stipulated by a contract.

Article 151 – Accessories

1. An accessory is a movable thing which, although not being a component part of the principal thing, is intended to serve the economic purpose of the principal thing and is in spatial relationship with the principal thing and, according to common usage is deemed to be an accessory.

2. A thing that is attached to land and may be severed from it without losing or substantially decreasing its commodity value shall also be deemed to be an accessory.

Article 152 – Concept of intangible property

Claims and rights that may be transferred to other persons or that are intended either for bringing a material benefit to their possessor or for entitling the latter to claim something from other persons shall constitute intangible property.

Article 153 – Accessory and limited rights

1. A right that is connected to another right in such a manner that it cannot exist without the latter right is an accessory right.

2. A limited right is the one which is derived from a broader right and which encumbers the broader right.

Article 154 – Fruits of a thing and fruits of a right

1. Fruits of a thing shall be income, accrual and/or advantage derived from the thing.

2. Fruits of a right shall be income and/or advantage received as a result of the exercise of the right.

3. Income and advantage, the derivation of which is ensured by a thing or a right through a legal relation, shall also constitute the fruit of the thing or of the right.

4. Entitlement to a thing or a right makes it possible to receive the fruit of such thing or right within the scope and duration of such entitlement, unless otherwise provided by law.

5. If a person is obligated to return the fruits, he/she may claim the expenses incurred on the fruit, provided that such expenses arise from proper economic management and do not exceed the value of the fruit.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Section Two

Possession

Article 155 – Concept; Types

1. Possession of a thing shall be acquired by obtaining actual control of the object, coupled with the intention of doing so.

2. A person who, although exercising actual control of a thing, nevertheless is doing so in favour of another person from whom he/she has received the right to possess the thing shall not be deemed to be the possessor. Only the person who conferred the right to possess the thing shall be deemed to be the possessor.

3. If a person possesses a thing by virtue of a legal relation that either entitles or obligates him/her to possess the thing for a certain period of time, then this person shall be deemed to be a direct possessor, and the one who conferred the right to possess the thing or imposed the obligation on him/her shall be deemed to be an indirect possessor.

4. If one thing is jointly possessed by a number of persons, then those persons shall be deemed to be joint possessors.

5. If parts of one thing are possessed by a number of persons, then those persons shall be deemed to be the possessors of the individual parts.

Article 156 – Termination of possession

Possession shall be deemed terminated if the possessor cedes the thing forever or otherwise loses actual control of the thing.

Article 157 – Transfer of possession to heirs

Possession shall be transferred to heirs in the same form in which it was held by the decedent (a testator or an intestate).

Article 158 – Presumption of ownership

1. The possessor of a thing shall be presumed to be its owner.

2. This rule shall not apply if the nature of the ownership relation is identified through the Public Registry. The presumption of ownership shall not apply to the previous possessor if he/she lost this thing or it was stolen or otherwise dispossessed from him/her. Presumption of ownership shall operate in favour of the previous possessor only during the period of his/her possession.

Article 159 – Bona-fide possessor

A possessor shall be deemed to be bona fide if he/she possesses a thing lawfully or if he/she may be deemed to be entitled to possession based on the due diligence required in business relations.

Article 160 – Demand by a bona-fide possessor to restore a thing retained illegally

If a bona-fide possessor is dispossessed, he/she may recover the thing from the new possessor within a three-year period. This rule shall not apply when the new possessor has a better right to possess the thing. The right to return property may also be applied against the person having a better right to the thing if he/she has acquired it by duress or deception.

Article 161 – Demand by a bona-fide possessor to remove an unlawful disturbance

If a bona-fide possessor is not dispossessed of a thing but is otherwise obstructed in the exercise of his/her possession, then he/she may, as if he/she were the owner, demand that the obstruction be ended. In addition, he/she may claim damages sustained because of the disturbance of his/her possession. This rule of compensation for damages shall likewise apply when it is impossible to demand that the obstruction be ended.

Article 162 – Rights of a lawful possessor

1. A claim to return a thing may not be made against a lawful possessor. During lawful possession, the fruits of a thing and of a right shall belong to him/her.

2. This rule shall also apply to relations between direct and indirect possessors.

Article 163 – Duty of a non-entitled bona-fide possessor

1. A bona-fide possessor who did not have the right to possession originally or who has lost the right shall return the thing to the rightful person. Until the rightful person exercises this right, the fruit of the thing or of the right shall belong to the possessor.

2. The bona-fide possessor may claim from the rightful person reimbursement for the improvements made and expenses incurred

by the possessor during possession of the thing in good faith, and which have not been compensated by the use of the thing or by the fruit derived from it. The value of fruit not derived due to the possessor's fault shall be deducted. The same rule shall apply to the improvements that enhance the value of the thing, provided the enhanced value still exists at the moment of the return of the thing.

3. The bona-fide possessor may refuse to return the thing until his/her claims are satisfied.

Article 164 – Duties of a mala-fide possessor

A mala-fide possessor shall return to the rightful person the thing and the benefit derived, the fruit of the thing or of the right. The possessor shall compensate for the fruit that the he has not received for a culpable reason. He/she may claim compensation for the improvements he/she made and the expenses he/she has incurred on the thing only if at the moment the thing is returned they result in the enrichment of the rightful person. Other claims against the mala-fide possessor shall remain unchanged.

Article 165 – Acquiring movable things by prescription

1. If a person has uninterruptedly possessed a movable thing for five years as his/her own thing, he/she shall obtain the right of ownership to it (acquisition by prescription).

2. Acquisition by prescription of a movable thing shall not be allowed if the acquirer has possessed the thing in bad faith or if he/she subsequently discovered that the thing did not belong to him/her.

Article 166 – Presumption of uninterrupted possession of things

If a person possessed a thing at the beginning and at the end of a certain period of time, he/she shall be presumed to have possessed the thing during the interval of the period as well.

Article 167 – Acquisition of immovable things by prescription

If a person is recorded in the Public Registry as the owner of a plot of land or of any other immovable property, while he/she did not in fact acquire title to it, he/she shall obtain title, provided the registration has existed for fifteen years and during that period the person possessed the property as his/her own.

Article 168 – Termination of possession of a thing by claim of the owner

Possession of a thing shall be terminated if the owner asserts a substantiated claim against the possessor.

Article 169 – (Deleted)

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Section Tree

Ownership

Chapter One

Subject Matter of Ownership

Article 170 – Concept; Subject matter of the right of ownership

1. An owner may, within the limits of legal or other, namely contractual restraints, freely possess and use any property (thing), exclude others from using the property, and administer it, unless doing so would violate the rights of neighbours or other third persons or unless such act constitutes abuse of rights.

2. Use of the property in such a way that damage is done only to others so that the priority of the owner's interest is not evident and the necessity of his/her action is unjustified, shall be deemed to be an abuse of rights.

3. A person's right to use shall also include the possibility of not using his/her thing. If non-use or non-maintenance of the thing is prejudicial to public interests, then the law may prescribe an obligation to use, maintain or keep the thing. In that case, the owner may be required to either perform the obligation by himself/herself or transfer the thing, in exchange for appropriate consideration, to another person.

Article 171 – Right of ownership of the essential component part of a thing

The right of ownership of a thing shall also extend to the essential component parts of the thing.

Article 172 – Demand for restoring a thing from defective possession and for removing a disturbance

1. An owner may recover a thing from its possessor, except if the possessor had the right to possess it.

2. If encroachment on or other disturbance of the right of ownership occurs without seizure or dispossession of the thing, then the owner may demand that the disturber end the disturbance. If the disturbance continues, the owner may seek a prohibitory injunction.

3. (Deleted – 11.12.2015, No 4625).

Law of Georgia No 3885 of 8 December 2006 – LHG I, No 48, 22.12.2006, Art. 327

Law of Georgia No 4625 of 11 December 2015 – website, 29.12.2015

Article 173 – Common property

1. Common (joint and shared) property shall arise by operation of law or on the grounds of a transaction. Each co-owner may assert a claim against third persons over the property under common ownership. Each co-owner may recover the thing only in favour of all co-owners.

2. A thing under common ownership, if so agreed by the co-owners, may be pledged or otherwise encumbered in favour of and in the interests of one of the co-owners.

3. Expenses on maintaining and keeping a thing under common ownership shall be borne equally by the co-owners, unless otherwise provided by law or contract.

4. Unless directly established by the legislation of Georgia, the pre-emptive right to the acquisition of any share of the common property may be determined by agreement among the co-owners.

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Law of Georgia No 4851 of 25 June 2019 – website, 2.7.2019

Chapter Two

Law of Neighbouring Tenements

Article 174 – Concept; Duty of mutual respect

The owners of neighbouring plots of land or other immovable properties shall, in addition to the rights and duties prescribed by law, hold each other in respect. All such plots of land or other immovable properties between which a reciprocal nuisance may arise shall be deemed to be neighbouring ones.

Article 175 – Obligation to tolerate neighbouring nuisances

1. The owner of a plot of land or any other immovable property may not prohibit the introduction of gases, steam, smells, smoke, soot, warmth, noise, vibrations and similar influences emanating from another plot of land to the extent that they do not interfere with the use of his/her plot of land, or interfere with it only to an insignificant extent.

2. The same rule shall apply to the extent that a material interference is caused by use of the other plot of land or other immovable property and cannot be prevented by measures that are deemed to be regular economic activities for users of this kind.

3. If the owner is bound to tolerate such a nuisance, he/she may demand from the owner of the other plot of land appropriate monetary compensation, where the nuisance exceeds the use regarded as customary in the location and is beyond economically permissible limits.

Article 176 – Unallowable encroachment

An owner of a plot of land may demand the prohibition of erection and utilisation of such buildings on neighbouring plots that impermissibly encroach on the right to use his plot of land and such encroachment is foreseeably evident beforehand.

Article 177 – Demand for elimination of danger

If a plot of land is endangered by the collapse of a building from a neighbouring plot, the owner may demand that the neighbour take the precautions necessary to avert the danger. It shall not be allowed to change the direction of or manipulate watercourses and groundwater running through several plots of land in such a manner that may reduce the amount of the water and/or deteriorate its quality. It shall not be allowed to interfere with the natural flow of rivers.

Article 178 – Right of the owner of a neighbouring plot of land to the fruit

1. The fruit of a tree or bush that falls onto a neighbouring plot of land shall be deemed to be the fruit of that plot.

2. The owner of a plot of land may cut off the branches or roots of a tree or of a bush that intrude from the neighbouring plot of land.

Article 179 – Monetary compensation for the obligation of tolerance

1. If when erecting a building the owner of a plot of land unintentionally encroaches on a neighbouring plot of land, then the owner of the neighbouring plot shall tolerate the encroachment, unless the latter objects to the encroachment before or immediately upon detecting it.

2. The encroaching neighbour shall pay monetary compensation annually in advance.

Article 180 – Right of way of necessity

1. If a plot of land lacks a connection to public roads, electricity, oil, gas and water supply lines that are necessary for its proper use, the owner may require that a neighbour tolerate the use of his/her plot to create the necessary connection. The neighbours on whose plots of land the right of way of necessity or transmission line passes shall be given monetary compensation which, by agreement of the parties, may be made as a lump-sum payment.

2. The obligation to tolerate the right of way of necessity or transmission line shall not arise if an already existing connection to the plot of land was discontinued by the voluntary action of the owner.

Article 181 – Duty to mark boundaries

1. The owner of a plot of land may require from the owner of a neighbouring plot of land that the latter participate in erecting fixed boundary markers or in restoring an already existing boundary marker if it has been damaged or become unrecognisable. The expenses for marking boundaries shall be borne equally by the neighbours unless otherwise stipulated by either mutual agreement or another legal relation.

2. If exact boundary lines cannot be determined, then the boundary markers shall be established according to the actual possession by the neighbours. If actual possession cannot be exactly determined, then the disputed land shall be divided in equal parts between the plots of land. If such division results in an unjust outcome, then a court shall determine the boundary lines based on the application of one of the parties.

Article 182 – Right to use boundary installations

1. When two plots of land are separated by a fence or any other structure used as a boundary, the owners of the plots of land shall be presumed to have equal right to use the structure, unless the outward features of the structure expressly indicate that it belongs to one of the neighbours alone.

2. If both neighbours are entitled to joint use of the boundary structure, then each of them may use the structure so as not to obstruct joint use by the other neighbour.

3. The expenses of maintaining and keeping the structure shall be borne equally by the neighbours.

4. As long as one of the neighbours has an interest in the existence of the boundary structure, it may not be removed or altered without the consent of that neighbour.

Chapter Three

Acquisition and Loss of Ownership

I – Acquiring the Ownership of Immovable Things

Article 183 – Acquiring the ownership of immovable things by agreement

In order to acquire ownership of an immovable thing the transaction shall be made in writing and the acquirer's ownership right shall be registered in the Public Registry.

Law of Georgia No 3879 of 8 December 2006 – LHG I, No 48, 22.12.2006, Art. 321

Law of Georgia No 2799 of 23 March 2010 – LHG I, No 14, 30.3.2010, Art. 94

Law of Georgia No 5017 of 1 July 2011 – website, 14.7.2011

[Article 183 – Acquiring the ownership of immovable things by agreement

1. In order to acquire an immovable thing the transaction shall be made in writing and the acquirer's ownership right shall be registered in the Public Registry.

2. An immovable thing owned by a child may be disposed of by his/her parent or other legal representative in the best interests of the child, on the basis of the consent of the court. ***(Shall become effective from 1 September 2020)***]

Law of Georgia No 5013 of 20 September 2019 – website, 27.9.2019

Law of Georgia No 5913 of 21 May 2020 – website, 25.5.2020

Article 184 – Abandonment of the ownership of immovable things

In order to abandon ownership or other rights to an immovable thing the rightful person shall declare it and register the declaration in the Public Registry. The declaration shall be submitted to the Office of Public Registry. Only after the submission shall the declaration on the relinquishment of the right become binding.

Article 185 – Protection of acquirer's interests

Considering the acquirer's interests, the transferor shall be deemed as the owner if he/she is registered with the Public Registry as such, except when the acquirer knew that the transferor was not the owner. ***(The normative content of Article 185, according to which 'the transferor shall be deemed as the owner if he/she is registered with the Public Registry as such', shall be recognised as unconstitutional when the record in the Registry has been appealed against and the acquirer is aware of this fact) –*** *Decision No 3/4/550 of the Constitutional Court of Georgia of 17 October 2017 – website, 26.10.2017*

II – Acquiring Ownership of Movable Things

Article 186 – Grounds for acquiring ownership of movable things

1. The transfer of ownership of a movable thing shall require the transfer of the thing by the owner to the acquirer on the grounds of a valid right.

[1^1. An immovable thing valued at more than GEL 1000 and owned by a child may be disposed of by his/her parent or other legal representative in the best interests of the child, on the basis of the consent of the court. ***(Shall become effective from 1 September 2020)***]

2. The following shall be deemed to be a transfer of a thing: handing over the thing to the acquirer into direct possession; transfer of indirect possession by a contract under which the previous owner may remain the direct possessor; granting, by the owner to

the acquirer, of the right to claim possession from a third person.

Law of Georgia No 5013 of 20 September 2019 – website, 27.9.2019

Law of Georgia No 5913 of 21 May 2020 – website, 25.5.2020

Article 187 – Bona-fide acquirer

1. An acquirer shall become the owner of a thing even if the transferor was not the owner, but the acquirer is in good faith with respect to this fact. The acquirer shall not be deemed to be in good faith if he/she knew or should have known that the transferor was not the owner. Such good faith shall exist before the transfer of the thing.

2. A bona-fide acquirer cannot become the owner of a thing if the owner has lost that thing, or it has been stolen, or the owner has otherwise been dispossessed of it against his/her will, or if the acquirer has received the thing free of charge. These restrictions shall not apply to money, securities and/or to things transferred at an auction.

Law of Georgia No 5667 of 28 December 2011 – website, 30.12.2011

Article 188 – Conditional ownership

1. If a transferor conditioned the transfer of ownership to an acquirer upon the prior payment of the price of a thing, then it is presumed that the ownership shall be transferred to the acquirer only after the price has been paid in full. If the acquirer delays the payment of the price, and the transferor repudiates the contract, then the parties shall return the performance already rendered bilaterally.

2. The condition defined in paragraph 1 shall also be deemed to be fulfilled if the transferor is satisfied in any manner other than by payment of the price or if the acquirer relies upon the limitation period on the claim.

Article 189 – Transfer of ownership through securities

If, instead of the transfer of a thing, the transfer of securities is required in order to transfer ownership to the acquirer, then the ownership shall be deemed to have been transferred from the moment the transferor transfers the securities to the acquirer.

Article 190 – Acquiring the ownership of ownerless movable things

1. If a person takes possession of an ownerless movable thing, he/she acquires the ownership of the thing unless the appropriation is prohibited by law or unless the taking of possession injures the right of appropriation of another person.

2. A movable thing shall be deemed ownerless if the previous owner, in the intention of waiving ownership, gives up possession of the thing.

Article 191 – Finding

1. A finder of a lost thing shall immediately notify the person who lost the thing, the owner, the rightful person or, if their identities are unknown, the police or other local authority of the finding, and hand the thing over to them.

2. One year after notification of the finding, the finder shall acquire ownership of the thing, unless the owner has become known to the finder or the owner notified the police of his/her right. All other rights to the thing shall be extinguished simultaneously upon the acquisition of the ownership of the thing.

3. If rightful person recovers the thing, the finder may demand from him/her a reward (finder's reward) in the amount of up to five per cent of the value of the thing. In addition, the finder may demand from the rightful person or from the appropriate authority, compensation for the expenses incurred in safekeeping the property.

4. If the finder relinquishes ownership, the competent authority may sell the thing after one year at an auction and receive the profits or, if the thing is of low value, gratuitously transfer or destroy it.

5. The one-year period shall not apply when animals, perishable items or things, the keeping costs of which are high, are found, and the proceeds of their sale shall be returned to the owner.

Article 192 – Treasure trove

If a thing that has lain hidden for so long that the owner can no longer be established (treasure trove) is discovered, one half of the ownership shall be acquired by the discoverer and the other half by the owner of the thing in which the treasure was found.

Article 193 – Acquiring ownership of essential component parts of a plot of land

If a movable thing is attached to a plot of land in such a manner that it has become an essential component part of it, then, under Article 150(2), the owner of the plot of land shall simultaneously be the owner of the thing.

Article 194 – Co-ownership of things created by merger of movable things

1. If movable things are attached to each other in such a manner that they have become essential component parts of a new integrated thing, or if the movable things have merged, the previous owners shall become the co-owners of the new thing. The shares shall be determined according to the values of the things at the time of their merger.

2. If one of the things, according to established understanding, is deemed to be the principal thing, then its owner shall acquire ownership of the accessories as well.

Article 195 – Co-ownership of new movable things created by processing of material

If a new movable thing is created by processing or altering some material, then the manufacturer and the owner of the material shall become co-owners of the new thing. The shares shall be determined according to the value of the material and the costs of manufacturing, unless otherwise stipulated by agreement.

Article 196 – Extinction of rights upon the transfer of ownership

If ownership is transferred under Articles 193-195, all other existing rights to that thing shall be extinguished.

Article 197 – Claim for damages against the new owner

1. A person who loses ownership under Articles 193-195 or whose right is otherwise impaired may claim damages from the person who has become the owner. Claim for restoration of the initial state of affairs shall not be allowed.

2. The claim under paragraph 1 of this article shall not arise if the new owner has acquired the thing under a commutative contract from a third person.

Article 198 – Concept; Subject matter

1. A possessor of a claim or a right that can be assigned or pledged may transfer it to the ownership of another person. Claims and rights are transferred to a new owner in the same state in which they existed with the former possessor.

2. The former possessor shall hand over to the new possessor all the documents in his/her possession that are related to the claims and rights, as well as all information necessary for exercising those claims and rights.

3. The former possessor shall also hand over to the acquirer, at the acquirer's request, a duly authenticated document on the assignment of these claims and rights. The expenses for authentication of this document shall be borne by the new possessor.

Article 199 – Assignment of claims

1. An owner of a claim (creditor) may assign the claim to a third person without the consent of the debtor, unless to do so would contravene either the essence of the obligation, the agreement with the debtor, or the law (assignment of claim). An agreement with the debtor on the inadmissibility of assignment of a claim may be made only if the debtor has a valid interest.

2. A claim shall be assigned under a contract concluded between the owner of the claim and a third party. In that case, the third party shall occupy the place of the original owner.

Article 200 – Rights of a debtor in the case of assignment of claim

Until a debtor is notified of the assignment of the claim, he/she may perform the obligation to the original owner of the claim.

Article 201 – Transfer of the means of security upon assignment of a claim

1. By assignment of a claim, both the means of security and other rights in connection with the claim shall be transferred to the new owner.

2. The debtor may assert against the new owner all the defences that he/she had against the original owner at the time he/she received notice of the assignment of the claim.

Article 202 – Order of priority of owners of a claim

If an owner of a claim has agreed to assign the claim with a number of persons, then the person with whom the owner of the claim first entered into relations shall be entitled before the debtor. If this cannot be determined, then priority shall be given to the person of whom the debtor was earliest notified.

Article 203 – Assignment of debt

1. A third person may also assume a debt by agreement concluded with the creditor (assignment of debt). In such case, the third person shall stand in the place of the original debtor.

2. The original debtor may disagree with this agreement between the creditor and a third person and pay the debt itself.

Article 204 – Consent by the creditor upon assumption of debt

If a debtor and a third person enter into an agreement on an assumption of debt, then the validity of the assumption shall depend upon the consent of the creditor. For the validity of the assumption of debt the consent of the creditor shall not be necessary in the cases provided for by the Law of Georgia on Commercial Bank Activities, the Law of Georgia on Microfinance Organisations, and the Law of Georgia on Payment System and Payment Services.

Law of Georgia No 1901 of 23 December 2017 – website, 11.01.2018

Article 205 – Rights of a new debtor

The new debtor may assert against the creditor all the defences arising from the relations that existed between the creditor and the original debtor. He/she may not offset the claims that belonged to the original debtor.

Article 206 – Termination of a means of security upon assignment of debt

Immediately upon assignment of a debt any guarantee or pledge securing the claim shall be terminated, unless the guarantor or the pledger expresses his/her consent to continue the relationship. The consent of the guarantor or the pledger shall not be required in cases provided for by the Law of Georgia on Commercial Bank Activities, the Law of Georgia of Microfinance Organisations and the Law of Georgia on Payment Systems and Payment Services.

Law of Georgia No 1902 of 28 December 2002 – LHG I, No 4, 22.1.2003, Art. 20

Law of Georgia No 5667 of 20 December 2019 – website, 31.12.2019

Article 207 – Assignment of claim by operation of law

The rules for acquisition of ownership of rights and claims shall apply accordingly to the assignment of claims by operation of law or on the basis of a decision made by a court or by a competent state body.

Chapter Four

Ownership of a Flat in a Block of Flats

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

I. General Provisions

Article 208 – Grounds for acquiring an object of individual ownership (a flat and/or a non-residential space)

To acquire an object of individual ownership (a flat and/or a non-residential space), it shall be necessary to sign a written agreement and register the acquirer's ownership defined by such agreement in the Public Registry.

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 209 – Acquiring a rented flat

If a person acquires a rented flat, he/she shall take the place of the landlord.

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 210 – (Deleted)

Law of Georgia No 3879 of 8 December 2006 – LHG I, No 48, 22.12.2006, Art. 321

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 211 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 212 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 213 – (Deleted)

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 214 – (Deleted)

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Article 215 – (Deleted)

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 216 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 217 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 218 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 219 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 220 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 221 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 222 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 223 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 224 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 225 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 226 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 227 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 228 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 229 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 230 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 231 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Article 232 – (Deleted)

Law of Georgia No 5278 of 11 July 2007 – LHG I, No 29, 27.7.2007, Art. 322

Chapter Five

Limited Use of Property Belonging to another Person

I – Superficies

Article 233 – Concept

1. A plot of land may be transferred to another person for use for a fixed period of time in such a manner as to grant him/her the heritable and alienable right to erect on or beneath the plot some structure, as well as the right to lend or lease such right (superficies).

2. Superficies may extend to the part of a tract of land that is not necessary for building but allows for a better use of the structure.

3. The duration of superficies shall be determined by agreement of the parties and shall not exceed ninety nine years.

Law of Georgia No 2978 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 144

Article 234 – Origin, acquisition and termination of the right of superficies. Ownership of superficies

1. The rules governing the acquisition of immovable things shall accordingly apply to the origin and acquisition of the right of superficies.

2. A structure erected under the right of superficies shall be deemed an essential component part of the right of superficies and shall be registered as the property of the person having the right of superficies.

3. Upon termination of the right of superficies, the structure erected under superficies shall become an essential component part of the plot of land.

Law of Georgia No 2978 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 144

Article 235 – Transfer of superficies

If by agreement of the parties the consent of the owner of the plot of land is required to transfer or lease the right of superficies, the owner may withhold such consent only if there are significant grounds to do so.

Article 236 – Payment for the right of superficies

1. An owner of the right of superficies may be bound by contract to pay fee. This right of the owner of a plot of land shall be inseparable from the ownership of the plot of land.

2. The right of superficies may be unilaterally terminated by the owner in case of non-fulfilment of this obligation for two years, unless otherwise provided for under the agreement of the parties.

3. The parties may predetermine the superficies fee for a ten-year period. If economic conditions materially change, then the parties shall agree on a new fee.

Law of Georgia No 4336 of October 2015 – website, 20.10.2015

Article 237 – Registration of the right of superficies

The right of su*16* perficies shall be entered on the Public Registry only as ranking before all property rights of non-owners. This ranking may not be altered.

Article 238 – Termination of the right of superficies

1. Termination of the right of superficies shall require consent of the owner.

2. The right of superficies shall not be terminated with the collapse of a structure erected on the plot of land.

Article 239 – Termination of non-gratuitous superficies

1. In case of expiration of the non-gratuitous superficies, unless otherwise provided for under the agreement of the parties, the owner of the plot of land shall pay the superficiary an appropriate compensation in the amount of two thirds of the value of the structure erected on the plot of land.

2. The owner of the plot of land may, in return for paying the compensation, extend the right of superficies for the superficiary for a period for which the structure erected on the plot of land is presumed to exist, unless otherwise provided for under the

agreement of the parties. If the superficiary declines the extension of the right of superficies, he/she shall lose the right to claim compensation as well.

3. The superficiary may not remove the structure or its component parts after the right of superficies expires.

Law of Georgia No 4336 of 16 October 2015 – website, 20.10.2015

Article 240 – Registration of the claim for compensation in the Public Registry

1. Following the termination of the right of superficies, the right to claim compensation arising from the superficies (if any) shall take the place of the right of superficies in the Public Registry and replace it in the same order.

2. If upon the expiration the right of superficies is still encumbered with a mortgage, then the mortgagee shall have a lien upon the claim for compensation.

Law of Georgia No 4336 of 16 October 2015 – website, 20.10.2015

Article 241 – Succession in title upon termination of superficies

If superficies is terminated, the owner of the plot of land shall become a party to a tenancy or lease agreement concluded by the superficiary.

II – Usufruct

Article 242 – Concept

An immovable thing may be transferred to the use of another person in such a manner as to grant to him/her the right to use this thing as if he/she were the owner, and to exclude third persons from using it; provided, however, that unlike the owner, he/she has no right to transfer, mortgage or transfer the thing by inheritance (usufruct). The renting or leasing out of the thing shall require the consent of the owner. After the usufruct is cancelled, the owner shall become a party in the existing tenancy or lease relations.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Article 243 – Legal regulation of creating a usufruct

The rules governing the acquisition of immovable things shall apply to the creation of usufruct.

Article 244 – Kinds of usufruct

1. Usufruct is either onerous or gratuitous.

2. Usufruct may exist either for a fixed term or for the lifetime of its beneficiary (usufructuary). Usufruct shall be cancelled by the death of the natural person or liquidation of the legal person in whose favour the usufruct has been established.

Article 245 – Usufructuary's rights and duties

1. Before the commencement of usufruct the parties may assess the condition of the things transferable by usufruct.

2. The usufructuary may not alter the purpose of use without the consent of the owner.

3. The usufructuary shall be entitled to the fruit of, and benefits from, the thing that are not derived from an ordinary economic use of the thing. In that case he/she shall compensate the owner for damages done to the thing as a result of such use.

4. The usufructuary shall not be liable for natural wear and tear of the thing. The usufructuary shall cover the current expenses, make repairs to the thing and take care of the normal economic maintenance of the thing.

5. The usufructuary shall insure the thing for the duration of the usufruct if so provided by law or by agreement of the parties. If the object of usufruct is a state-owned immovable thing and the usufructuary is a legal entity under public law or a local self-government body, the thing need not be insured.

6. If the thing has been destroyed, damaged, or unexpected expenses have arisen for its maintenance, the usufructuary shall immediately notify the owner accordingly. The usufructuary shall tolerate the measures that the owner undertakes to cure the situation. The owner shall not be obligated to undertake appropriate measures. If the usufructuary itself undertakes these measures, then at the end of the usufruct the usufructuary may remove from the thing the objects attached to it by him/her as a result of such measures or demand from the owner proper compensation for those objects.

7. If the usufructuary transfers, within the limits of normal economic activities, individual objects, then objects acquired by him/her shall take the place of the transferred objects.

Law of Georgia No 1541 of 17 July 2009 – LHG I, No 21, 3.8.2009, Art. 124

Article 246 – Termination of usufruct

1. Upon the end of usufruct the usufructuary shall return the thing to the owner.

2. Usufruct shall be extinguished if both the usufruct and the ownership are in the hands of the same person.

III – Easements

Article 247 – Concept

1. A plot of land or any other immovable property may be used (encumbered) in favour of the

owner of another plot of land or of other immovable property so that the owner may use the plot of land in particular instances or so that certain actions may not be undertaken on this plot of land or so that the exercise of a right towards the other plot of land is excluded (easement). The rules for the acquisition of immovable things shall apply to the creation of easement.

2. Compensation may be determined in the form of periodic payments.

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Article 248 – Conditions of easement

1. An easement may exist only when it creates a benefit for the person entitled to use a plot of land.

2. When using an easement, the rightful person shall protect the interests of the owner of the used (servient) plot of land.

Article 249 – Duty of maintenance of an installation

If, in order to properly use an easement, there is an installation on the servient plot of land, then the rightful person shall maintain the installation. At the same time, the parties may determine that the owner of the servient plot of land maintain the structure to the extent that the interests of the rightful person require this.

Article 250 – Effect of division of a plot of land

If the plot of land of the rightful person is divided, then the easement shall continue to exist on each part separately. In such case, the use of the easement shall be permissible only if it does not become more burdensome for the owner of the servient plot of land.

Article 251 – Parts released from easement following division

Where the servient plot of land is divided, then, if the use of the easement is restricted to a particular part of the servient plot of land, the parts that lie outside the area of use shall be released from the easement.

Article 252 – Protection of the rights of the rightful person

If the rightful person is obstructed in the exercise of his/her rights, he/she shall have the same right to avoid the obstruction as if he/she were a bona-fide possessor.

Article 253 – Personal easement

1. An immovable thing may be encumbered with an easement for the benefit of a specific person under the conditions provided for in Article 247. Such encumbrance may be expressed in such a manner that the rightful person, excluding the owner, may use a building or a part of the building as a residence for himself/herself or share it with his/her family.

2. A personal easement restricted in the manner defined in paragraph 1 of this article may not be transferred to another person.

Chapter Six

Title to Property as a Security for a Claim

I – Pledge

Article 254 – Concept

1. A debtor's or a third person's movable things and/or intangible property that may be transferred to another person may be used as security for a monetary or non-monetary claim in such a manner that the creditor (pledgee) acquires the right to satisfy his/her claim by selling or, if the parties so agree, by taking possession of the pledged property (pledged item) if the debtor does not fulfil or improperly fulfils his/her obligation.

2. The pledgee has a pre-emptive right over other creditors to satisfy his/her claim at the expense of the pledged item.

3. A pledge may secure future or contingent claims.

3^1. In the case of pledged intangible property, the procedure established by Article 7 of the Organic Law of Georgia on Agricultural Land Ownership shall also be taken into account.

4. A pledge securing a non-monetary claim shall be valid only if it can be expressed in a monetary form.

4^1. A pledge may extend to a thing or part of a thing, the combination of things or their part and/or to intangible property or to the whole movable property.

5. The things and intangible property that the pledger will acquire in future (future property) may be used as security for a claim. Future property shall become security for a claim upon its acquisition and the priority of a pledge with respect to future property shall be determined by the time of its registration.

6. A transport vehicle defined under Article 53(1) of the Law of Georgia on Traffic and/or an auxiliary technical equipment of an agricultural machine, and a railway means of transportation may not be used as security for a claim proceeding from a loan/credit agreement to be granted/granted to a natural person (including to an individual entrepreneur).

7. The restriction under paragraph 6 of this article shall not apply to the security of a claim proceeding from a loan/credit agreement to be concluded/concluded by a commercial bank, a microfinance organisation, a non-bank depository institution – the credit union, and a loan holding entity that are subject to the supervision of the National Bank of Georgia under the Organic Law of Georgia on the National Bank of Georgia.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 4323 of 9 March 2011 – website, 22.3.2011

Law of Georgia No 3315 of 21 July 2018 – website, 7.8.2018

Law of Georgia No 4851 of 25 June 2019 – website, 2.7.2019

Article 255 – Types of a pledge

Pledge types shall be:

a) a possessory pledge;

b) a registered pledge.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Article 256 – Scope of a pledge

1. A pledge secures a claim and other additional claims relating to it (including interest and contractual penalties) as well as the expenses related to property maintenance, court and sale costs, unless otherwise provided by law or an agreement between the parties.

2. A pledge shall extend to the fruits derived from a pledged item, unless otherwise provided by agreement between the parties.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Law of Georgia No 4323 of 9 March 2011 – website, 22.3.2011

Law of Georgia No 5668 of 28 December 2011 – website, 16.1.2012

Article 257 – Possessory pledge

1. Possessory pledge in a movable thing arises by agreement of the parties and by transferring the thing into the possession of the pledgee or a third person designated by the pledgee.

2. If the thing is already in the possession of the pledgee or a third person designated by the pledgee, the agreement of the parties shall suffice for a pledge to arise.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Article 258 – Registered pledge

1. A registered pledge shall arise by entering into a written transaction and registering the pledge stipulated in the transaction with the Public Registry (except as provided for in paragraph 4 of this article). In this case, a movable thing need not be transferred to the pledgee's possession.

2. The transaction shall indicate:

a) date of execution;

b) details of the pledger, the pledgee and a possible third person debtor;

c) description of the pledged item with general or specific characteristics so that it can be identified. If the pledged item is the entire movable property, it need not be described, unless otherwise determined by agreement of the parties;

d) a general or specific description of the secured principal claim and the maximum sum with which the secured claim is to be satisfied.

3. The procedure for registration of a pledge shall be determined by law.

3^1. Relations with respect to financial collateral are governed by the Law of Georgia on Payment Systems and Payment Services.

[3^1. Relations with respect to financial collaterals are governed by the Law of Georgia on Financial Collaterals, Mutual Setoffs and Derivatives. ***(Shall become effective from 14 January 2020)***]

4. For the pledge registered on vehicles and auxiliary equipment of agricultural machines specified in Article 53(1) of the Law of Georgia on Road Traffic to arise, the transaction shall be made in writing and the pledge stipulated in the transaction shall be registered with the Legal Entity under Public Law (LEPL) – Service Agency of the Ministry of Internal Affairs of Georgia ('the Service Agency'). At the same time for the transaction to be valid the transaction or the signatures of the parties need not be authenticated if:

a) the parties to the transaction sign the transaction in the registration authority in the presence of an authorised person;

b) the pledgee and the Service Agency have signed a contract for registration of a pledge on the vehicle by using an electronic document system.

5. The Minister of Internal Affairs of Georgia shall determine the procedure for the registration by the Service Agency of a pledge on vehicles and auxiliary equipment of agricultural machines specified in Article 53(1) of the Law of Georgia on Road Traffic based on paper or electronic documents.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Law of Georgia No 3879 of 8 December 2006 – LHG I, No 48, 22.12.2006, Art. 321

Law of Georgia No 4310 of 29 December 2006 – LHG I, No 2, 4.1.2007, Art. 35

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Law of Georgia No 314 of 2 October 2008 – LHG I, No 24, 20.10.2008, Art. 160

Law of Georgia No 4323 of 9 March 2011 – website, 22.3.2011

Law of Georgia No 6311 of 25 May 2012 – website, 12.6.2012

Law of Georgia No 1833 of 24 December 2013 – website, 3.1.2014

Law of Georgia No 5674 of 20 December 2019 – website, 31.12.2019

Article 258^1 – Certificate of pledge

1. If a debtor fails to fulfil the obligation under Article 281(1) of this Code within two weeks after the pledgee's written request, the Service Agency shall issue, based on the pledgee's application, a certificate of pledge.

2. A certificate of pledge is an enforceable act evidencing the fact that the pledge provided for in Article 258(4) of this Code has been registered with the Service Agency. In the circumstances determined by the legislation of Georgia the pledgee may request the authorised body (official) to transfer the pledged item to his/her possession to satisfy the claim secured by the pledge.

3. A certificate of pledge shall not be issued if the registered pledge transaction does not contain the agreement of the parties required by Article 283(1) and/or Article 260^1 of this Code for securing the claim.

4. The responsibility for the legitimacy of the request for the certificate of pledge submitted by the pledgee to the Service Agency shall rest with the pledgee.

5. The form and procedure for issuing a certificate of pledge shall be determined by an order of the Minister of Internal Affairs of Georgia.

Law of Georgia No 1541 of 17 July 2009 – LHG I, No 21, 3.8.2009, Art. 124

Law of Georgia No 1833 of 24 December 2013 – website, 3.1.2014

Article 259 – Procedure for pledging claims and securities

1. Claims shall be pledged by signing a written transaction and registering the right under the transaction with the Public Registry. The requirements laid down in Article 258(2) of this Code shall apply to such transactions.

2. Until the debtor is notified in writing about pledging a claim, the debtor may perform the obligation before the holder of the claim. In that case, the procedure under Article 264(1) shall apply.

3. Securities shall be pledged under the procedures laid down for their acquisition. The procedures for pledging public securities are defined by the Law of Georgia on Securities Market.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Law of Georgia No 3879 of 8 December 2006 – LHG I, No 48, 22.12.2006, Art. 321

Article 260 – Procedure for pledging things in pawnshops

1. Things in a pawnshop shall be pledged by a written agreement between the parties and by transferring things into the direct

possession of the pawnshop.

2. (Deleted – 21.7.2018, No 3315).

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Law of Georgia No 3315 of 21 July 2018 – website, 7.8.2018

Article 260[1] – Transfer of pledged items to the creditor (pledgee)

A pledged item may be transferred to the creditor (pledgee) on the grounds provided for in this Law only in the case of a registered pledge. Such transfer shall be expressly indicated in the agreement.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 261 – Rights and duties of a pledgee and a pledger

1. A pledger or a pledgee in the case of a registered pledge, and a pledgee or a third person designated by the pledgee in the case of a possessory pledge, shall properly keep and maintain the pledged item in their possession. Each party may inspect the condition (including size, weight, storage conditions) of the pledged item that is in the possession of the other party.

2. If a pledged item is held by the pledger, he/she may receive benefit from the pledged item. A pledgee may receive benefit from the pledged item in his/her possession if so provided by agreement of the parties. The pledgee shall be presumed to be entitled to the fruit of the pledged item if the pledged item bears fruit by its nature. The received benefit shall be set off against the secured claim. Upon request of the pledger, the pledgee shall present to the pledger an account of the received benefits.

3. A pledgee may claim from the pledger reimbursement of necessary expenses incurred on the pledged item. The procedure for reimbursement of other expenses shall be determined under the rules governing agency without specific authorisation.

4. If a pledger defaults on his/her obligation to properly keep and maintain the pledged item, the pledgee may demand that the pledged item be handed over to him/her or to a third person. If the pledgee defaults on his/her obligation to properly keep and maintain the pledged item, the pledger may demand that the pledged item be handed over to a third person.

5. If a pledged item is stock or a share in a business entity, then in making decisions or entering into transactions in connection with the business entity, the pledger shall act in good faith in his/her and the pledgee's interests.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Article 262 – Insurance of pledged items

A pledger shall insure the pledged item only if so provided by law or by agreement of the parties.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Article 263 – Rights of a pledger that is not a personal debtor of a pledgee

A pledger that is not a personal debtor of the claim secured by a pledge may assert against the pledgee the defences to which a personal debtor is entitled, including the defences that the pledgee's personal debtor waived after the creation of the pledge.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Article 264 – Substitution

1. If a claim is pledged and the debtor performs an obligation before the expiry of the pledge, then performance shall take the place of the claim, unless the parties agreed otherwise.

2. Any compensation, including insurance compensation received for the loss, damage, destruction or devaluation of the pledged item shall take the place of the pledged item, unless otherwise provided for by agreement of the parties.

3. In the cases provided for in paragraph 2 of this article, the pledger may purchase, with the sum received by him/her, an item substituting for the lost, damaged, destroyed or devalued item and the purchased item shall take the place of the pledged item.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Law of Georgia No 4323 of 9 March 2011 – website, 22.3.2011

Article 265 – Legal consequences of processing a pledged item and/or merging it with another movable thing

1. A pledge shall not be terminated if a pledged item is processed and/or merged with another movable thing in such a way that restoring it to the original condition is impossible or involves considerable expense, unless otherwise provided by agreement of the parties. If ownership is transferred as a result of processing a pledged item and/or merging it with another movable thing, the procedure under Article 196 of this Code shall apply.

2. In the cases provided for in paragraph 1 of this article, the pledgee's prior consent shall be required to process a pledged item and/or merge it with another movable thing, unless otherwise provided by agreement of the parties.

3. In the cases provided for in this article, the priority of claims arising from a pledge shall be determined by the time of creation of the pledge which existed before the pledged item was processed and/or merged with another movable thing.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Law of Georgia No 4323 of 9 March 2011 – website, 22.3.2011

Article 266 – Making a transaction on pledged items

1. The parties may agree that the pledger will not transfer or re-pledge the pledged item until the pledge is terminated.

2. If the pledger defaults on his/her obligation under paragraph 1 of this article, the pledgee may immediately satisfy his/her claim.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Article 267 – Re-pledging pledged items and priority of pledges

1. The same property may be re-pledged several times. The priority of pledges shall be determined according to the time of their submission for registration.

2. If a pledged item is future property and the pledger purchases such property, the pledge created under the previous owner shall prevail over the pledge created under the new owner irrespective of the date of their creation.

3. Where so provided for in Articles 568, 586, 596, 634, 685 and 796 of this Code, the pledgee shall have priority in satisfying his/her claim at the expense of the pledged item over all other pledgees.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Article 268 – Protecting the rights of a pledgee

If the exercise of a pledgee's rights is interrupted, the pledgee may exercise the same rights that the owner does.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Article 269 – Transfer of a pledge to a new creditor

1. By transferring a claim to another person, the pledge shall also be transferred to such person (new creditor).

2. A pledge shall be terminated if the new creditor does not request, within a reasonable time after the assignment of a claim secured with possessory pledge, the transfer of the pledged item to him/her or to a person authorised by him/her or the registration of the pledge.

3. Each third party whose legal status may be worsened by the sale of the pledged item may satisfy the pledgee's claim and thereby acquire his/her rights against the pledger or a possible third party debtor.

4. A pledge may not be transferred to another person without transfer of the relevant claim. If during the transfer of a claim the pledge is not transferred, the pledge shall be terminated.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Article 270 – Termination of a pledge due to cancellation of a claim

A pledge shall be terminated upon cancellation of the claim for the security of which it exists.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Article 271 – Termination of a pledge due to perishing of pledged items

A pledge shall be terminated if the pledged item physically ceases to exist.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Article 272 – Termination of a pledge due to its waiver

1. A registered pledge shall be terminated if the pledgee waives the pledge by way of registration.

2. A possessory pledge shall be terminated if possession reverts to the pledger or the pledgee waives the pledge.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Article 273 – Termination of a pledge due to transfer of pledged items to a pledgee (consolidation)

A pledge shall be terminated if the pledged item is transferred into the ownership of the pledgee.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Article 274 – Transfer of pledged items

1. If the pledged item is transferred, the pledged property shall also be transferred to the buyer, except as provided for in paragraphs 3 and 4 of this article.

2. If the pledged item is transferred in the case of registered pledge, the pledger and the buyer shall be jointly liable to register the buyer as a pledger with the Public Registry and for vehicles and auxiliary equipment of agricultural machines defined by Article 53(1) of the Law of Georgia on Road Traffic, the pledger and the buyer shall be jointly liable to register the buyer as a pledger with the Service Agency. If the pledger and the buyer fail to meet the above requirement, they shall be jointly and severally liable for any damages caused by the non-performance of the requirements.

3. If the pledger transfers the pledged item in the case of a possessory pledge, the pledge shall be terminated and the buyer shall acquire non-encumbered property if the pledgee or the person authorised by him/her transfers the possession of the pledged item to the buyer.

4. If the pledger transfers the pledged item during the course of ordinary business activity, the buyer shall acquire non-encumbered property irrespective of whether or not the buyer had knowledge of the pledge. This rule shall not apply if the buyer and the pledger acted in bad faith.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Law of Georgia No 4310 of 29 December 2006 – LHG I, No 2, 4.1.2007, Art. 35

Law of Georgia No 1833 of 24 December 2013 – website, 3.1.2014

Article 275 – Pledgee's obligation upon termination of a pledge

1. If a pledge is terminated, the pledgee shall return the pledged item that is in his/her possession to the pledger.

2. If a registered pledge is terminated, the pledger may demand that the pledgee immediately register the termination of the pledge with the Public Registry. If the registered pledge on vehicles and auxiliary equipment of agricultural machines defined by Article 53(1) of the Law of Georgia on Road Traffic is terminated the pledgee shall immediately register the termination of the pledge with the Service Agency. If the pledger does not demand an immediate registration of the termination of the pledge, the pledgee shall apply, within five business days after termination of the pledge, to the Service Agency for registration of termination of the pledge. If this obligation is not fulfilled, the pledger may claim damages from the pledgee.

3. The pledger may also demand the registration of the termination of a pledge. In that case, the application for registration of the termination of the pledge shall be accompanied by a written document issued by the pledgee that confirms termination of the pledge.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Law of Georgia No 4310 of 29 December 2006 – LHG I, No 2, 4.1.2007, Art. 35

Law of Georgia No 1833 of 24 December 2013 – website, 3.1.2014

Article 276 – Satisfaction of a pledgee

1. The pledgee shall be satisfied by selling the pledged item or transferring the pledged item to the pledgee to satisfy his/her claim, unless otherwise provided by law.

2. A claim shall be deemed to have been satisfied even if the proceeds from the sale of the pledged item are not enough to cover

the claim secured by pledge or the value of the pledged item does not fully cover the amount of the claim, unless otherwise provided by agreement of the parties.

3. If a creditor/loan holder is not an entity subject to the supervision of the National Bank of Georgia, a claim proceeding from a loan/credit agreement granted to a natural person (including to an individual entrepreneur) shall be considered satisfied even in the case when the amount received as a result of selling a pledged item (items) or a pledged item (items) and a mortgaged immovable thing (things) is not sufficient to cover the claim secured by a pledge or a pledge and a mortgage, or the price of a pledged item (items) or the price of a pledged item (items) and a mortgaged immovable thing (things) does not fully cover the amount of the claim. No other agreement between the parties shall be allowed. The National Bank of Georgia may establish for entities subject to its supervision a procedure different from the one provided for in this paragraph and/or an additional procedure.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 3315 of 21 July 2018 – website, 7.8.2018

Article 277 – (Deleted)

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 278 – Right to demand the sale of pledged items and transfer of pledged items to a pledgee

The pledgee may demand that the pledged item be sold or transferred to him/her if the debtor does not fulfil or improperly fulfils the claim secured by the pledge.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 279 – Right to sell pledged items repeatedly

1. If a pledged item has been re-pledged several times, any pledgee may demand its sale upon the maturity of the claim.

2. A pledgee whose pledge ranks before the right of a selling pledgee may give the lower ranking pledgee, within two weeks after the date of receipt of a written notice of sale from the lower ranking pledgee, a notice that:

a) he/she exercises the right to sell the pledged item as provided for in paragraph 1 of this article. In such case, the lower ranking pledgee cannot make the sale and the obligation to make the sale shall rest with the higher ranking pledgee;

b) he/she agrees to the sale of the pledged item by the lower ranking pledgee provided that his/her claim is satisfied on a priority basis from the proceeds of the sale;

3. In the cases of a sale under paragraph 2 of this article, the proceeds of the sale shall go towards satisfying the higher ranking pledgee's claim before the lower ranking pledgee's claim.

4. If the higher ranking pledgee does not exercise the rights under paragraph 2 of this article, the pledged item shall remain encumbered with the rights of the pledgees whose pledges precede the right of the selling pledgee.

5. The selling pledgee and the buyer shall register the buyer as a pledger with the Public Registry or, if so provided by law, with the Service Agency. If selling pledgee and the buyer default on this obligation, they shall be jointly liable for any damages resulting from such default.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Law of Georgia No 4310 of 29 December 2006 – LHG I, No 2, 4.1.2007, Art. 35

Article 280 – Distribution of sales proceeds

1. The proceeds from the sale of a pledged item shall first cover the expense of the sale and then satisfy the selling pledgee's claim.

2. The pledgee selling an item that has been re-pledged several times shall deposit the sum remaining after the payment of the sale expenses and satisfaction of his/her claim with a notary to ensure the satisfaction of the claims of the subsequent pledgees. The claim of each subsequent pledgee shall be satisfied after the claim of the previous pledgee has been satisfied in full.

3. The sum remaining after all the claims secured by the pledge have been satisfied in full shall be given to the pledger if there are no subsequent pledgees.

4. The selling pledgee shall be liable before the other pledgees for damages caused by the non-fulfilment of the obligation under paragraph 2 of this article.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Article 281 – Transferring pledged items to the pledgee entitled to sell

1. The pledgee entitled to demand that a pledged item be sold or transferred to him/her may demand that the pledged item be transferred to his/her possession. The pledgee's demand for transfer of the pledged item to his/her possession shall be satisfied immediately.

2. If satisfaction of the claim depends on the performance of a certain legal act, then the pledgee may demand that the pledger perform the act. If the pledger does not fulfil the pledgee's demand within two weeks, the pledgee may perform the act in relation to third persons on behalf of the pledger.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Law of Georgia No 1541 of 17 July 2009 – LHG I, No 21, 3.8.2009, Art. 124

Article 281^1 – Transferring a pledged vehicle and/or auxiliary equipment of agricultural machines to a pledgee

1. The pledgee may demand, without applying to a court, by presenting the certificate of pledge to an enforcement agency, to enforce the transfer into his/her possession of a pledged vehicle and/or the pledged auxiliary equipment of an agricultural machine defined by Article 53(1) of the Law of Georgia on Road Traffic.

2. An enforcement agency shall transfer the pledged vehicle and/or the pledged auxiliary equipment of an agricultural machine defined by Article 53(1) of the Law of Georgia on Road Traffic to the pledgee according to the procedures laid down by the Law of Georgia on Enforcement Proceedings.

3. If different pledgees present a certificate of pledge to an enforcement agency requesting the transfer to their possession of the same vehicle and/or the same auxiliary equipment of an agricultural machine defined by Article 53(1) of the Law of Georgia on Road Traffic, the pledged item shall be assigned to the pledgee with a pre-emptive right to satisfaction of the claim secured by the pledge.

4. Appealing a certificate of pledge shall not suspend its enforcement.

5. The pledgee who received possession of a vehicle and/or auxiliary equipment of an agricultural machine defined by Article 53(1) of the Law of Georgia on Road Traffic shall sell it or register title according to the procedures laid down by the legislation of Georgia.

6. The expenses relating to the enforced transfer of the vehicle and/or auxiliary equipment of an agricultural machine defined by

Article 53(1) of the Law of Georgia on Road Traffic to the pledgee's possession shall be borne by the debtor.

7. The liability for the legitimacy of submitting the certificate of pledge to the enforcement agency shall rest with the pledgee.

Law of Georgia No 1541 of 17 July 2009 – LHG I, No 21, 3.8.2009, Art. 124

Law of Georgia No 1833 of 24 December 2013 – website, 3.1.2014

Article 282 – Obligation to give notice of possible sale of pledged items

1. A pledgee shall give the pledger and other pledgees written notice of possible sale of the pledged item two weeks before the sale.

2. (Deleted).

3. The sale may be made even without any prior notice to the pledger and other pledgees if:

a) there is a real risk that the market or stock price of the pledged item will fall;

b) the pledged item is perishable.

4. The pledgee forfeits the right to sell the pledged item if a secured claim is satisfied at any time between the dates of service of the notice referred to in paragraph 1 of this article and sale of the pledged item.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Law of Georgia No 4310 of 29 December 2006 – LHG I, No 2, 4.1.2007, Art. 35

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Article 283 – Sale of pledged items

1. A pledgee may directly sell a pledged item if there is agreement between the pledgee and the pledger about it. When the pledged item is sold directly by the pledgee by direct sale, the pledgee shall sell the pledged item at a fair and reasonable price taking into account the pledger's, other pledgees' and his/her interests. In the case of failure to fulfil this obligation the pledgee shall be liable for damages caused to the pledger and other pledgees.

2. If the pledged item has a stock or market price, the pledgee may entrust the sale of the pledged item to a special trade agency.

3. If a pledged claim is sold with the debtor's performance in favour of the pledgee, the pledgee shall present to the pledger a report on the debtor's performance in favour of the pledgee.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Article 284 – Agreement of the parties on other procedures of sale

1. The pledgee and the pledger may indicate in a written agreement that the pledged item may be assigned to the pledgee or sold based on a writ of execution issued by a notary. In such case, the agreement between the parties shall be notarised.

2. The pledgee and the pledger may also agree on procedures of sale different from those given in this chapter. In such case, the pledged item shall be sold at a reasonable and fair price in the pledger's and other pledgees' interests

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Law of Georgia No 3879 of 8 December 2006 – LHG I, No 48, 22.12.2006, Art. 321

Article 285 – Effects of the sale of pledged items

1. The sale of a pledged item shall result in the transfer of unencumbered ownership to the buyer, except as provided for in Article 279(4).

2. If the pledgee unlawfully sells the pledged item, the buyer shall acquire ownership if he/she is in good faith in relation to that fact.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Article 285^1 – Report on the sale of pledged items

The selling pledgee shall present, within a reasonable period after the sale, without undue delay, to the pledger a report of the sale of the pledged item that shall include information on the expenses related to the sale, sale proceeds and the use of such proceeds.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

II – Mortgage

Article 286 – Concept

1. An immovable thing may be used (encumbered) for securing a claim in such a manner as to grant to the secured creditor the right to receive satisfaction out of the thing before other creditors through the sale or transfer of the thing into his/her ownership (mortgage).

2. A mortgage may likewise be used to secure future or contingent claims if these claims can be determined at the time of creation of the mortgage.

3. A claim secured by a mortgage may be substituted by another claim. Such substitution shall require an agreement between the owner and the creditor (mortgagee) and registration of the agreement in the Public Registry.

3^1. If agricultural land is used (encumbered) for securing a claim, the procedure established by the Organic Law of Georgia on Agricultural Land Ownership shall also be taken into account.

4. An immovable thing, and a water and air means of transportation owned by a natural person or another natural person may not be used as security for a claim proceeding from a loan/credit agreement to be granted/granted to the natural person (including to the individual entrepreneur).

5. The restriction under paragraph 4 of this article shall not apply to the security of a claim proceeding from a loan/credit agreement to be concluded/concluded by a commercial bank, a microfinance organisation, a non-bank depository institution – the credit union, and a loan holding entity that are subject to the supervision of the National Bank of Georgia under the Organic Law of Georgia on the National Bank of Georgia.

6. The restriction under paragraph 4 of this article shall not be effective if the agreement concluded between the parties specifies that a mortgaged immovable thing will be transferred to a natural person (including to an individual entrepreneur) for using as a dwelling room, or to a mortgagee legal person for using as a domicile (legal address). In addition, if two rights to mortgage have been registered in favour of one and the same natural person (including an individual entrepreneur) or legal person, the restriction under paragraph 4 of this article shall apply to him/her/it when concluding the third and each following mortgage agreement.

7. Parties to a mortgage agreement filed with a registration authority for registration of the right to mortgage shall be responsible for the content of the mortgage agreement, and for the validity and lawfulness of the facts specified therein.

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 3315 of 21 July 2018 – website, 7.8.2018

Law of Georgia No 4851 of 25 June 2019 – website, 2.7.2019

Article 287 – Blanket mortgage

If a claim is secured by a mortgage upon a number of immovable things (blanket mortgage), then each of these things shall be used to satisfy the claim in common. The creditor may satisfy the claim by any of the things at his/her discretion, unless the parties agreed otherwise.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 288 – Owner's mortgage

If a claim secured by a mortgage either has not arisen or is extinguished or is transferred to the owner of the immovable thing, then the mortgage shall also transfer to the owner (owner's mortgage).

Article 289 – Registration of mortgage

1. A mortgage shall acquire legal force upon its registration in the Public Registry. The registration shall be carried out by one of the parties presenting the contract made according to the procedures laid down by Article 311^1 of this Code. The contract shall indicate the identities of the owner of the immovable thing, the mortgagee and any possible third party debtor. By agreement of the parties, the contract may also indicate the extent of the secured claim, the interest, the period of performance and other conditions.

1^1. A mortgage contract made to secure a claim arising from a loan agreement shall be certified by a notary. In certifying the mortgage contract, the notary shall inform the parties to the contract of the legal implications of their violation of the obligations under the loan agreement and the mortgage contract.

1^2. To register a mortgage with the Public Registry, the notary shall follow the procedures provided by the legislation of Georgia. The procedures and conditions for registering a mortgage with the Public Registry shall be determined by an order of the Minister of Justice of Georgia.

1^3. The condition under paragraph 1^1 of this article shall not apply to mortgage contracts made to secure the claims of commercial banks, microfinance organisations, non-bank deposit institutions – credit unions.

2. If the parties so agree, at the request of the creditor, the Public Registry shall issue a Certificate of Mortgage. The issuance of the Certificate of Mortgage shall be recorded in the Public Registry.

3. The mortgage contract, for which a Certificate of Mortgage has been issued by agreement of the parties, shall be certified by a notary. Any legal act under the mortgage contract that requires certification by a notary shall be certified by the same notary who certified the mortgage contract.

4. Only one Certificate of Mortgage shall be issued for a blanket mortgage.

Law of Georgia No 3879 of 8 December 2006 – LHG I, No 48, 22.12.2006, Art. 321

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 1864 of 25 December 2013 – website, 30.12.2013

Law of Georgia No 1901 of 23 December 2017 – website, 11.01.2018

Article 289[1] – Certificate of Mortgage

1. A Certificate of Mortgage is a security certifying the right of its legal holder to:

a) demand the fulfilment of the obligations arising from the contract;

b) satisfy his/her claim at the expense of the mortgaged item if any obligation is not fulfilled.

2. The Certificate of Mortgage shall be made into one copy.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 289[2] – Contents of a Certificate of Mortgage

1. A Certificate of Mortgage shall contain:

a) indication of 'Certificate of Mortgage' in the title;

b) name and address of the mortgagee;

c) name and address of the debtor;

d) name and address of the owner of the immovable thing;

e) registration code of the mortgaged property, address of the mortgaged item;

f) indication of the registration of the Certificate of Mortgage with the Public Registry, indicating the relevant details;

g) indication of whether the mortgaged item or any part of it has been encumbered with any other mortgage or with any other real rights or obligations;

h) place and date of drafting the mortgage contract;

i) extent of the secured claim;

j) due date for the performance of an obligation under the mortgage contract, but if the obligation is to be performed in parts – due dates for the performance of such parts;

k) date of issue of the Certificate of Mortgage.

2. The validity of a Certificate of Mortgage shall be confirmed with the seal of the Public Registry.

3. Violation of the requirements indicated in paragraphs 1 and 2 of this article shall render the Certificate of Mortgage void.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 289[3] – Exercising the rights arising from a Certificate of Mortgage

1. The actual holder of a Certificate of Mortgage shall be deemed to be its legal holder, unless proved to the contrary.

2. If a Certificate of Mortgage exists, a secured claim shall be fulfilled only if the Certificate of Mortgage is presented. Upon satisfaction of his/her claim, the creditor shall hand over the Certificate of Mortgage to the performer of the obligation.

3. Upon a partial satisfaction of the claim, the creditor shall enter a relevant notation in the Certificate of Mortgage.

4. By depositing a sum to the deposit account of the notary who certified the mortgage contract, the debtor shall be exempt of his/her obligation to the creditor.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 289[4] – Assignment of a Certificate of Mortgage

1. A claim provided for in the Certificate of Mortgage shall be assigned with a notarised signature of the assignor of the Certificate of Mortgage.

2. If a claim is assigned by selling the Certificate of Mortgage at auction, the indication 'Sold at Auction' shall be made on the Certificate of Mortgage and confirmed with a specialist's notarised signature.

3. Any prohibition of the assignment of a Certificate of Mortgage to another person shall be void.

4. The person in whose favour the claim has been assigned shall notify the debtor to that effect.

5. The procedure established by the Organic Law of Georgia on Agricultural Land Ownership shall also be taken into account in assigning a claim.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 4851 of 25 June 2019 – website, 2.7.2019

Article 289[5] – Declaring a Certificate of Mortgage invalid

If a Certificate of Mortgage is damaged, lost or destroyed, the holder of the Certificate of Mortgage shall notify the Public Registry. In that case, the court shall declare it invalid under the general procedure (revocation proceedings).

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 289[6] – Pledging a Certificate of Mortgage

1. A Certificate of Mortgage may be pledged in favour of its holder or another person according to the procedures laid down for pledging securities.

2. The pledge of a Certificate of Mortgage shall be registered with the Public Registry.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 289[7] – Cancellation of a Certificate of Mortgage

1. A Certificate of Mortgage shall be cancelled:

a) if the claim arising from the Certificate of Mortgage is satisfied;

b) if the Certificate of Mortgage is voluntarily delivered to the owner of the immovable thing.

2. The cancellation of a Certificate of Mortgage shall be registered with the Public Registry.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 289[8] – Priority of a Certificate of Mortgage over the Public Registry records

If there is any discrepancy between the Certificate of Mortgage and a Public Registry record, the Certificate of Mortgage shall prevail.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 290 – Re-mortgaging an immovable thing

An immovable thing may be re-mortgaged several times. The order of priority shall be determined by the date of registration of mortgage applications.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 291 – Right of the mortgagor who is not a personal debtor of the claim secured by a mortgage

1. If the mortgagor is not a personal debtor with respect to the claim secured by the mortgage, then he/she may still assert against the mortgagee any defences to which only the personal debtor is rightful, including defences resulting from setting off monetary obligations and defences against the claim.

2. If the time of performance of a claim depends upon a notice of dissolution of a legal relationship, then the dissolution shall be deemed valid only if it is declared by the owner to the creditor or by the creditor to the owner.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 292 – Owner's right upon satisfaction of the creditor

1. The owner may satisfy the creditor when the performance of the claim is due, or when the personal debtor is entitled to perform the corresponding act.

2. If the owner is not a personal debtor, then he/she shall assume the claims when he/she satisfies the creditor.

3. (Deleted).

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Article 293 – Extension of mortgage to the fruit of an immovable thing

A mortgage shall not extend to the fruit of an immovable thing unless otherwise provided by agreement of the parties.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 294 – Duty to maintain a mortgaged thing

1. The owner shall maintain the thing in such a way as not to endanger the purpose of the mortgage. In the case of any danger, the creditor may set an appropriate period for the owner to eliminate the danger. If the mortgaged thing is in the creditor's possession, the duty to maintain the thing shall rest with the creditor.

2. If the thing is insured, the insurer may pay the insurance proceeds to the policyholder after the deterioration of the situation only when the creditor has already been informed of the damage. The creditor may object to the payment if he/she has fears that the payment will not be used to restore the thing.

3. If it is ascertained that the owner fails in his/her duty to maintain the thing, the creditor may demand that the thing be transferred to him/her for administration. A court shall make a decision with respect to such demand.

4. An agreement under which the owner assumes an obligation with the creditor not to transfer, use or otherwise encumber the immovable thing shall be void, unless otherwise provided by law. The validity of such transactions against third parties may not depend on the creditor's consent.

5. Under a mortgage contract, the owner may assume an obligation with the creditor not to encumber the plot of land owned by him/her with the right of superficies.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 5017 of 1 July 2011 – website, 14.7.2011

Article 295 – Transfer of mortgages and underlying claims

A mortgage and an underlying claim may be transferred to another person only simultaneously and jointly. The mortgage shall be transferred to the new creditor upon transfer of the claim. The transfer of the mortgage shall be valid only if a written mortgage contract or a Certificate of Mortgage (if any) is handed over to the new creditor (under Article 289^4 of this Code). The transfer of the claim shall be registered with the Public Registry except where a Certificate of Mortgage has been issued.

Law of Georgia No 3879 of 8 December 2006 – LHG I, No 48, 22.12.2006, Art. 321

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 296 – Debtor's obligation with a new creditor

If, after the transfer of the claim to the new creditor, the debtor pays the former creditor, this payment shall not exempt him/her from his/her obligation with the new creditor, even when he/she had no knowledge of the transfer.

Article 297 – Presumption of accuracy of Public Registry entries upon transferring mortgages and claims to a new creditor

The mortgage and the claim shall be transferred to the new creditor as they were in the old creditor's hands. In the creditor's interests, Public Registry entries shall be presumed to be accurate. In such case, the debtor may not argue that the claim does not exist. This rule shall not apply if the new creditor had knowledge of the wrong entry in the Public Registry.

Article 298 – Rights of third persons

1. (Deleted).

2. If a personal debtor satisfies the creditor, the mortgage shall be transferred to him/her to the extent to which he/she may claim compensation from the owner.

Law of Georgia No 1902 of 28 December 2002 – LHG I, No 4, 22.1.2003, Art. 20

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 299 – Waiver of the claim or mortgage by creditor

1. If the owner is not a personal debtor and the creditor waives the claim or the mortgage, the owner shall become a mortgagee. A waiver shall be valid if it is registered with the Public Registry.

2. If a creditor waives the mortgage, not the claim, the personal debtor shall still be discharged provided he/she could have received compensation from the mortgage.

3. If the mortgagor has the right to rescind excluding a long-term use of the mortgage, he/she may demand that the creditor waive the mortgage.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 300 – Transfer of a mortgaged immovable thing to the creditor (mortgagee)

1. If the owner of an immovable thing delays satisfaction of the claim secured by the mortgage, the mortgaged thing may be transferred to the creditor (mortgagee) if the creditor (mortgagee) and the owner of the mortgaged immovable thing jointly apply to the registration authority.

1^1. If the mortgaged immovable thing is a plot of agricultural land, it may be transferred to the creditor (mortgagee) taking into account the requirement established by the Organic Law of Georgia on Agricultural Land Ownership.

2. If the mortgaged immovable thing is transferred to the creditor (mortgagee), the claim secured by the mortgage shall be deemed to have been satisfied when the value of the mortgaged immovable thing does not fully cover the amount of such claim, unless otherwise determined by law or by agreement of the parties.

2^1. If a creditor/loan holder is not an entity subject to the supervision of the National Bank of Georgia, a claim proceeding from a loan/credit agreement granted to a natural person (including to an individual entrepreneur) shall be considered satisfied even in the case when a mortgaged immovable thing (things) or a mortgaged immovable thing (things) and a pledged item (items) are transferred to the ownership of a creditor (mortgagee), the price of the mortgaged immovable thing (things) or the mortgaged immovable thing (things) and the pledged item (items) does not fully cover the amount of the claim secured by the mortgage or by the mortgage and the pledge. No other agreement between the parties shall be allowed. The National Bank of Georgia may establish for entities subject to its supervision a procedure different from the one provided for in this paragraph and/or an additional procedure.

3. If the owner of an immovable thing delays satisfaction of a claim secured by a mortgage and the mortgaged immovable thing is not transferred to the creditor (mortgagee) under paragraph 1 of this article, a notary shall issue a writ of execution if there is an agreement between the parties and the notary explained in the notary act in writing the legal consequences of issuing the writ of execution. The enforcement proceedings carried out under the writ of execution issued by the notary shall be conducted according to the Law of Georgia on Enforcement Proceedings.

Law of Georgia No 638 of 5 December 2000 – LHG I, No 48, 16.12.2000, Art. 138

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 2284 of 4 December 2009 – LHG I, No 45, 21.12.2009, Art. 329

Law of Georgia No 1864 of 25 December 2013 – website, 30.12.2013

Law of Georgia No 3315 of 21 July 2018 – website, 7.8.2018

Law of Georgia No 4851 of 25 June 2019 – website, 2.7.2019

Article 301 – Demand for sale of mortgaged immovable things

1. If the debtor does not satisfy the claim secured by the mortgage, the mortgagee may demand sale of the immovable thing, unless otherwise provided for in the mortgage contract.

1^1. A claim secured by a mortgage shall be deemed to have been satisfied even if the proceeds from the sale of the mortgaged thing are not enough to fully cover the claim secured by the mortgage, unless otherwise determined by law or by agreement of the parties.

1^2. If a creditor/loan holder is not an entity subject to the supervision of the National Bank of Georgia, a claim proceeding from a loan/credit agreement granted to a natural person (including to an individual entrepreneur) shall be considered satisfied even in the case when the amount received as a result of selling a mortgaged immovable thing (things) or a mortgaged immovable thing (things) and a pledged item (items) is not sufficient to cover the claim secured by the mortgage or the mortgage and the pledge. No other agreement between the parties shall be allowed. The National Bank of Georgia may establish for entities subject to its supervision a procedure different from the one provided for in this paragraph and/or an additional procedure.

2. The sale shall be carried out according to the procedures set out in this chapter and the Law of Georgia on Enforcement Proceedings.

3. The parties may agree to another procedure for holding an auction, subject to the requirements of Articles 302(6), 306^1-306^3, 306^5(1) and 307(2) of this Code.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 826 of 19 December 2008 – LHG I, No 41, 30.12.2008, Art. 304

Law of Georgia No 2284 of 4 December 2009 – LHG I, No 45, 21.12.2009, Art. 329

Law of Georgia No 3315 of 21 July 2018 – website, 7.8.2018

Article 302 – Sale of mortgaged immovable things

1. A mortgaged immovable thing shall be sold at auction by a written agreement between the creditor and the owner who designate a specialist, with the consent of the latter, for conducting the auction. The compensation of the specialist shall be determined in the agreement.

1^1. The sale by the specialist of a thing at an auction by agreement of the parties shall not constitute enforcement.

2. Any provision assigning obligations to third persons without their consent shall be void, but it shall not void the agreement on the auction.

3. The creditor and the owner may establish a form of sale different from auction by an agreement.

3^1. Under an agreement made in writing between the creditor and the owner the parties may stipulate that the mortgaged immovable thing be transferred to the creditor and sold based on a writ of execution issued by a notary. In such case, the transaction between the parties shall be notarised.

4. If the creditor and the owner fail to agree on holding an auction or on any other form of realisation of the immovable thing, a court shall make a decision on the enforced sale of the immovable thing at an auction based on a creditor's application. The court decision on enforced sale of the immovable thing at an auction shall be enforced according to the procedures laid down by the

Law of Georgia on Enforcement Proceedings.

5. A specialist may be any legally capable person, including the creditor, the debtor or the owner.

6. The specialist shall notify the authorised persons entered on the Public Registry about the auction.

7. A seized thing may not be sold through a specialist.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 219 of 15 July 2008 – LHG I, No 17, 28.7.2008, Art. 135

Law of Georgia No 826 of 19 December 2008 – LHG I, No 41, 30.12.2008, Art. 304

Law of Georgia No 2284 of 4 December 2009 – LHG I, No 45, 21.12.2009, Art. 329

Law of Georgia No 3368 of 6 July 2010 – LHG I, No 39, 19.7.2010, Art. 241

Article 303 – Fruits of mortgaged immovable things

From the moment at which an auction is announced or a court decision is made in connection with an immovable thing, the mortgagor shall forfeit the right to retain the fruit of the thing.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 304 – Avoiding an auction

1. The owner or any person in agreement with the owner and/or a third person whose right may be prejudiced as a result of an auction may avoid the auction by satisfying the claim before the auction is held.

2. The court shall establish whether the third person's right is prejudiced or not.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 305 – Participation of a creditor, debtor and of an owner in an auction

A creditor, a debtor and an owner may participate in the auction provided that the debtor and the creditor present security that is deemed proper by an expert.

Article 306 – Notice of auction

A creditor(s) shall file an application for an auction based on a contract with a specialist. The application shall indicate the mortgaged immovable thing, the owner, the debtor, the claim and the contract.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 219 of 15 July 2008 – LHG I, No 17, 28.7.2008, Art. 135

Law of Georgia No 826 of 19 December 2008 – LHG I, No 41, 30.12.2008, Art. 304

Law of Georgia No 3368 of 6 July 2010 – LHG I, No 39, 19.7.2010, Art. 241

Article 306[1] – Cancelling or terminating an auction

1. An auction shall be cancelled if the creditor who has filed the application withdraws it.

2. An auction shall be terminated if before the auction is held, the debtor or the third person rightful to satisfy the creditor, pays the amount needed to satisfy the creditor and to cover all other expenses.

Article 306[2] – Determining the time and place of an auction

1. A specialist shall determine the time and place of an auction by publishing, at least seven days before the auction, an announcement indicating:

a) name and address of the owner of the immovable thing;

b) name and address of the specialist;

c) time and place of the auction;

d) starting price of the immovable thing;

e) location and brief description of the immovable thing;

f) the statement that all other persons holding rights to the immovable thing have to present evidence of such rights before the commencement of the auction;

g) conditions of the auction.

1[1]. If an auction is conducted for selling a plot of agricultural land, an announcement shall also indicate that a person participating in the auction shall meet the requirements established by the Organic Law of Georgia on Agricultural Land Ownership.

2. The time and place of the auction shall be announced publicly in the media.

3. The specialist shall notify the parties of the time and place of the auction according to the procedures laid down by the Civil Procedure Code of Georgia.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 219 of 15 July 2008 – LHG I, No 17, 28.7.2008, Art. 135

Law of Georgia No 826 of 19 December 2008 – LHG I, No 41, 30.12.2008, Art. 304

Law of Georgia No 4851 of 25 June 2019 – website, 2.7.2019

Article 306[3] – Rules for conducting an auction

1. A specialist shall conduct an auction. He/she shall declare the auction open and announce the starting price.

2. Before conducting the auction, the specialist shall determine which of the rights registered with the Public Registry ranks ahead of the claim of the creditor for whom the enforcement is sought.

3. At the auction, the specialist shall announce:

a) that the rights registered with the Public Registry which rank ahead of the claim of the creditor for whom enforcement is

sought remain valid and are not satisfied by payment;

b) the value of transitional rights (rights ranking ahead of the creditor's claim or the rights that are transferred together with the immovable thing after being sold at auction).

4. The specialist shall inform the involved parties of the conditions of the auction before the auction begins.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 219 of 15 July 2008 – LHG I, No 17, 28.7.2008, Art. 135

Law of Georgia No 826 of 19 December 2008 – LHG I, No 41, 30.12.2008, Art. 304

Article 306^4 – Conducting an auction

1. An auction shall be conducted within one month after an application is filed with a specialist.

2. The starting price of an immovable thing shall be determined as the total amount of the auction expenses and the creditor's claim. The auction shall continue until another bid is offered. The specialist shall announce the last bid and the end of the auction.

3. The last bid shall be announced loudly three times.

4. All participants of the auction shall present a bank guarantee which ensures full payment if the bidder wins the auction. The amount of the bank guarantee shall be one tenth of the starting price of the immovable thing. The primary beneficiary of the bank guarantee shall be the creditor.

5. If an auction is conducted for selling a plot of agricultural land, a person willing to participate in the auction shall present information proving that he/she meets the requirement established by the Organic Law of Georgia on Agricultural Land Ownership.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 219 of 15 July 2008 – LHG I, No 17, 28.7.2008, Art. 135

Law of Georgia No 826 of 19 December 2008 – LHG I, No 41, 30.12.2008, Art. 304

Law of Georgia No 4851 of 25 June 2019 – website, 2.7.2019

Article 306^5 – Origination of ownership to property acquired at an auction

1. A buyer of property at an auction shall be served with the specialist's order that indicates the acquired property, the buyer of the property at the auction, the price and the conditions of the auction. The specialist's signature on orders relating to the auction shall be certified by a notary.

2. A buyer of property at an auction shall deposit the sum due to the specialist's deposit account within one week. The parties to the mortgage contract may agree on another rule for payment of the sum that shall be specified in the conditions of the auction in advance.

3. Orders shall be announced at the auctions.

4. Orders shall take effect upon their announcement. After an order takes effect, the buyer of property at the auction shall become the owner only after the price has been paid in full.

5. The transfer of ownership shall cancel all mortgages and real rights with which the immovable thing was encumbered and which have been registered after the mortgage of the enforcing creditor. The rights registered earlier to the thing shall remain unchanged.

6. The new owner of the immovable thing sold at the auction shall take the place of the old owner and become a party to the legal relationship that existed in connection with the thing at the moment of the transfer of ownership.

7. Upon the transfer of the mortgaged immovable thing to the new owner, the old owner shall forfeit all rights to the thing.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 219 of 15 July 2008 – LHG I, No 17, 28.7.2008, Art. 135

Law of Georgia No 826 of 19 December 2008 – LHG I, No 41, 30.12.2008, Art. 304

Law of Georgia No 3887 of 7 December 2010 – LHG I, No 67, 9.12.2010, Art. 415

Article 306^6 – Cancelling the transfer of rights to property acquired at an auction

If within the period specified under the conditions of the auction a specialist does not receive in the deposit account indicated by him/her the sum due from the buyer of property at the auction, or a specialist establishes that the buyer of the plot of agricultural land does not meet the requirements established by the Organic Law of Georgia on Agricultural Land Ownership, the specialist shall repeal the order of transfer of the right to the property acquired at the auction and conduct a new auction, which shall not be deemed to be a repeat auction.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 219 of 15 July 2008 – LHG I, No 17, 28.7.2008, Art. 135

Law of Georgia No 826 of 19 December 2008 – LHG I, No 41, 30.12.2008, Art. 304

Law of Georgia No 4851 of 25 June 2019 – website, 2.7.2019

Article 307 – Second auction

1. If an appropriate bid is not offered at the first auction, the specialist shall call a second auction within 10 days.

2. The second auction shall be announced in the same way as the first auction. At the same time, it shall be indicated that the auction is conducted for a second time.

3. The starting price of an immovable thing at the second auction shall be half of the starting price offered at the first auction or a lesser amount if the creditor agrees in writing.

4. (Deleted).

5. If a mortgaged immovable thing is not sold at the second auction, by agreement of the creditor and the debtor (owner of the immovable thing) the claim may be satisfied by transferring the immovable thing to the creditor. In such case, the expenses shall be borne by the creditor.

6. If the agreement referred to in paragraph 5 of this article cannot be achieved, the specialist shall conduct a third auction within the period defined in paragraph 5 of this article. The specialist shall determine the rule for selling the immovable thing at the third auction. The third auction shall be organised in such a way that the immovable thing is sold.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 219 of 15 July 2008 – LHG I, No 17, 28.7.2008, Art. 135

Law of Georgia No 826 of 19 December 2008 – LHG I, No 41, 30.12.2008, Art. 304

Article 308 – Payment of expenses

Claims shall be satisfied from the proceeds from the sale of a mortgaged immovable thing in the following order of priority: the expenses, the creditor's claim in full. If the proceeds cannot fully cover the expenses, the obligation to pay the difference shall rest with the creditor.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 219 of 15 July 2008 – LHG I, No 17, 28.7.2008, Art. 135

Law of Georgia No 826 of 19 December 2008 – LHG I, No 41, 30.12.2008, Art. 304

Article 309 – Liability for conducting an auction improperly

If a specialist cannot discharge his/her duties with respect to conducting an auction, he/she shall be liable to the participants for damages caused.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 219 of 15 July 2008 – LHG I, No 17, 28.7.2008, Art. 135

Law of Georgia No 826 of 19 December 2008 – LHG I, No 41, 30.12.2008, Art. 304

Article 310 – Compulsory administration of things (sequestration)

1. On the application of the mortgagee entitled to enforcement, a court, instead of a compulsory transfer at an auction, may establish compulsory administration of the thing (sequestration). In that case the court shall convey the administration function to the administrator who may also be the mortgagee.

2. Before making a decision on the matter, the court shall hear the persons registered in the Public Registry whose rights may be prejudiced by the compulsory administration.

3. The administrator shall receive the fruits of the thing and at the end of a year, after deducting all expenses, including administration expenses, shall distribute the fruits according to the distribution plan designed by him/her and approved by the court.

4. Compulsory administration shall be extinguished when the creditor is satisfied or when it is evident that the creditor cannot be satisfied by way of administration.

5. The procedure and conditions for administration carried out by the Legal Entity under Public Law (LEPL) – National Bureau of Enforcement within the Ministry of Justice of Georgia shall be determined by the Law of Georgia on Enforcement Proceedings.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 1864 of 25 December 2013 – website, 30.12.2013

Section Four

Public Registry

Article 311 – Purpose of the Public Registry

1. The Public Registry is a collection of the records of the origin, modification and termination of rights to, attachment and lien/mortgage in things and intangible property. It is also a collection of the records of the origin and modification of the abandonment of the ownership of immovable things.

2. The rules and conditions for maintaining and accessing the Public Registry are defined by law.

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Article 311[1] – Procedure for submitting transactions to the Public Registry

1. A transaction made in writing shall be submitted to the Public Registry to register the relevant right to the thing and intangible property. The transaction or the signatures of the parties to the transaction shall be authenticated according to the procedures laid down by law.

2. If the parties to a transaction sign the transaction in the registration authority in the presence of an authorised person, then the transaction or the signatures of the parties to the transaction need not be authenticated in order for the transaction to be valid.

3. Where so provided by law, transactions involving things and intangible property shall take effect upon registration of the rights determined by such transactions with the Public Registry.

Law of Georgia No 3879 of 8 December 2006 – LHG I, No 48, 22.12.2006, Art. 321

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Article 312 – Presumption of the veracity and completeness of the Register entries

1. A presumption of veracity and completeness shall operate with respect to the contents of the Public Registry; that is the Register records shall be presumed accurate until proved incorrect.

2. An entry in the Register shall be deemed to be accurate in favour of the person who acquires some right from another person on the basis of a transaction and this right was registered in the Register in the name of the transferor, unless a complaint has been filed against the entry or the acquirer has knowledge of the incorrectness of the entry.

3. If the owner transfers or encumbers immovable property, the co-owner's consent shall not be required when entering into a transaction (registering a right) if the co-owner is not registered as such with the Public Registry.

4. Where so provided for in paragraph 3 of this article, in the buyer's interests, the transferor shall be presumed to be the sole owner if he/she is registered as such with the Public Registry, except if an acquirer knew that there was another owner besides the transferor.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 313 – (Deleted)

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Article 314 – (Deleted)

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Article 315 – (Deleted)

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Book Three

Law of Obligations

General Part

General Provisions on Obligations

Article 316 – Concept

1. By virtue of an obligation the obligee shall be entitled to claim performance of a certain action from the obligor. Omission may also be regarded as performance.

2. Depending on its content and nature, an obligation may bind each party to exercise exceptional care for the rights and property of the other party.

Article 317 – Grounds giving rise to an obligation

1. For an obligation to arise there shall be a contract between the parties except when the obligation arises from tort (delictus), unjust enrichment or other grounds prescribed by law.

2. An obligation with regard to the duties under Article 316 may also arise from the preparation of a contract.

3. A party to a negotiation may demand from the other party reimbursement of expenses he/she incurred for negotiating a contract that was not concluded by reason of the other party's culpable action.

Article 318 – Obligation to disclose information

The right to obtain information may arise from an obligation. Disclosure of information shall be required when it is required in order to determine the contents of an obligation and when a contracting party can release the information without prejudicing his/her rights. The recipient of the information shall reimburse the obligor for the expenses of such release.

Section One

Contract Law

Part One

Chapter One

General Provisions

Article 319 – Freedom of contract. Obligation to enter into a contract

1. Subjects of private law shall be free to enter into contracts and determine their contents within the scope of the law. They may also conclude contracts that are not prescribed by law but do not contravene it. If, for the protection of the essential interests of society or a person, the validity of a contract depends upon the permission of the state, then a separate law shall govern the matter.

2. If one of the parties to a contract holds a dominant position in the market, then it shall be bound by the obligation to enter into a contract in this field of activity. This party may not unjustifiably offer unequal contractual terms to another contracting party.

3. Persons who acquire or use property and services either for non-commercial purposes or for meeting their vital needs may not be unjustifiably denied entry into a contract, provided that the other party to the contract is acting within the scope of its business.

Article 320 – Invalidity of a contract for future property

A contract by which one party undertakes to either transfer all or part of his/her future property to another person or encumber it by usufruct shall be void, except if the contract is concluded for particular items of future property.

Article 321 – Contract for transfer of property

A contract by which one party undertakes to either transfer all or part of his/her present property to another person or encumber it by usufruct shall be in written form, except if the contract is concluded for particular items of present property.

Law of Georgia No 3879 of 8 December 2006 – LHG I, No 48, 22.12.2006, Art. 321

Article 322 – Invalidity of a contract on estate

1. A contract concluded by other persons on the estate of a person during his/her lifetime shall be void. The same rule shall apply to a contract concluded during a person's lifetime for either a compulsory portion of his/her estate and/or for a testamentary burden.

2. Paragraph 1 of this article shall not apply to a contract concluded among the expectant heirs at law for the hereditary or compulsory portion of one of them.

Article 323 – Procedure for transferring immovable things

A contract by which one party undertakes to transfer ownership of an immovable thing to another person or to acquire it shall be in written form.

Law of Georgia No 3879 of 8 December 2006 – LHG I, No 48, 22.12.2006, Art. 321

Article 324 – Scope of a contract for encumbrance of things

If a person undertakes to transfer or encumber his/her thing, then this obligation shall also extend to the accessories of that thing,

unless otherwise provided for in the contract.

Article 325 – Defining the terms of an obligation on a fair basis

1. If the terms for performing an obligation are to be defined by one of the parties to the contract or by a third person, then it is presumed, when in doubt, that such definition shall be constructed on a fair basis.

2. If a party considers the terms to be unfair or if their definition is delayed, a court shall make a decision on the matter.

Article 326 – Application of the rules on contractual obligations to non-contractual obligations

The rules on contractual obligations shall likewise apply to non-contractual obligations, unless it otherwise follows from the nature of an obligation.

Chapter Two

Entering into a Contract

Article 327 – Agreement on the essential terms of a contract

1. A contract shall be considered entered into if the parties have agreed on all of its essential terms in the form provided for such agreement.

2. Essential terms of a contract shall be those on which an agreement is to be reached at the request of one of the parties, or those considered essential by law.

3. A contract may give rise to the obligation to conclude a future contract. The form stipulated for the contract shall apply to the preliminary contract as well.

Article 328 – Form of a contract

1. If a specific form has been prescribed by law for the validity of a contract, or if the parties have determined such a form for the contract, then the contract shall enter into force only if it meets the requirements of the form.

2. If the parties have agreed on a written form, the contract may be concluded by drawing up one document signed by the parties. A telegraph notice, telecopy or exchange of letters shall also be sufficient for observance of the form.

Article 329 – Making an offer

1. A proposal (offer) for concluding a contract shall be regarded as an offer if in the proposal, addressed to one or more persons, the proposal-maker (offeror) indicates his/her intention to be bound by the proposal in the case of consent (acceptance).

2. A proposal addressed to an unspecified circle of persons shall be regarded as an invitation to make an offer, unless otherwise expressly indicated in the proposal.

Article 330 – Making offer to present and absent persons

1. A reply to an offer made to a present person shall be received immediately.

2. An offer made to an absent person shall be accepted within a period of time during which the offeror may reasonably expect a reply.

Article 331 – Acceptance

If an offeror has fixed a period of time for acceptance, then the offer shall be accepted within such period.

Article 332 – Late acceptance

If an offeror receives a late acceptance, but the notice of acceptance shows that it was sent out in due time, then the acceptance shall be deemed to be late only if the offeror so informs the offeree immediately.

Article 333 – New offers

1. A late acceptance shall be deemed to be a new offer.

2. When a reply indicates consent to conclude the contract but contains terms other than those specified in the offer, then such reply shall amount to a rejection of the offer and shall simultaneously constitute a new offer.

Article 334 – Presumption of consent of an offeror

If in business relations the acceptance has been given with modified terms, the contract shall be considered concluded provided that the offeree is entitled to presume consent from the offeror and the latter did not object immediately.

Article 335 – Silence as a form of acceptance

1. If an entrepreneur who performs business operations for other persons receives an offer for performance of such business operations from a person with whom he has a business relationship, he shall be bound to reply to this offer within a reasonable period of time; the silence of the entrepreneur shall amount to acceptance. The same rule shall apply when the entrepreneur receives such offer from a person from whom he/she has requested orders to perform such business operations.

2. Even if the entrepreneur rejects the offer but the goods have already been shipped, then he/she, in order to avoid harm, shall temporarily preserve the goods at the expense of the offeror so as to avoid their deterioration.

Article 336 – Doorstep contracts

A contract concluded in the street, at the doorstep or in like places between a consumer and a person conducting sales within his/her trade shall be valid only if the consumer has not rejected the contract in writing within a week, unless the contract is performed upon its conclusion.

Article 337 – Interpretation of particular expressions in a contract

If particular expressions in a contract may be interpreted differently, then preference shall be given to the version that is

commonly used at the place of residence of the parties to the contract. If the parties reside in different places, the interpretation according to the offeree's place of residence shall prevail.

Article 338 – Mutually exclusive and ambiguous expressions in a contract

If there are mutually exclusive and ambiguous expressions in a contract, preference shall be given to the expression that most closely accords with the overall content of the contract.

Article 339 – Traditions and usages of trade

When determining the rights and duties of the parties to a contract, account may be taken of the traditions and usages of the trade.

Article 340 – Interpretation of mixed contracts

When interpreting a mixed contract, account shall be taken of the legal regulations that apply to those contracts that most closely accord with and correspond to the essence of the performance.

Article 341 – Acknowledgment of the existence of a debt

1. A contract which acknowledges the existence of a debt shall be in writing. If another form is stipulated for the creation of those relations of obligation the existence of which has been acknowledged, then the acknowledgement shall also be in this form.

2. If the existence of a debt is acknowledged on the grounds of a mutual settlement (payment) or a settlement through negotiation, then the form need not be observed.

Chapter Three

Standard Contract Terms

Article 342 – Concept

1. Standard contract terms are provisions prepared in advance for repeated use that one party (the offeror) proposes to the other party, and which lay down rules that deviate from, or supplement statutory provisions.

2. If the parties have determined the contract terms in detail, then such terms shall not be deemed to be standard contract terms.

3. The terms specifically agreed upon by the parties shall prevail over standard contract terms.

Article 343 – Incorporating standard contract terms into a contract

1. Standard contract terms shall become an integral part of a contract concluded between the offeror or the other party to the contract only when:

a) the offeror, at the place of conclusion of the contract, makes an explicit notation referring to these terms, and

b) the other party to the contract is able to review the content of these terms and, if he/she agrees to them, to accept them.

2. If the other party to the contract is an entrepreneur, then standard contract terms shall become an integral part of the contract if this was to be expected by him/her when acting with the due diligence required in business relations.

Article 344 – Uncommon provisions in standard contract terms

Provisions contained in standard contract terms that are of such an uncommon character that the other party could not have expected them shall not become an integral part of the contract.

Article 345 – Interpretation of unclear provisions in favour of the other party

If the text of standard contract terms is unclear, then it shall be interpreted in favour of the other party.

Article 346 – Invalidity of terms contravening the principles of trust and good faith

Standard terms of a contract shall be void, notwithstanding their inclusion in the contract, if they disadvantage the other party to the contract and are irreconcilable with the principles of trust and good faith. In addition, account shall be taken of the circumstances in which these terms have been included in the contract, also the mutual interest of the parties, etc.

Article 347 – Invalidity of standard contract terms

When an offeror uses standard contract terms towards natural persons who are not conducting entrepreneurial activities, then the following provisions of those terms shall be void:

a) a provision by which the offeror fixes unreasonably long or obviously insufficient periods of time for accepting or refusing to accept an offer, or for performance of certain actions (periods of time for acceptance and performance);

b) a provision by which the offeror, contrary to provisions prescribed by law, reserves for himself/herself unreasonably long or insufficiently determined periods of time for performance of his/her obligations (periods of time before which breach is deemed to occur);

c) a provision which gives the offeror the right to repudiate his/her obligation without a reason which is justified and named in the contract (reservation to repudiate the contract);

d) a provision which gives the offeror the right to modify, or to deviate from, the promised performance, if agreement on such a thing is unacceptable to the other party to the contract (reservation to amend the contract);

e) a provision which gives the offeror the right to demand from the other party to the contract an unreasonably high reimbursement for expenses incurred (disproportionately high compensation for incurred expenses).

Article 348 – Other grounds for invalidity of standard contract terms

If an offeror uses standard contract terms towards natural persons who are not conducting entrepreneurial activities, the following provisions of such terms shall also be deemed void:

a) a provision which stipulates a price increase in an unreasonably short period of time (short-term price increase);

b) a provision which restricts or excludes: the right to refuse performance, which the party to a contract has under this Law or the right of the party to a contract to suspend performance until the other party performs his/her obligation (right to refuse

performance);

c) a provision by which the party to a contract is deprived of the right to set off a claim that is undisputed or has been recognised by a court decision (prohibition of setoff of counterclaims);

d) a provision by which the offeror is released from the statutory obligation to warn the other party or to fix a period of time for performance of the obligation (notice to perform an obligation, fixing a period);

e) agreement on claiming a sum higher than the amount of damages (excessive claim for damages);

f) a provision which excludes or limits the liability for damage caused by a grossly negligent breach of obligation by the offeror or by his/her agent (liability for negligence);

g) a provision by which, in the case of breach of the main obligation by the offeror:

the other party to the contract is deprived of or restricted in his/her right to repudiate the contract,

or,

the other party to the contract is deprived of or, contrary to paragraph (f) of this article, is restricted in his/her right to demand damages for non-performance of the contract (breach of the principal obligation);

h) a provision which, in the case of partial performance of the obligation by the offeror, excludes the right of the other contracting party to claim damages for non-performance of the entire contract or to repudiate the contract if partial performance of the contract is of no interest to this party (loss of interest in the case of partial performance of the obligation);

i) any provisions that, contrary to rules prescribed by law, limit the liability of the offeror for defects of a thing while supplying newly produced goods and performing works.

Chapter Four

Contract For the Benefit of a Third Person

Article 349 – Concept

Both the creditor and a third person may demand performance of a contract which has been concluded for the benefit of a third person, unless otherwise provided by law or stipulated in the contract or unless it otherwise follows from the essence of the obligation.

Article 350 – Interpretation of a contract concluded for the benefit of a third person

1. In the absence of a special stipulation, the circumstances of the matter, namely, the purpose of the contract, shall determine:

a) whether the third person is to acquire the right or not;

b) whether the right is effective at once or is subject to certain preconditions;

c) whether the parties to the contract are rightful to revoke or modify the right of the third person without his consent.

2. The party that has made a stipulation in the contract for the benefit of a third person shall retain the right to substitute the third person named in the contract regardless of the contracting party's consent.

Article 351 – Third person's renunciation of the right acquired under contract

If a third person renounces the right acquired under a contract, then the obligee may demand performance of the obligation himself/herself, unless it otherwise follows from the contract or from the essence of the obligation.

Chapter Five

Avoidance of a Contract

Article 352 – Effects of repudiating a contract

1. If one of the parties to a contract, in the circumstances under Article 405, repudiates the contract, the performances and benefits derived shall be returned to the parties (restitution in kind).

2. Instead of restitution in kind, the obligor shall pay monetary compensation if:

a) what has been acquired cannot be returned due to its nature;

b) the party uses, transfers, encumbers, transforms or alters the acquired object;

c) the acquired thing has been spoilt or perished; wear and tear resulting from its proper use shall not be taken into account.

3. If the contract provides for performance in return, then monetary compensation shall be substituted for such performance.

4. The obligation of monetary compensation shall not arise if:

a) the defect of the thing, which gives rise to the right to repudiate the contract, was detected upon its processing or alteration;

b) the thing deteriorated or perished through the obligee's fault;

c) the thing deteriorated or perished while in the custody of an authorised person despite the fact that he/she had cared for it as for his/her own thing; however, whatever remains shall be returned.

5. Under Article 394, the obligee may claim damages for breach of the obligations arising from paragraph 1 of this article.

Article 353 – Liability of the obligor not deriving benefit due to breach of the rules for proper use of the thing

1. If the obligor has not derived the benefit due to breach of the rules for proper use of the thing when he/she should have been able to derive the benefit, he/she shall reimburse the obligee of the damages caused by not deriving the benefit.

2. If the obligor returns the thing, pays reimbursement in money or, under Article 352(4)(a) and (b), no claim for damages arises, he/she shall be reimbursed for unavoidable expenses. Other expenses shall be reimbursed only if the obligee has benefited from them.

Article 354 – Performance of obligations arising from avoidance of a contract

The parties shall simultaneously perform obligations arising from the avoidance of a contract.

Article 355 – Obligation of notice of avoidance of a contract

Avoidance of a contract shall be exercised by notice to the other party.

Article 356 – Time limits for avoidance of a contract

If no time limit is fixed for avoidance of a contract, then the other party to the contract may fix such period of time for the person entitled to avoid the contract. The period of time shall be reasonable. The right to avoid the contract is extinguished unless notice of avoidance is given before the period of time lapses.

Article 357 – Avoidance of a contract by a number of persons

If one or the other contractual party is a number of persons, then the right to avoid the contract shall be exercised jointly by all participants of the party who avoids the contract, by giving notice of avoidance to all participants of the other party. If the right to avoid the contract is extinguished for one of the rightful persons, then the right shall be extinguished for all of the persons.

Article 358 – Inadmissibility of avoiding a contract

Avoidance of a contract shall not be allowed on the grounds of non-performance of an obligation if the obligor could have performed the obligation through a setoff, and after avoidance he/she immediately declares a setoff against the obligation.

Article 359 – Avoidance of a contract by the obligee

If a contract has been concluded with the stipulation that the obligor, under the contract, shall forfeit his/her rights in the case of non-performance of his/her obligations, then the obligee may avoid the contract if such non-performance occurs.

Article 360 – Mistake in the grounds for a settlement

1. A contract by which a dispute or uncertainty between the parties is settled through mutual compromises (settlement) shall be void if, proceeding from the content of the contract, the settlement relies on grounds not relevant to the true state of affairs, and the dispute or uncertainty would not have occurred if the parties had known the true state of affairs.

2. Uncertainty may exist when performance of some requirement is doubtful.

Section Two

Performance of Obligations

Chapter One

General Provisions

Article 361 – Presumption of existence of obligations

1. Each performance implies the existence of an obligation.

2. The obligation shall be performed duly, in good faith, and at the time and place determined.

Article 362 – Place of performance of obligations

If the place of performance is neither fixed nor determined from the essence of the relations of obligation, then the object shall be delivered as follows:

a) for an individually defined object – at the place where it was located at the moment when the obligation originated;

b) for an object defined by generic characteristics – at the obligor's place of business; and if no such place exists, then at his/her place of residence (legal address).

Article 363 – Change in domicile of an obligor or an obligee

1. If before the performance of an obligation the place of residence or the domicile of the enterprise of an obligor changes and due to this the obligee incurs additional expenses, then the obligor shall compensate the creditor for such expenses.

2. If before the performance of the obligation the place of residence or legal address of the obligee changes and due to this the expenses increase or the performance is at risk, then the obligee shall bear both the increased expenses and the risk with respect to the delivery of the object.

Article 364 – Early performance of obligations

The obligor may perform the obligation earlier than the due date, unless the obligee refuses to accept the performance for a valid reason.

Article 365 – Performance of obligations when no period for performance is fixed

If a period of time for performance of the obligation is neither fixed nor determinable from other circumstances, the obligee may demand its performance at any time, and the obligor may perform it immediately.

Article 366 – Inadmissibility of demanding early performance

If a period of time is fixed, then it shall be presumed, when in doubt, that the obligee may not demand performance before and the obligor may perform the obligation earlier than the set period of time.

Article 367 – Right to immediately demand performance of obligation

If a period of time is fixed for the performance of an obligation in favour of the obligor, then the obligee may immediately demand performance if the obligor has become insolvent, has decreased the promised security, or has failed to present it at all.

Article 368 – Performance of obligations in the case of conditional transactions

If the validity of a transaction depends upon the occurrence of a condition, then the obligation shall be due from the day of occurrence of that condition.

Article 369 – Refusal to perform obligations

The person who is obligated under a bilateral contract may refuse to perform an obligation until counter-performance is rendered, except if he/she was obligated to perform his/her obligation in advance.

Article 370 – Consumer credit

1. In the case of a consumer credit, the beneficiary of the credit may refuse to repay the credit if the counterclaim against the seller arising from a commutative contract relating to such credit would entitle the beneficiary to repudiate the performance of his/her obligation.

2. The contract of sale together with the contract of credit shall constitute an interrelated transaction if the credit serves to finance the purchase price and both contracts are regarded as an economic whole. An economic whole shall be deemed to exist when the seller has participated with the issuer of the credit in the preparation or conclusion of the contract of credit.

Article 371 – Performance of obligations by a third person

1. Unless it follows from the law, the contract or the nature of the obligation that the obligor is to perform the obligation personally, any third person may perform the obligation as well.

2. The obligee may reject the performance offered by a third person if the obligor objects to it.

Article 372 – Satisfaction of a creditor by a third person

If a creditor seeks enforcement against a thing belonging to the obligor, then each person who is at risk of losing the right to the thing as a result of the enforcement may satisfy the creditor. When a third person satisfies the creditor, the right of claim shall be transferred to that person.

Article 373 – Acceptance of performance by an unauthorised person

1. An obligor shall give performance of the obligation to the creditor or to the person who is authorised by law or by a court decision to accept the performance.

2. If an unauthorised person has accepted performance of the obligation, then the obligation shall be deemed to have been performed if the obligee gave his/her consent to it or received benefit from the performance.

Article 374 – Alternative obligations

If one of several obligations (alternative obligations) is to be performed, the obligor may choose, unless otherwise provided for in the contract, in the law or in the essence of the obligation.

Article 375 – Choosing obligations to be performed

If it turns out that the obligor may repudiate one obligation out of the two obligations that are due, then the obligation to perform the other action shall remain effective.

Article 376 – Rules for choosing alternative obligations

Choice under Article 374 shall be made by making a declaration or effecting performance to the other party to the contract. The obligation chosen shall be deemed to be the obligation due from the beginning.

Article 377 – Choosing more than two obligations to be performed

The rules of Articles 374-376 shall also apply when the obligor may choose more than two performances for satisfying an obligation.

Article 378 – Performance of obligations in instalments

An obligor may perform the obligation in instalments (performance of obligations in instalments) if the obligee agrees.

Article 379 – Right of the obligee to accept another performance

The obligee shall not be obligated to accept any performance other than the one determined in the contract. This rule shall also apply when the performance is of high value.

Article 380 – Quality of performance of obligations

If the quality of performance is not specified in detail in the contract, then the obligor shall perform work or deliver a thing of at least average quality.

Article 381 – Performance of obligations in the case of an individually defined object

If an individually defined thing is the subject of the contract, the obligee shall not be obligated to accept another thing even if it is of higher value.

Article 382 – Performance of obligation in the case of a generic thing

If the subject of performance is a thing, which may be substituted (a generic thing), the obligor shall always perform the obligation.

Chapter Two

Performance of Monetary Obligations

Article 383 – Concept

Monetary obligations are expressed in the national currency. Parties may also determine a monetary obligation in foreign

currency, unless prohibited by law.

Article 384 – (Deleted)

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 385 – Procedure for demanding return of payment made without obligation

The amount that has been paid without an obligation may be reclaimed under the rules regulating unjust enrichment.

Article 386 – Place of performance of monetary obligations

1. When there is doubt as to the place of performance, a monetary obligation shall be performed at the creditor's domicile (place of residence or legal address).

2. If the creditor has a banking account intended for transfers of funds at the place or in the country where the payment is to be made, then the debtor may perform his/her monetary obligation by transfer to this account, except where the creditor is against it.

Article 387 – Order of priority for payment of monetary obligations

1. If a debtor is liable to a creditor for several like performances arising out of various obligations and what has been performed is not enough to pay all the debts, then the obligation chosen by the debtor for satisfaction at the time of performance shall be paid; and if the debtor does not choose, then that debt, which was the first to fall due, shall be paid.

2. If the dates on which claims mature occur simultaneously, then the claim which is the most burdensome for the debtor shall be performed first.

3. If the claims are equally burdensome, then the claim for which the least security exists shall be performed first.

Article 388 – Priority of covering court expenses

Out of a payment made by a debtor that is not sufficient to pay all of the debt due, first shall be paid any court expenses, then the principal (debt), and finally the interest.

Article 389 – Payment of monetary obligations in the case of a change in the exchange rate of currency

If, before the date of maturity of payment, the currency (rate of exchange) appreciates or depreciates, or if the currency has been changed, the debtor shall make payment according to the exchange rate that existed at the time of the creation of the obligation. In the case of a change in the currency, the exchange relations shall be based on the exchange rate that existed between these currencies on the day of the change in currency.

Chapter Three

Obligee in Default

Article 390 – Concept

1. The obligee shall be deemed to be in default if he/she does not accept the performance offered to him/her when it is due.

2. When a certain action of the obligee is required to perform an obligation, he/she shall be deemed to be in default if he/she does not perform the action.

Article 391 – Obligation of the obligee to pay damages

The obligee shall pay damages incurred to the obligor because of the obligee's fault in not accepting an obligation performed when due.

Article 392 – Liability of an obligor when an obligee is in default

When the obligee is in default, the obligor shall be liable for the non-performance of an obligation only if the performance proved to be impossible because of the obligor's intention or gross negligence.

Article 393 – Effects of default by an obligee

If the obligee is in default, then, regardless of his/her fault:

a) he/she shall reimburse the obligor any additional expenses incurred for the storage of the object of the contract;

b) he/she shall bear the risk of any accidental spoiling or perishing of the thing;

c) he/she shall no longer be entitled to receive interest on a monetary obligation.

Section Three

Breach of Obligations

Chapter One

General Provisions

Article 394 – Claim for damages in cases of breach of obligations

1. If the obligor breaches an obligation, the obligee may claim damages arising from the breach. This rule shall not apply when the obligor is not responsible for breach of the obligation.

2. If the obligor delays performance, the obligee may give the obligor a necessary period of time to perform the obligation. If the obligor does not perform the obligation within such period of time, the obligee may claim damages instead of performance of the obligation.

3. No additional period of time need be given when it is evident that it will not yield any result, or when extraordinary circumstances exist which, in the interests of both parties, justify an immediate claim for damages.

Article 395 – Inadmissibility of preliminarily agreeing on release from liability for damages

1. An obligor shall be liable only for the damages caused by an intentional or negligent action, unless it is otherwise foreseen and unless it otherwise follows from the essence of the obligation.

2. A preliminary agreement of the parties to release the obligor from liability for damages in the case of an intentional breach of an obligation shall not be allowed.

Article 396 – Liability of the obligor for the action of his/her representative

An obligor shall be liable for the actions of his/her legal representative and of the persons whom he/she employs to perform his/her obligations to the same extent as for his/her own culpable action.

Article 397 – Liability of an obligor for receiving the object of performance from another person

The obligor shall be liable for performance even if he/she was to receive the object of performance from another person and could not receive it, unless otherwise provided for in the contract or by other circumstances.

Article 398 – Adapting a contract to changed circumstances

1. If the circumstances that were the grounds for the conclusion of a contract have evidently changed after conclusion of the contract, and the parties, had they taken the changes into account, would not have executed the contract or would have executed it with different contents, then it may be demanded that the contract be adapted to the changed circumstances. Otherwise, taking into account individual circumstances, a party to the contract may not be required to strictly observe the unchanged contract.

2. It shall also be regarded as a change in circumstances if the understandings, which constituted the grounds for the conclusion of a contract, prove to be wrong.

3. The parties shall first try to adapt the contract to the changed circumstances. If such adaptation is impossible, or if the other party does not agree, then the party whose interest has been harmed may repudiate the contract.

Article 399 – Repudiation of a long-term relationship of obligation

1. Any party to a contract may repudiate, for a valid reason, a long-term relationship of obligation without observing the period of time fixed for termination of the contract. The reason shall be valid when, taking into account the specific situation, including force majeure and the mutual interests of the parties, the party terminating the contract cannot be required to continue the contractual relationship until the lapse of the agreed period of time or until the expiry of the period of time fixed for termination of the contract.

2. If the grounds for repudiation are also a breach of contractual obligations, then repudiation of the contract shall be allowed only after the period of time fixed for elimination of the deficiencies expires or after a warning proves unsuccessful. Article 405(2) shall apply accordingly.

3. A rightful person may repudiate a contract within a reasonable period of time after the reason for termination has become known to him/her.

4. If, as a result of termination of the contract, any already given performance is no longer of any interest to the rightful person, the termination of the contract may be extended to the already given performance as well. To secure the return of the already given performance, articles 352-354 shall apply accordingly.

5. Article 407 shall apply accordingly to a claim for damages.

Chapter Two

Obligor in Default

Article 400 – Concept

The obligor shall be deemed to be in default, if:

a) he/she has not performed the obligation within the time period fixed for performance;

b) even after being warned by the obligee he/she fails to perform the obligation after the due date of the promised performance.

Article 401 – Impossibility to perform an obligation

No default shall be deemed to have occurred if the obligation is not performed due to circumstances not caused by the obligor's fault.

Article 402 – Obligor's liability

If the obligor is in default, he/she shall be liable for any negligence. He/she shall be liable even for an accident, unless he/she proves that the damage would have occurred even if the obligation had been performed in time.

Article 403 – Payment of interest when delaying the payment of funds

1. An obligor who has delayed payment of a sum of money shall pay, for the period of delay, the interest determined by agreement of the parties, provided that the obligee may not claim more on any other grounds.

2. In the case of delaying the payment of a sum of money, the payment of interest on interest may be demanded only in cases explicitly indicated in the contract.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 404 – Obligee's right to claim damages

The obligee may claim damages caused by the obligor's delay of performance.

Chapter Three

Breach of Obligations during the Term of a Bilateral Agreement

Article 405 – Setting additional period of time in the case of breaching obligations

1. If one of the parties to a bilateral contract breaches a contractual obligation, then the other party to the contract may repudiate the contract if the obligation is not performed within an additional period of time fixed by him/her. If, based on the nature of the breach, no additional period of time is afforded, then a warning shall be equivalent to the fixing of an additional period of time. If the obligation is breached only in part, then the obligee may repudiate the contract only if the performance of the remaining part of the obligation is no longer of any interest to him/her.

2. An additional period of time need not be fixed or a warning need not be issued when:

a) it is obvious that it will yield no results;

b) the obligation was not performed within the period of time fixed under the contract, and the creditor has in the contract tied continuation of the relation to the timely performance of the obligation;

c) an immediate termination of the contract is justified for specific reasons, in the mutual interests of the parties.

3. A contract may not be repudiated if:

a) the breach of an obligation is insignificant;

b) the requirements of Article 316(2) have been violated and, notwithstanding that, the obligee may be required to maintain the contract in force;

c) the obligee himself/herself is fully or principally liable for the breach of the obligation;

d) there is a counterclaim against the claim of breach, which the obligor has already asserted or will assert immediately after the repudiation of the contract.

4. The obligee may repudiate the contract before the due date of performance if it is obvious that reasons for repudiation will occur.

5. The obligor may determine a reasonable period for the obligee to repudiate the contract.

Article 406 – Right to receive counter-performance

1. If under a bilateral contract the obligor has the right to repudiate his/her obligation and the circumstance that gives him/her the right is caused through the obligee's fault, then the obligor shall retain the right to receive counter-performance.

2. This rule shall not apply if the grounds for the counter-performance arose at the time when the obligee was delaying acceptance of the performance.

Article 407 – Compensation for damages in the case of avoiding a contract

1. Upon withdrawing from the contract, the obligee may claim damages incurred by him/her as a result of non-performance of the contract.

2. This rule shall not apply when the reason for the obligee's withdrawal from the contract did not arise through the fault of the obligor.

Section Four

Duty to Pay Damages

Article 408 – Duty of restitution

1. A person who is liable to pay damages shall restore the state of affairs that would have existed if the circumstances giving rise to the duty to pay damages had not occurred.

2. If, as a result of bodily injury or harm inflicted to the health of a person, his/her ability to work is lost or diminished, or if his/her needs increase, then the injured person shall be compensated for such damage by paying him/her a monthly allowance.

3. The injured person may demand the payment of expenses for medical care in advance. The same rule shall also apply when professional retraining becomes necessary.

4. The injured person may demand compensation instead of allowances, if there is a compelling reason for doing so.

Article 409 – Impossibility of restitution

If damages cannot be paid by restitution or if such restitution would require disproportionately high expenses, then the obligee may be given monetary compensation.

Article 410 – Preliminary renunciation of the right to claim damages

Preliminary renunciation of the right to claim damages due to a breach of an obligation shall be allowed if so provided by law or by agreement of the parties.

Law of Georgia No 2284 of 4 December 2009 – LHG I, No 45, 21.12.2009, Art. 329

Article 411 – Damages for lost profits

Damages shall be compensated not only for the loss of property actually incurred but also for lost profits. Profit shall be deemed to be lost if the person did not receive it, but would have received it if the obligation had been duly performed.

Article 412 – Damages to which the duty to pay compensation applies

Only the damages which the debtor could have foreseen and which are the direct consequence of the action causing them shall be compensated.

Article 413 – Compensation for non-property damages

1. Monetary compensation for non-property damages may be claimed only in the cases precisely prescribed by law, in the form of a reasonable and fair compensation.

2. In cases of bodily injury or harm inflicted to a person's health, the injured party may claim non-property damages as well.

Article 414 – Calculation of damages

The interest that the creditor had in due performance of the obligation shall be taken into account when calculating damages. The time and place for performance of the contract shall be taken into account when calculating damages.

Article 415 – Fault of the injured person in causing damages

1. If actions of the injured person contributed to the occurrence of damages, then the duty to compensate and the amount of compensation shall depend on which party was more at fault for the damages.

2. This rule shall apply also when the injured person is at fault because of his/her omission to avoid or reduce harm.

Section Five

Additional Remedies for Securing a Claim

Article 416 – Kinds of additional remedies for securing the performance of obligations

To secure the performance of an obligation, the parties may also determine under the contract additional means for doing so: penalty, earnest money or a debtor's guarantee.

Chapter One

Penalty

Article 417 – Concept

Penalty – an amount of money determined by agreement of the parties to be paid by the obligor in the case of non-performance or improper performance of an obligation.

Article 418 – Form of determining a penalty

1. The parties to the contract are free to determine a penalty that may exceed the possible damages, except as provided for in Article 625(8) of this Code.

[1^1. The net obligation of a party determined after a mutual setoff or a final mutual setoff provided for by the Law of Georgia of Financial Collaterals, Setoffs and Derivatives is not a penalty or other, similar penal sanction and shall not be deemed to be a penalty or other, similar penal sanction. ***(Shall become effective from 14 January 2020)***]

2. The agreement for a penalty shall be made in written form.

Law of Georgia No 239 of 29 December 2016 – website, 13.1.2017

Law of Georgia No 5674 of 20 December 2019 – website, 31.12.2019

Article 419 – Inadmissibility of simultaneous demands for payment of a penalty and performance of an obligation

1. An obligee may not demand simultaneously the payment of a penalty and the performance of the obligation, unless the penalty has been stipulated to apply in those cases where the obligor does not perform the obligations in due time.

2. The obligee may always claim damages.

Article 420 – Reduction of penalty by court

A court, taking into account the circumstances of the case, may reduce a disproportionately high penalty.

Chapter Two

Earnest Money

Article 421 – Concept

Earnest money is a sum of money paid by one party to a contract to the other party as the sign that the contract has been concluded.

Article 422 – Counting earnest money towards payment of an obligation

Earnest money shall be credited against the performance owed, and if it is not credited, then it shall be returned after performance of the obligation.

Article 423 – Counting earnest money towards compensation for damages

1. If the earnest money giver breaches the assumed obligation, then the earnest money shall remain with the party who received it. In addition, the earnest money shall be counted towards any compensation for damages.

2. If the non-performance of an obligation is caused by the fault of the earnest money receiver, then this party shall return to the other party double the amount of the earnest money. In addition, the party who gave the earnest money may claim damages.

Chapter Three

Debtor's Guarantee

Article 424 – Concept

A debtor's guarantee is an undertaking to perform an unconditional action or an action that is beyond the scope of the contract.

Article 425 – Validity of a guarantee

The guarantee shall be valid unless it contravenes the rules laid down by law or obligates the debtor excessively.

Article 426 – Form of guarantee

A guarantee shall be executed in writing.

Section Six

Termination of Obligations

Chapter One

Termination of Obligations by Performance

Article 427 – Termination of obligations by performance in favour of an obligee

A relationship of obligation shall be terminated by performance of the obligation in favour of the obligee (performance).

Article 428 – Termination of obligations by novation

A relationship of obligation shall also be terminated when the obligee accepts performance of another obligation in the place of performance of the originally foreseen obligation.

Law of Georgia No 1902 of 28 December 2002 – LHG I, No 4, 22.1.2003, Art. 20

Article 429 – Accepting the performance of obligations

1. The obligee, on demand of the obligor, shall issue a document confirming that performance of the obligation has been accepted in full or in part.

2. A document drawn up to confirm the receipt of a debt that says nothing about the interest shall imply that the interest has been paid and the monetary obligation is satisfied in full.

3. When the payment of a debt is made periodically, in instalments, then the document on payment of the last instalment shall, until proven otherwise, imply that the preceding instalments have also been paid.

Article 430 – Particulars of a document confirming the receipt of performance

A document on receipt of performance drawn up by a creditor or by a person authorised to do so shall include data on the amount and the kind of the debt, the name and the surname of the debtor or of the person who is paying the debt, and the time and place of the performance.

Article 431 – Right to demand a certificate of indebtedness

If a certificate of indebtedness has been issued relating to a claim, then the debtor, along with the document on receipt of performance, may demand return or cancellation of the certificate of indebtedness. If the creditor is unable to return the document, then the debtor may demand an officially certified document indicating that the debt has been extinguished.

Article 432 – Compensation for expenses relating to issuing the document on receipt of performance

1. The expenses relating to issuing a document on receipt of performance shall be borne by the debtor, unless otherwise stipulated in the agreement with the creditor.

2. If a creditor changes his/her place of residence or dies leaving heirs at another place of residence, the increased expenses for issuing the document on receipt of performance shall be borne by the creditor or his/her heirs.

Article 433 – Repudiation of performance by reason of the creditor's non-performance of duties

If a creditor refuses to issue a document on receipt of performance or return or cancel a certificate of indebtedness or indicate in the document on receipt of performance that the certificate of indebtedness cannot be returned or acknowledge that the debt is extinguished, then the debtor may repudiate performance. In such cases the creditor shall be deemed to be in default.

Chapter Two

Termination of Obligations by Deposit

Article 434 – Concept

1. If an obligee delays acceptance of performance or his/her whereabouts are unknown, then the obligor may deposit the object of performance with a court or a notary office, or deposit money or securities to the deposit account of the notary.

2. By such deposit the obligor shall be released from the obligation to the obligee.

Article 435 – Transfer of the deposited property to the obligee

A judge or a notary shall transfer the deposited property to the obligee. The court or the notary shall select a depositary but retain the documents.

Article 436 – Objects suitable for deposit

Deposited objects shall be fit for storage. Perishable objects shall not be accepted for storage.

Article 437 – Place of storage

Storage shall be effected according to the place of performance.

Article 438 – Demand that the obligee accept objects

A court or a notary shall notify the obligee of receiving the object of performance for storage and demand that the obligee accept the object.

Article 439 – Compensation for storage expenses

All expenses with respect to the storage shall be borne by the obligee.

Article 440 – Reclamation of a deposited object by an obligor

1. An obligor may claim the deposited object back before its acceptance by the obligee, unless he/she initially refused to reclaim it. If the obligor reclaims the object, the storage shall be deemed not to have occurred.

2. The obligor may take back the deposited object if the obligee refuses to accept it or if the period of time fixed under Article 441 has elapsed.

3. If the obligor takes back the object, he/she shall bear the storage expenses.

Article 441 – Period of time for storing objects of performance

A court or a notary shall keep the object of performance for up to three years. If the obligee does not accept the object within that period, then the obligor shall be notified about it and it shall be demanded that the obligor take back the deposited object. If the obligor does not accept the object within the period required for taking back, the object shall be deemed property of the state.

Chapter Three

Termination of Obligations by Setting off Counterclaims

Article 442 – Possibility to set off obligations

1. Counterclaims between two persons may be terminated by setoff if these claims have become due.

2. Obligations may also be set off when one of the claims has not become due but the party holding such claim agrees to the setoff. Obligations shall be set off by notice to the other party.

[Article 442^1 – Mutual setoffs and final mutual setoffs

Bilateral obligations arising from a qualified financial contract entered into within a mutual setoff agreement may be performed by a mutual setoff and/or a final mutual setoff, which is regulated by the Law of Georgia on Financial Collaterals, Mutual Setoffs and Derivatives.

(Shall become effective from 14 January 2020)]

Law of Georgia No 5674 of 20 December 2019 – website, 31.12.2019

Article 443 – Possibility to set off time-barred claims

Lapse of the limitation period on a claim shall not exclude setoff of the obligations if the limitation period had not expired at the time when the claim could still have been offset.

Article 444 – Claims subject to setoff

If the claims that are to be offset cannot compensate each other in full, only the lesser of the two claims shall be offset.

Article 445 – Several claims subject to setoff

1. If a party to a contract who was notified of a setoff has several claims subject to setoff, then the rules of Article 387 shall apply.

2. If a party is obligated to pay interest and other expenses to the other party in addition to the principal obligation, then the rules of Article 388 shall apply.

Article 446 – Setoff of obligations for different places of performance

Set-off of obligations shall also be allowed when different places have been designated for performance of the respective claims.

Article 447 – Inadmissibility of setting off claims

Claims may not be set off:

a. if setoff of claims was excluded in advance by an agreement;

b. if the object of an obligation cannot be enforced or if the object of the obligation serves as a livelihood;

c. if the obligation envisages payment of damages caused by infliction of harm to health or by death;

d. in other instances provided for by law.

Chapter Four

Termination of Obligations by Forgiveness of Debt

Article 448 – Concept

Forgiveness of a debt by agreement of the parties shall terminate the obligation.

Article 449 – Effects of forgiveness of debt for other joint and several debtors

Forgiveness agreed between the obligee and one joint and several debtors shall also release the other joint and several debtors, unless the obligee retains his/her claim against them. In such case, the obligee may assert against the rest of the joint and several debtors only one claim, less the share of the released debtor.

Article 450 – Effects of forgiving debt to the principal debtor

1. Forgiveness of debt granted to the principal debtor shall release any sureties as well.

2. Forgiveness of debt granted to the surety shall not release the principal debtor from performance of the obligation.

3. Forgiveness of debt granted to one surety shall release the other sureties as well.

Article 451 – Effects of renunciation of the claim under a bilateral contract

Waiver by one of the parties to a bilateral contract of his/her claim shall not terminate the obligation. That party shall perform its obligations under the contract until the other party also waives its claim.

Chapter Five

Other Grounds for Terminating Obligations

Article 452 – Termination of obligation where the obligee and the obligor turn out to be the same person

An obligation shall be terminated when the obligee and the obligor prove to be same person.

Article 453 – Termination of obligations due to the obligor's death

1. The death of the obligor shall terminate the obligation if performance is impossible without his/her personal participation.

2. The obligee's death shall terminate the obligation if the performance was intended personally for the obligee.

Article 454 – Termination of obligations due to liquidation of a legal person

The obligation of a legal person shall be terminated from the moment of the registration of completion of its liquidation.

Section Seven

Multiple Obligees or Obligors with Respect to Obligation

Chapter One

Joint and Several Obligees

Article 455 – Joint entitlement

If a number of persons are entitled to claim performance of the obligation so that each of them may claim the performance in full and the obligor is liable for the performance only once, then these persons are jointly rightful persons – joint and several obligees.

Article 456 – Grounds for joint entitlement

Joint entitlement shall arise out of a contract, by law or by the indivisibility of the object of an obligation.

Article 457 – Performance of obligations to any obligee

The obligor may perform the obligation to any of the obligees at his/her own discretion, unless one of the obligees has asserted a claim against him/her under Article 455.

Article 458. Performance of obligations for one of the obligees

Performance of the obligation in full for one of the obligees shall release the obligor from the obligation with respect to the rest of the obligees.

Article 459 – Effects of renunciation by one of the joint and several obligees

If one of the joint obligees waives a claim against the obligor, the obligor shall be released from payment only to the extent of the share of the payment which was due to this obligee.

Article 460 – Inadmissibility of applying the facts related to other obligees

The obligor may not use against one of the obligees the facts relating to another obligee.

Article 461 – Rights of the heirs of joint and several obligees

If a joint and several obligee leaves a number of heirs, each heir shall be entitled to only that part of the right to the debt that corresponds to his/her portion of the estate.

Article 462 – Liability of a joint and several obligee before the rest of the joint and several obligees

1. A joint and several obligee who has received performance in full from the obligor shall be liable to pay to the rest of the obligees the share to which they are entitled.

2. The joint and several obligees shall have equal shares in relation to each other unless otherwise determined among them.

Chapter Two

Joint and Several Obligors

Article 463 – Joint obligation

If a number of persons are bound to perform the obligation so that each of them is to participate in the performance of the whole obligation (joint obligation) and the obligee has the right to claim the performance only once, then they are joint and several obligors.

Article 464 – Grounds for joint obligation

Joint obligation shall arise out of a contract, by law or by the indivisibility of the object of the obligation.

Article 465 – Right of the obligee to demand performance from any of the obligors

The obligee may demand, at his/her own discretion, performance from any of the obligors, both in part or in full. Until the entire performance is rendered, the obligation of the rest of the obligors shall remain effective.

Article 466 – Counterclaim of a joint and several obligor against the obligee

A joint-and-several obligor may assert against the obligee all the counterclaims which arise out of the essence of the obligation, or to which only the obligor is entitled, or which are common for all joint and several obligors.

Article 467 – Effects of the entire performance by one of the obligors

The entire performance by one of the obligors shall release the rest of the obligors from performance. The same rule shall apply in the case of setoff exercised by the obligor with the obligee.

Article 468 – Inadmissibility of applying facts relating to another obligor

The facts relating to one of the joint and several obligors may be used only against that person, unless the relationship of obligation dictates otherwise.

Article 469 – Lawsuit against one of the joint and several obligors

The filing of a claim against one of the joint and several obligors shall not deprive the obligee of his/her right to file a claim against the rest of the obligors.

Article 470 – Effects of delay in accepting performance

1. The effects of the obligee's delay in accepting performance from one of the joint and several obligors shall be effective for the rest of the joint and several obligors.

2. The effects of a delay in performance by one of the joint and several obligors may not be used against the rest of the joint and several obligors.

Article 471 – Rights of heirs of a joint and several obligor

If a joint and several obligor leaves a number of heirs, each heir shall pay the claim according to his/her portion of the estate. This rule shall not apply when the claim is indivisible.

Article 472 – Merger of the obligee's claim with one of the joint obligor's debt

If the claim of the creditor is merged with the debt of one of the joint and several obligors, the obligation of the rest of the obligors shall be terminated in proportion to the share of that obligor.

Article 473 – Right of subrogation in the case of entire performance by one of the obligors

1. An obligor who has performed a joint obligation has the right of subrogation against the rest of the obligors proportionately to their equal shares, though with subtraction of his/her own share, unless otherwise provided for in a contract or law.

2. When the extent of the liability of each obligor cannot be determined, the obligors shall be equally liable to each other.

Article 474 – Effects of insolvency of a joint and several obligor

If one of the obligors is insolvent, then the share fixed for him/her shall be distributed in equal shares among all other, solvent obligors.

Article 475 – Compensation of a joint and several obligor

If a joint obligor has received a benefit from the joint obligation, another joint and several obligor who has not received such benefit may claim from the former satisfaction for the performance of his/her obligation.

Article 476 – Effect of expiry of the period of limitation

Suspension or interruption of the period of limitation to one of the joint and several obligors shall not apply to the other obligors.

Special Part

Section One

Contract Law

Part Two

Chapter One

Sale; Exchange

I – General Provisions

Article 477 – Concept; subject matter

1. Under a contract of sale, the seller shall transfer to the buyer the title to the property and the documents relating to it and deliver the goods.

2. The buyer shall pay the seller the agreed price and accept the purchased property.

3. If the contract does not expressly indicate the price, the parties may agree on the method by which it is to be determined.

Article 478 – Expenses of sale of a movable thing

Expenses relating to the transfer of a sold thing, in particular the expenses of weighing, measuring and packing, shall be borne by the seller, and the expenses of receipt and shipping of the goods from the place of execution of the contract to another place shall be borne by the buyer, unless otherwise provided for in the contract.

Article 479 – Expenses of sale of an immovable thing

The seller of a plot of land or other immovable thing shall bear the expenses of executing a contract of sale, registering it with the Public Registry and submitting the necessary documents for registration, unless otherwise provided for in the contract.

Law of Georgia No 3879 of 8 December 2006 – LHG I, No 48, 22.12.2006, Art. 321

Article 480 – Duties of a seller when shipping goods

1. If the seller transfers goods to a carrier under a contract, and these goods are not clearly marked either with an identification marker or by any other means, then the seller shall notify the buyer of the shipment of the goods and, in addition, shall dispatch to the buyer a detailed list of the freight.

2. If the seller is obligated to ship the goods, he/she shall execute the contracts that are required for carriage of freight to the agreed place and for regular terms of such carriage.

3. If the seller is not obligated to insure the freight during the carriage, then, upon request of the buyer, he/she shall hand over to the buyer all the information at his/her disposal that is necessary for execution of such contract of insurance.

Article 481 – Obligations of the seller of a plot of land

1. The seller of a plot of land shall pay the expenses for the development of the plot and for similar activities performed on the plot incurred before the execution of the contract, regardless of the moment when the obligation to pay arises.

2. (Deleted).

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Article 482 – Transferring of the risk of accidental perishing of things

1. Upon transfer of the sold thing the risk of accidental perishing or spoiling of the thing shall pass to the buyer, unless otherwise agreed by the parties.

2. If the seller, upon request of the buyer, ships the sold thing to a place other than that provided for in the contract, the risk of

accidental perishing or spoiling of the thing shall pass to the buyer from the moment when the seller delivers the thing to the carrier or to the person responsible for performance.

Article 483 – Presumption of acceptance of goods

The goods shall be considered accepted if the buyer performs the action that evidences acceptance.

Article 484 – Grounds for repudiation of the contract

1. Each party to the contract may refuse to perform his/her obligations if it turns out after execution of the contract that there is a real danger of non-performance by the other party of a significant part of his/her obligations.

2. Such refusal shall not be allowed if the safety of this party is secured.

Article 485 – Selling goods to a number of persons

If the seller has sold the same item to a number of persons, then priority shall be given to the buyer into whose possession the item was first transferred, and if the item has not been transferred to any of them, then to the buyer with whom a contract was earlier executed.

Article 486 – Delivery of sold goods in instalments

When the sold goods are delivered in instalments, a party to the contract may repudiate the contract if by reason of non-performance of only one obligation of delivery by the other party, a real danger arose that the future obligations of delivery will also not be performed.

Article 487 – Duty to transfer a thing free of defects

The seller shall transfer to the buyer a thing free of material and legal defects.

Article 488 – Thing free of material defects

1. A thing shall be regarded as free of material defects if it is of the agreed quality. If the quality is not agreed in advance, then the thing shall be deemed free of defects if it is suitable for the use intended under the contract or for customary use.

2. It shall also be a material defect if the seller transfers only one part of the thing or an entirely different thing or transfers it in insufficient quantity, or if one part of the thing is defective, except if the defect will not materially affect the performance of the thing.

Article 489 – Thing free of legal defects

1. A thing shall be regarded as free of legal defects if third persons cannot assert against the buyer any claim with respect to his/her rights to it.

2. Any non-existent right registered in the Public Registry shall amount to a legal defect.

Article 490 – Duties of the seller when selling a defective thing

1. If the thing sold is defective, the seller shall either remedy the defect or, in the case of a generic thing, replace it within the time required for it.

2. Expenses required for remedying the defect, including expenses of transportation, transit, work and cost of material, shall be borne by the seller.

3. The seller may refuse to eliminate the defect or to replace the thing if either action would require disproportionately high expenses.

4. If the seller transfers to the buyer a thing free of any defect to remedy a defect, then he/she may demand that the buyer return the defective thing.

Article 491 – Right of the buyer to terminate the contract

1. By reason of the defect of the thing, the buyer may demand termination of the contract under Article 352.

2. The seller shall compensate the buyer for the expenses incurred.

Article 492 – Demand for price reduction

If the buyer does not demand the remedying of the defect or replacement of the defective thing with a new thing free of defects after lapse of the period of time accorded to the seller, nor the termination of the contract, then he/she may demand reduction of the price of the thing in the amount necessary to remedy the defect. The price existing at the time of execution of the contract shall be taken into account.

Article 493 – Right to reject goods

1. The buyer may refuse to accept the goods if the seller has delivered to him/her a smaller quantity of goods than that specified in the contract. If the buyer accepts such goods, he/she shall pay the price in proportion to the contractual price.

2. If the quantity of the goods delivered exceeds the amount specified in the contract, then the buyer may either accept such quantity and pay the price in proportion to the contractual price or accept only the quantity specified in the contract and return the excess at the expense of the seller.

Article 494 – Procedure for compensation of damages arising out of the sale

1. Damages incurred due to a defect of the thing sold or due to a breach of other conditions stipulated in the contract shall be paid according to the general rules.

2. No rights shall accrue to the buyer on the grounds of a defect of the thing if at the time of execution of the contract he/she had the knowledge of the defect.

Article 495 – Acceptance of a defective thing by the buyer

1. If the buyer is an entrepreneur, he/she shall inspect the thing immediately; if he/she fails to assert a claim against the seller within an appropriate period of time after detecting a defect or within the period of time during which he/she ought to have had

knowledge of the defect, then he/she shall be deprived of the right to complain on the grounds of the defect in the thing.

2. If the seller intentionally kept silent about the defect of the thing, he/she may not exercise the right provided for in this article.

Article 496 – Duration of fitness of a thing

If the seller defines the duration of the fitness of the thing, it shall be presumed that any defect that may be detected within this period of time shall entitle the buyer to make a claim with respect to the defect.

Article 497 – Exclusion of liability of the seller

The liability of the seller for defects may be excluded or limited by contract but such agreement shall be void if the seller intentionally kept silent about a defect in the thing.

Article 498 – Transfer of right or other property

1. The rules governing the sale of a thing shall apply accordingly to the sale of a right or any other property.

2. When selling a right, the seller shall undertake the expenses of verification of the validity and of transfer of the right.

3. If a right is sold that provides the possibility to possess a thing, then the seller shall transfer to the buyer that thing free of material or legal defects.

Article 499 – Repeated sale of things

If a thing is sold repeatedly, the right securing an obligation shall be passed to every subsequent buyer. A buyer may assert claims within the scope of his/her rights against the relevant seller in this succession of sales.

Article 500 – Seller's lien

If the buyer does not accept the thing in time or fails to pay its price in time, the seller shall keep the thing. The seller may retain the thing or detain them in transit until the buyer reimburses the seller for the corresponding expenses.

Article 501 – Return of things by the buyer

If the buyer has accepted a thing but is willing to return it lawfully, then he/she shall take care in storing the thing. The buyer may retain the thing until the seller reimburses him/her for the corresponding expenses.

Article 502 – Expenses for storing things

The party obligated to keep the thing may, at the expense of the other party, store it in the warehouse of a third person, unless doing so would result in disproportionate expenses.

Article 503 – Right of the keeper of things

1. The party keeping a thing according to the rules of Articles 500-502 may sell the thing by observing the applicable rules if the other party delays accepting the thing or reimbursing the expenses of keeping them. He/she shall notify the other party to that effect.

2. The party selling the thing may retain from the sale proceeds an amount corresponding to the expenses of storing and selling the thing and shall hand over the remaining amount to the other party.

Article 504 – Peculiarities of keeping perishable things

If in the cases provided for in Articles 500 and 501 the thing is perishable or may depreciate or its storage requires large expenses, the party liable to keep it shall sell it according to the provisions of Article 503.

II – Instalment Sale

Article 505 – Concept

In the case of an instalment sale the seller shall deliver the thing to the buyer before the price is paid. Payment of the price of the thing shall be made in periodic instalments on fixed time intervals.

Article 505^1 – Obligation of a seller when selling by instalments

1. If a seller is an entrepreneur, when selling by instalments, he/she shall comply with the requirements under Article 625 of this Code with regard to the interest rate, fee, penalty and the imposition of any financial sanctions.

2. When selling by instalments, if the total liabilities of a buyer to the same seller as a result of selling by instalments do not exceed GEL 200 000 (two hundred thousand), the receipt by a seller of the price for an item of up to GEL 200 000 (two hundred thousand) shall not, in any form, be attached or indexed to a foreign currency.

Law of Georgia No 239 of 29 December 2016 – website, 13.1.2017

Law of Georgia No 3315 of 21 July 2018 – website, 7.8.2018

Law of Georgia No 4104 of 22 December 2018 – website, 10.1.2019

Article 506 – Form of an instalment contract

1. An instalment contract shall be executed in writing.

2. The contract shall indicate:

a) the amount of cash payment;

b) the amount and time of payment by instalments;

c) the annual rate of interest.

3. The seller shall deliver to the buyer the copies of the documents of sale.

Article 507 – Presumption of execution of a contract upon delivery of things

If a contract is executed in violation of the requirements of Article 506, the contract shall be deemed to have been executed from the moment of delivery of the thing. In such case, the buyer shall pay only the price of the thing, free of interest.

Article 508 – Bilateral restitution upon non-performance of obligations

Where the seller retains the right to repudiate the contract on the ground of the buyer's default, then upon repudiation both parties shall return to each other what they have received under the contract. Any agreement to the contrary shall be void.

III – Redemption

Article 509 – Concept

If the seller has the right of redemption under a contract of sale, the exercise of the right shall depend on the will of the seller.

Article 510 – Redemption price

Redemption shall be exercised by paying the initial price. At the same time, the buyer may also demand the amount by which the value of the goods has increased up to the moment of redemption as a result of useful expenditures, and the redeemer may demand deduction of the amount by which the value of the goods has decreased before its redemption.

Article 511 – Fate of accessories upon sale

The buyer shall return the purchased thing together with its accessories.

Article 512 – Reimbursement of damages occurring before redemption

If the buyer damages or modifies the thing before the seller exercises the right of redemption, he/she shall reimburse the seller for the damages so incurred.

Article 513 – Invalidity of transfer of a thing before redemption

If the buyer transfers a thing before the exercise of the right of redemption, such transfer shall

be void.

Article 514 – Limitation period of the right of redemption

The period of time during which the right of redemption may be exercised may not exceed ten years. This period of time must not be extended.

Article 515 – Option

The parties may agree on the buyer's unilateral right to buy an object up to a specific time or until the occurrence of a specific event (option to purchase), or, under the same conditions, the seller's right to sell the object to the buyer (option to sell). The norms regulating a contract of sale shall apply to an option contract unless the parties agree otherwise.

IV – Pre-emptive Right

Article 516 – Concept

1. A person having a pre-emptive right may exercise the right if the obligor executes a sales contract for a given thing with a third party.

2. The pre-emptive purchase right is neither alienable nor hereditary unless otherwise stipulated.

Article 517 – Duty to give notice of anticipated sale of things

1. The obligor shall immediately notify the person who has a right of pre-emption of the contents of the contract that he/she intends to execute with third persons.

2. The pre-emptive right shall be exercised by notice to the obligor. By the notice, a contract of sale shall be executed between the rightful person and the obligor under the terms that the obligor offered to the third party.

3. A person having a right of pre-emption may exercise the right only within the period of time fixed by the obligor.

Article 518 – Invalidity of an agreement to not exercise a right of pre-emption

Any agreement between the obligor and a third person shall be void if, under that agreement, the contract of sale is dependent on the non-exercise of the right of pre-emption, or the obligor may repudiate the contract if the right of pre-emption is exercised.

Article 519 – Performance of additional obligations

1. If a third person has contractually assumed an additional obligation that the person having the right of pre-emption is unable to perform, then he/she shall pay the value of the additional obligation instead of performing it.

2. If the additional obligation cannot be measured in monetary terms, the right of pre-emption may not be exercised; the agreement on the additional obligation becomes invalid if the agreement was made in order to elude the right of pre-emption.

Article 520 – Contract of Sale conditioned upon approval of a thing

A contract of sale may be executed on the condition of approval of a thing, provided the buyer does not reject the thing within the agreed period of time. In the case of rejection the parties shall return to each other what they have received under the contract.

V – Exchange

Article 521 – Concept

1. Under a barter agreement, the parties shall transfer ownership of property to each other.

2. Each party to the barter agreement shall be deemed to be the seller of the property he/she offers and the buyer of the property that he/she receives in return.

Article 522 – Unequal value of exchanged property

If the bartered property is not equal in value to the property received in return, part of the property may be paid with money by agreement of the parties.

Article 523 – Rules applied to barter

The corresponding rules regulating sales contracts shall apply to barter contracts.

Chapter Two

Gift

Article 524 – Concept

Under a contract of gift the donor gratuitously transfers to the donee ownership of property with the consent of the donee.

Article 525 – Execution of a gift contract; promise of a gift

1. A gift contract shall be deemed to be executed from the moment of transfer of the property.

2. A gift contract with respect to an immovable thing shall be deemed to be executed from the moment that the ownership right provided for in the contract is registered in the Public Registry.

3. A promise of a gift shall give rise to the obligation to give the gift only if made in writing.

Law of Georgia No 3879 of 8 December 2006 – LHG I, No 48, 22.12.2006, Art. 321

Article 526 – Inadmissibility of giving a gift

A person shall not have the right to transfer property as a gift if the gift would deprive the donor or his/her dependents of their basic means of support.

Article 527 – Defect of property transferred as a gift

If the donor maliciously conceals a defect in the gift property, he/she shall reimburse the donee damages incurred.

Article 528 – Donation

1. The parties may determine that the validity of the contract of gift depends on the performance of certain conditions or on the achievement of a particular objective. This objective may be the common good as well (donation).

2. Besides the donor, the person in whose interests the condition was stipulated may also demand performance.

3. If the donee does not perform the condition, the donor may repudiate the contract.

Article 529 – Revocation of the gift due to ingratitude of the donee

1. The gift may be revoked if the donee grossly insults or shows extreme ingratitude towards the donor or his/her near relative.

2. If the gift is revoked, the donor may recover the gift property.

3. The gift may be revoked within one year after the donor becomes aware of circumstances that give him/her the right to revoke the gift.

Article 530 – Recovery of the thing given as a gift

1. If after giving the gift the donor falls onto hardship and is unable to maintain himself/herself or his/her dependents, then he/she may demand the return of the gift thing from the donee, provided it still exists and the return would not put the donee in hardship.

2. The thing given as a gift may not be recovered if the donor put himself/herself into hardship intentionally or through gross negligence.

Chapter Three

Rental

Article 531 – Concept

Under a rental contract the lessor shall transfer the thing to the use of the lessee for a specified period of time. The lessee shall pay the landlord the agreed upon rent.

Article 532 – Transfer of the object of rent in suitable condition

The lessor shall transfer to the lessee the rented thing in a condition fit for the use specified under the contract and shall maintain the object in that condition during the entire period of the rental contract.

Article 533 – Duty to transfer things free of defects

The lessor shall transfer to the lessee the rented thing free of legal or material defects.

Article 534 – Things free of legal defects

A thing shall be regarded as free of legal defects if a third person may not assert against the lessee any claims with respect to the thing.

Article 535 – Things free of material defects

A thing shall be regarded as free of material defects if it has the stipulated characteristics. If these characteristics are not stipulated, then the rented thing shall be deemed free of defects if it is fit for the use specified in the contract or for ordinary use.

Article 536 – Reduction of rent by reason of defective things

1. If the rented thing is found to be defective, then the amount of the rent shall be reduced by the amount by which the fitness of the thing is diminished by reason of the defect. The right shall expire upon elimination of the defect. Minor defects shall not be taken into account.

2. A tenancy agreement manifestly prejudicial to the tenant shall be void.

Article 537 – Reimbursement of damage incurred by reason of defective things

1. If a defect diminishing the fitness of the thing exists at the moment of execution of the contract or if it is found afterwards due to the circumstances for which the lessor is liable or if the lessor delays remedying the defect, then the lessee may claim damages without forfeiting the right to claim reduction of the rent.

2. If the lessor delays remedying the defect, then the lessee may remedy it himself/herself and claim the expenses.

Article 538 – Effects of not asserting a claim by reason of a defect in things

If at the time of concluding the contract the lessee is aware of a defect in the thing and does not assert a claim by reason of it, then the rights under Article 536 shall not accrue to him/her.

Article 539 – Invalidity of agreement to release liability

Any agreement by which the lessor's liability for defective thing is relieved or limited shall be void if the lessor has intentionally concealed the defect.

Article 540 – Obligation to tolerate nuisances when renting lodgings

The tenant of lodging shall tolerate the influences applied to the rented thing that are required for maintenance of the rented lodging or the building. If possible, the landlord shall notify the tenant of the measures and avoid any actions not caused by necessity.

Article 541 – Right to terminate the contract

1. If transfer of the rented thing to the lessee, in whole or in part, is delayed, or if afterwards the lessee is deprived of the right to use the thing, then the lessee may terminate the contract without observing the term stipulated for its termination. Termination of the contract shall be allowed only if the lessor does not eliminate the circumstances hindering the use of the thing within the period of time fixed by the lessee.

2. The period of time need not be fixed if the lessee has lost interest in the contract as a result of the circumstances providing grounds for terminating the contract.

3. When renting lodging, a tenancy agreement that prohibits or restricts the right of termination defined in paragraph 1 of this article shall be void.

Article 542 – Termination of a tenancy agreement by a tenant

If a dwelling or other lodging intended for human habitation is in a condition that presents a significant danger to the health of the dwellers, then the tenant may terminate the tenancy agreement without observing the term. The tenant shall still have this right even if at the time of conclusion of the agreement he/she was aware of the danger but did not assert the claim.

Article 543 – Duties of the lessee upon detecting a defect in rented things

If the rented thing is found to be defective, or if necessary measures are to be taken to protect the thing from an unforeseen danger, then the lessee shall immediately notify the lessor to that effect. The same rule shall apply when a third person asserts his/her rights to the thing.

Article 544 – Burden of encumbrance created on the rented thing

The burden of an encumbrance created on the rented thing shall rest on the lessor.

Article 545 – Obligations of the lessor

1. The lessor shall be obligated to reimburse the lessee for necessary expenses incurred with respect to the rented thing.

2. The obligation to pay other expenses shall be determined according to the rules governing the agency without specific authorisation.

Article 546 – Right of the lessee to things added to the rented thing

1. The lessee may retain that with which he/she has equipped the rented thing.

2. The landlord of a dwelling place may replace the exercise of this right with appropriate compensation, except when the tenant disagrees with the landlord for a valid reason.

Article 547 – Liability for normal wear and tear to things

The lessee shall not be liable for any alteration or deterioration of the rented thing caused by the use specified under the contract.

Article 548 – Expenses of current repair

1. As a rule, the tenant shall carry out current repairs. He/she may not make alterations or reconstruction of the dwelling place without the consent of the landlord.

2. The tenant shall perform the works at his/her own expense.

3. The landlord may claim damages caused by the tenant's non-performance of the duty under paragraph 1 of this article.

Article 549 – Consent of the lessor to a sublease

The lessee shall not have the right to transfer the rented thing to a third person (subleasing) without the consent of the lessor. A family member of the lessee shall not be deemed to be a third person.

Article 550 – Inadmissibility of refusing to sublet

The landlord may not refuse the subletting of a dwelling if the tenant, having a valid reason, is willing to sublet some or all of the rented lodging to a third person. This rule shall not apply if the sub-tenant is an undesirable person for the landlord, or if the lodging is overcrowded, or if a subletting is unacceptable to the landlord for other reasons.

Article 551 – Fate of subletting upon completion of the tenancy

If the subletting is intended to evade the guaranties of termination of the tenancy agreement, then upon completion of the tenancy the landlord shall assume the rights and duties existing between the tenant and the subtenant.

Article 552 – Amount of security for tenancy relations

1. If under a tenancy agreement the tenant is required to submit a guarantee to secure the obligation, the amount of the security may not exceed triple the amount of one month's rent. If the amount of money is to be paid in advance, then the tenant may pay it in equal monthly instalments over three months.

2. Interest at the rate determined by law shall accrue on the security paid in advance, and after completion of the tenancy it shall be returned to the tenant together with the accrued interest.

3. Any agreement concluded otherwise to the detriment of the tenant shall be void.

Article 553 – Procedure for payment of rent

1. Rent shall be paid when the term of the rental contract expires. If the payment of rent is to be made periodically, then it shall be paid at the end of each period.

2. The payment of additional expenses may be required only if an agreement on the matter exists between the parties.

Article 554 – Effect of non-payment of rent through the fault of the lessee

If the lessee is impeded in the use of the rented property through his/her own fault, he/she shall not be released from payment of the rent.

Article 555 – Early termination of the tenancy agreement at the tenant's initiative

The tenant of a dwelling place may terminate the tenancy agreement before it expires, provided he/she gives the landlord a one month's notice to that effect and offers the landlord a tenant who is solvent and acceptable for the landlord and who agrees to be the tenant for the remaining term of the tenancy.

Article 556 – Counterclaims of the tenant against the landlord

If against the claim for payment of rent the tenant has the tight to detain property or to set off other claims arising out of the tenancy relation, then the tenant may exercise such right even if otherwise provided for in the agreement, provided he/she gives advance notice to the landlord.

Article 557 – Termination of the contract at the lessor's initiative

A lessor may terminate the contract before the expiration of its term if the lessee significantly damages the rented thing or creates an apparent danger of such damage despite a warning given by the lessor.

Article 558 – Termination of the agreement due to non-payment of rent

A lessor may terminate the contract before the expiration of its term if the lessee has not paid the rent for three months.

Article 559 – Termination of rental relations upon expiration of the term

1. Rental relations shall be terminated upon expiration of the term of the contract.

2. If the lessee continues to use the thing after expiration of the term of the contract and the lessor does not object to it, then the contract shall be deemed to have been extended for an indefinite term.

3. If the term of the rental contract is not fixed, then the making a declaration of termination of the contract shall terminate the tenancy.

Article 560 – Right to demand extension of the tenancy agreement for an indefinite term

If a tenancy agreement is concluded for a fixed term, then the tenant may demand extension of the tenancy agreement for an indefinite term by giving a written notice at least two months before termination of the tenancy relations, provided the landlord consents.

Article 561 – Period of time for termination of the contract

The period of time for termination of a rental contract shall be three months unless it otherwise follows from the circumstances or from the agreement of the parties.

Article 562 – Termination of a tenancy agreement for valid reasons

1. The landlord may terminate a tenancy agreement only for valid reasons.

2. A reason shall be valid if:

a) the tenant has substantially breached his/her obligations under the contract;

b) the landlord needs the dwelling place for himself/herself or for his/her close relatives;

c) the tenant refuses to pay the increased rent corresponding to market rates offered by the landlord;

d) the tenant has committed such illegal or immoral acts against the landlord that continuation of their relation is no longer possible.

3. If the object of the tenancy is a furnished apartment, then the landlord may always terminate the tenancy agreement, provided he/she observes the period fixed for termination of the contract.

Article 563 – Form of termination of a tenancy agreement

Termination of a tenancy agreement shall be made in writing.

Article 564 – Duties of the lessee upon termination of the rental contract

Upon termination of a rental contract, the tenant shall return the rented thing to the landlord in the same condition in which he/she received it, taking into account normal wear and tear, or in the condition specified in the contract.

Article 565 – Inadmissibility of the right to detain property

The lessee of a plot of land may not detain the plot of land in satisfaction of his/her claims.

Article 566 – Transfer of rented property to third persons

If the lessee has transferred the thing to the use of a third party, then after termination of the rental contract the lessor may recover the thing from the third party.

Article 567 – Payment of damages arising from failure to return rented things

1. If after completion of the rental relations the lessee does not return the rented thing, the lessor may claim the stipulated rent for the period of such delay as compensation for damages.

2. An agreement by which the lessee is bound to pay damages in excess of the damage incurred shall be void.

Article 568 – Lessor's lien on lessee's things

In order to secure any claims arising out of the rental relations, the lessor of a plot of land, house or apartment shall have a lien on the things that the lessee has brought to the place. The lien lapses upon removal of the things from the rented premises if this is done in the ordinary course of affairs.

Article 569 – Form of a rental contract on a plot of land

A rental contract on a plot of land for a term of more than ten years shall be in writing. If the form is not observed, the contract shall be presumed to have been concluded for an indefinite term. The contract may be terminated only after the expiration of the first year of the tenancy.

Article 570 – Procedure for termination of contracts concluded for more than ten years

If a rental contract is concluded for a term of more than ten years, then after ten years each party may terminate the contract within the period prescribed under Article 561.

Article 571 – Transfer of rights of the tenant to his/her family members

If a tenancy agreement is concluded for a dwelling place where the tenant manages his/her common household together with his/her family members, then in the case of the tenant's death, his/her family members shall enter into the legal relation with the landlord. They may terminate the tenancy agreement within the term determined by law.

Article 572 – Succession of title in case of transfer of rented things

If the lessor transfers the rented thing to a third person after having transferred it to the possession of the lessee, the buyer shall takes the place of the lessor and the rights and duties arising out of the rental relations shall pass to him/her.

Article 573 – Limitation period on claims for damages

1. By reason of substitution or deterioration of the rented thing the lessor, within six months, may claim damages and the lessee may assert against him/her any claim for the recovery of expenses incurred.

2. The period of limitation on the lessor's claim for damages begins to run from the moment the rented thing is returned, and the period of limitation on the lessee's claim from the moment the rental contract is terminated.

Article 574 – Dispute between spouses in the case of divorce

1. Where, in the case of divorce, the spouses cannot agree on who will live in the rented lodging, a court shall settle the dispute.

2. It does not matter for the court which of the spouses is the tenant. If the court acknowledges the right of that spouse to the lodging who is not the tenant, then that spouse becomes a party to the tenancy agreement.

Article 575 – Protection of a lessor's rights

The lessor may protect his/her possessions from any encroacher, including the owner.

Chapter Four

Finance Lease

Article 576 – Concept

1. Unless otherwise determined by the legislation of Georgia, under a finance lease agreement the lessor shall transfer the specified property to the use of the lessee for a term stipulated by the agreement, with or without the right to purchase the property. The lessee shall pay compensation to the lessor with the specified periodicity, provided that:

a) the lessee determines the property and chooses the supplier, from which to purchase or otherwise obtain the property;

b) the lessor acquires the property to lease it out and the supplier is aware of the fact.

2. The supplier may concurrently be a lessor if the supplier's ordinary business is the supply or leasing of property. Property may also be acquired from the lessee.

3. The leased property may be re-leased upon expiry or early termination of the finance lease agreement but in order for the provisions of this chapter to apply, the lessor shall obtain the lessee's confirmation of an independent selection of property.

4. The subject-matter of lease may not be money, security or share in an enterprise.

5. Unless otherwise determined by the legislation of Georgia, and if as a result of granting the amount of lease financing the total liabilities of a lessee to the same lessor is less than GEL 200 000 (two hundred thousand), the receipt by a lessor of the cost shall not, in any form, be attached or indexed to a foreign currency

6. If a lessor is an entrepreneur, when granting a lease, the annual effective interest rate of the lease shall not exceed 50%. In addition, the lessor shall comply with the requirements under Article 625(5) and (8) of this Code in relation to imposition of a fee, financial expense, penalty and any type of financial sanction. For these purposes, the National Bank of Georgia may determine the procedure for calculating the annual effective interest rate of a lease, the fee, financial expense, penalty and/or any type of financial sanction.

Law of Georgia No 5119 of 13 October 2011 – website, 31.10.2011

Law of Georgia No 3315 of 21 July 2018 – website, 7.8.2018

Law of Georgia No 4104 of 22 December 2018 – website, 10.1.2019

Article 577 – Lessee's rights with regard to the supplier

1. The supplier's obligations specified under the contract between the lessor and the supplier shall apply to the lessee as well, but the supplier shall not be liable simultaneously to the lessor and the lessee for the same damage.

2. Upon request from the lessee, the lessor shall assign to the lessee its rights with respect to the demand of the performance of the contract concluded with the supplier.

3. Any amendments to the contract concluded with the supplier which affect the lessee's rights may be made only with consent of the lessee.

4. Any agreement between the parties contrary to the provisions of paragraphs 1-3 of this article shall be void.

5. The lessee may not agree to amend, terminate or dissolve the contract with the supplier without the lessor's consent.

Law of Georgia No 5119 of 13 October 2011 – website, 31.10.2011

Article 578 – Rights to leased property

1. Leased property shall be the object of a separate right even if it becomes an essential component part of another thing or intangible property.

2. The buyer of leased property takes the place of the lessor and the rights and obligations arising from the finance lease agreement shall pass to the buyer.

Law of Georgia No 5119 of 13 October 2011 – website, 31.10.2011

Article 579 – Inadmissibility of refusing to discharge obligations

Neither party to a finance lease agreement may refuse to discharge an obligation due to the fact that the other party does not fulfil its obligations, except when the lessee's leasehold is impaired under Article 580^5(2) of this Code.

Law of Georgia No 5119 of 13 October 2011 – website, 31.10.2011

Article 580 – Accepting property

1. The property shall be regarded as accepted when the lessee confirms to the lessor or the supplier that the property complies with the terms of the contract concluded with the supplier or when the lessee does not reject the property after it had a reasonable opportunity to inspect it or when the lessee starts using the property.

2. After accepting the property, the lessee may claim damages from the supplier if the property does not comply with the terms of the contract with the supplier.

3. The risk of destruction of, or damage to, the property shall pass to the lessee after accepting the property.

Law of Georgia No 5119 of 13 October 2011 – website, 31.10.2011

Article 580^1 – Violating the terms of the delivery of the property

1. If the property is not delivered to the lessee, delivery is delayed or does not comply with the terms of the finance lease agreement, the lessee may refuse the property and demand from the supplier property that conforms with the terms of the contract and/or claim damages from the supplier.

2. If the terms of delivery of the property are violated, the risk of perishing or damage to the property shall rest with the supplier, subject to the provisions of Article 580^5 of this Code.

Law of Georgia No 5119 of 13 October 2011 – website, 31.10.2011

Article 580^2 – Lessee's rights during the assignment of claims

If the lessor's claim under the finance lease agreement is assigned, the parties may agree to a procedure different from the one provided for in Article 201(2) of this Code.

Law of Georgia No 5119 of 13 October 2011 – website, 31.10.2011

Article 580[3] – Obligation to transfer property free of defects

1. The supplier shall be responsible for making sure that the property is in the condition specified by the finance lease agreement and is fit for the use for which such property is normally intended.

2. The lessee shall be liable for damages caused by reason of the non-compliance of the property with the description that the lessee has provided to the lessor or the supplier.

Law of Georgia No 5119 of 13 October 2011 – website, 31.10.2011

Article 580[4] – Lessee's obligations with respect to maintaining and returning leased property

1. The lessee shall duly maintain the leased property, use it for the purpose for which such property is normally intended, and preserve it in the same condition as it was accepted, normal wear and tear excepted.

2. If the finance lease agreement stipulates an obligation to duly maintain the leased property or the manufacturer or the supplier lays down the rules for using the property, the lessee's compliance with the obligation to duly maintain the leasehold property or with the rules of using the property shall amount to the performance of the lessee's obligation under paragraph 1 of this article.

3. Upon expiry or early termination of a finance lease agreement, the lessee shall return the property to the lessor in the condition defined in paragraph 1 of this article if it does not use the property or does not have the tight to acquire the property or retain it for an additional lease period.

Law of Georgia No 5119 of 13 October 2011 – website, 31.10.2011

Article 580[5] – Termination of lease agreement

1. The lessor may terminate the finance lease agreement if the lessee substantially breaches its obligations.

2. The lessee may not terminate the finance lease agreement after having accepted the leased property, except when it can no longer exercise leasehold over the leased property or the leasehold is restricted by a person having a pre-emptive right to the property if this right or claims arise from the lessor's culpable action. In all other cases, when the lessor substantially breaches its obligations, the lessee may demand only damages, not the termination of the contract.

Law of Georgia No 5119 of 13 October 2011 – website, 31.10.2011

Article 580[6] – Possession and administration of property

1[1]. In the case provided for in paragraph 1 of this article, a lessor's claim for recovery of possession of the subject of leasing under Article 580[7] of this Code shall immediately be allowed.

2. The lessee may claim from the lessor damages caused by the lessor's action if the lessor recovers the property by unlawful interruption of the lessee's leasehold or if the lessor has not fixed an additional period of time under Article 405(1) of this Code, except if such period of time need not be given under Article 405(2) of this Code. At the same time, the lessee may not claim restoration of leasehold over the leased property.

Law of Georgia No 5119 of 13 October 2011 – website, 31.10.2011

Law of Georgia No 1195 of 30 June 2017 – website, 14.7.2017

Article 580 – Recovery of possession of a transport vehicle and/or an auxiliary technical equipment of an agricultural machine under Article 53(1) of the Law of Georgia on Traffic to a lessor

1. A lessor has the right to claim for a forced recovery of possession of the subject of leasing on the basis of a leasing certificate submitted to an enforcement institution, without referring to the court, if the subject of leasing is a transport vehicle and/or an auxiliary technical equipment of an agricultural machine under Article 53(1) of the Law of Georgia on Traffic.

2. Recovery by an enforcement institution of the subject of leasing provided for in paragraph 1 of this article to a lessor shall be performed under the procedure established by the Law of Georgia on Enforcement Proceedings.

3. Appealing against a leasing certificate shall not result in suspending its enforcement.

4. A lessor, who recovered possession of the subject of leasing according to paragraph 2 of this article, in the case provided for by the legislation of Georgia, shall register the subject of leasing provided for in paragraph 1 of this article under the procedure established by the legislation of Georgia.

5. Costs related to the forced recovery of possession of the subject of leasing provided for in paragraph 1 of this article to a lessor shall be imposed on a lessee.

Law of Georgia No 1195 of 30 June 2017 – website, 14.7.2017

Article 580^8 – A leasing certificate

1. When leasing of a transport vehicle and of an auxiliary technical equipment of an agricultural machine under Article 53(1) of the Law of Georgia on Traffic is registered with the Legal Entity under Public Law – the Service Agency of the Ministry of Internal Affairs of Georgia, if a lessee fails to fulfil an obligation defined in Article $580^6(1^1)$ of this Code within 10 business days after receiving a written request of a lessor, the Legal Entity under Public Law – the Service Agency of the Ministry of Internal Affairs of Georgia shall, based on an application of the lessor, issue a leasing certificate.

2. A leasing certificate is a subordinate act of the enforcement to prove the fact of registration of the leasing of a transport vehicle and of an auxiliary technical equipment of an agricultural machine under Article 53(1) of the Law of Georgia on Traffic with the Legal Entity under Public Law – the Service Agency of the Ministry of Internal Affairs of Georgia, and based on which a lessor has the right, under the legislation of Georgia, to make a claim against an authorised body (an official) for recovery of possession of the subject of leasing.

3. A leasing issuing entity shall be responsible for the lawfulness of an application for issuing a leasing certificate submitted by the leasing issuing entity to the Legal Entity under Public Law – the Service Agency of the Ministry of Internal Affairs of Georgia.

Law of Georgia No 1195 of 30 June 2017 – website, 14.7.2017

Chapter Five

Lease

Article 581 – Concept

1. Under a lease contract the lessor shall transfer the specified property to the temporary use of the lessee and allow the lessee to obtain the fruit of the property during the lease period, if it is obtained through proper management of the leased property. The lessee shall pay the lessor the stipulated lease payment. The lease payment may be both in money and in kind. The parties may also agree on other means of determination of the lease payment.

2. The rules governing a rental contract shall apply to a lease contract, unless otherwise provided under Articles 581-606.

Article 582 – Dissolution of a lease contract concluded for a term of more than ten years

If a lease contract is concluded for a term of more than ten years, then after expiration of the term each party may dissolve the lease relationship within the period determined under Article 561 of this Code, provided the lease contract provides for such condition.

Law of Georgia No 4627 of 5 May 2011 – website, 18.5.2011

Article 583 – Lease of land together with inventory

1. If a plot of land is leased together with inventory, then the lessee shall be liable for maintaining each part of the inventory.

2. The lessor shall replace the parts of the inventory that have become unsuitable due to circumstances beyond the lessee's control. The lessee shall restitute the loss of any livestock included in the inventory, regardless of the proper management of the leased property.

3. The lessee shall keep the inventory in such condition and replenish it over the lease period to an extent that corresponds to properly managed property. Particular pieces of inventory purchased by the lessee and attached to the common inventory shall become the property of the lessor.

Article 584 – Risk of accidental loss of inventory

1. If the lessee of a plot of land receives the inventory with an assessment of its value and undertakes to return it also with an assessment of its value upon expiration of the contract, then the risk of accidental loss or spoliation shall rest with the lessee. The lessee may administer individual parts of the inventory within the limits of proper management of the property.

2. Upon expiration of the term of the lease contract the lessee shall return the inventory to the lessor. The lessor may refuse to accept the inventory purchased by the lessee if it is unnecessary for proper management of the land or if it is overly expensive; simultaneously with the lessor's refusal, the right of ownership of unaccepted inventory shall transfer to the lessee. If there is a difference in the assessments of the value of conveyed and returned inventories, then the difference shall be compensated in money. The assessment shall be made on the basis of the prices that were operative at the moment of completion of the lease contract.

Article 585 – Inadmissibility of prohibiting the administration of individual parts of inventory

Provisions of a lease contract that obligate the lessee not to administer individual parts of the inventory or to administer them only with the consent of the lessor shall be valid only if the lessor assumes the obligation to purchase the inventory in accordance with the inventory assessment performed upon expiration of the lease relationship.

Article 586 – Lien on the inventory

1. The lessee of a plot of land shall have a lien on the inventory in his/her possession for claims that may be asserted against the lessor in relation to the leased inventory.

2. The lessor may avoid the lessee's lien by submitting other means of security. He/she may redeem each item of inventory from the lien by offering security equal to the value of such items.

Article 587 – Sublease

1. The lessee may not sublease without the consent of the lessor.

2. The lessor may refuse to allow the sublease of individual parts of the leased property if doing so would incur substantial damage to him/her.

3. The lessee shall be liable to the lessor for any use of the thing by a sub-lessee or a renter that was not authorised by the lessor. The lessor may directly terminate such use of the property by a sub-lessee or renter.

Article 588 – Early return of the leased property

1. If the lessee returns the property before termination of the lease, he/she shall be exempt from further lease payments only if he/she offers the lessor a new lessee who is solvent and acceptable to the lessor in his/her place. The new lessee shall agree to accept the lease contract on the same conditions.

2. If the lessee fails to offer such lessee, then he/she shall make lease payments until end of the lease.

Article 589 – Dissolution of lease contracts concluded with an unspecified term

1. If the term of a contract for lease of land or right is not specified, then the contract may be dissolved only after one year; in such case it may be dissolved not later than one month after the end of the year of lease.

2. These rules shall also apply when a lease relationship may be dissolved earlier than prescribed by law.

Article 590 – Dissolution of the contract by reason of death of the lessee

1. If the lessee dies, both his/her heirs and the lessor may dissolve the lease relationship within six months after the end of the calendar year.

2. The heirs may refuse to allow dissolution of the contract and may claim extension of the lease, provided they can properly manage the leased property themselves or through third persons.

Article 591 – Recovery of damages in case of failure to return the leased property

If, after completion of the lease, the lessee does not return the leased property, the lessor may claim the stipulated lease payment for the delayed return of the property; the lessor may claim other damages as well.

Chapter Six

Farm Lease

Article 592 – Concept

1. Under a farm lease contract, a plot of land is transferred for agricultural use, with or without residential or utility buildings (enterprise) intended for economic use.

2. The rules governing lease contracts shall apply to a farm lease unless otherwise prescribed by the farm lease.

Article 593 – Form of contract

A farm lease contract shall be drawn up in writing. If this form is not observed, the contract shall be presumed to have been made for an indefinite term.

Article 594 – Inventory of the leased property

At the beginning of the lease relationship the parties shall jointly make an inventory of the leased property in which its extent and the condition in which it is leased is established. The same rule shall apply at the end of the lease relationship. The inventory shall be signed by both parties and the date of its making shall be indicated.

Article 595 – Condition of leased property. Repair of leased property

The lessor shall transfer to the lessee leased property in a condition fit for the use specified under the contract and maintain this condition during the whole term of the lease. The lessee shall perform current repairs of the property at his/her own expense, shall repair the residential and utility buildings, roads, ditches, pipelines and fences. The lessee shall use the leased property for economic purposes.

Article 596 – Lien on the fruits

To satisfy the claims arising out of the lease, the lessor shall have a lien on the things added by the lessee and on the income (fruits) derived from the leased property.

Article 597 – Demand for reduction of lease payment

If more than half of the annual harvest of the leased land perishes due to a natural disaster or any other Force-Majeure, then the lessee may demand a pro rata reduction of the lease payment. The lessee may demand reduction of the lease payment only based on an act drawn up before the harvest specifying the amount and causes of loss.

Law of Georgia No 1282 of 14 February 2002 – LHG I, No 4, 5.3.2002, Art. 18

Correction of mistake – LHG I, No 5, 21.3.2002, p. 11

Law of Georgia No 496 of 18 November 2008 – LHG I, No 33, 1.12.2008, Art. 210

Article 598 – Duty to reimburse necessary capital outlays

The lessor shall compensate the lessee for the capital outlays, which have been incurred under the lease contract to improve the leased property (including land).

Law of Georgia No 1282 of 14 February 2002 – LHG I, No 4, 5.3.2002, Art. 18

Article 599 – Reimbursement of outlays incurred by consent of the lessor

Apart from the outlays defined under Article 598, upon expiration of the lease relation the lessor shall reimburse the lessee any other necessary expenses to which the lessor has consented.

Law of Georgia No 1282 of 14 February 2002 – LHG I, No 4, 05.03.2002, Art. 18

Article 600 – Compensation for harvest not yet gathered

If a lease relationship is terminated during a year of the lease, the lessor shall compensate the lessee for the value of the harvest not yet gathered under proper management rules but which is to be gathered before the end of the current year of the lease.

Article 601 – Obligation of a lessee to a new lessee

1. Upon expiration of the farm lease, the lessee shall leave for a new lessee the buildings in a suitable condition, and the equipment and agricultural products in the amounts necessary to continue management until the next year's harvest.

2. If the lessee leaves the products in a greater amount or of a better quality than he/she received at the beginning of the lease, he/she may demand compensation from the lessor for the difference.

Article 602 – Obligation to return the leased property

After the lease relations expire the lessee shall be obligated to return the leased property in a condition that ensures proper management of the property as it existed before the return.

Article 603 – Lessee's rights to individual parts of leased property

1. The lessee may detach the equipment with which he/she equipped the leased property. The lessor may substitute the lessee's right to detach with corresponding compensation, except if the lessee has a legitimate interest in the detachment.

2. An agreement that excludes the lessee's right of detachment specified in paragraph 1 of this article shall be valid only if the agreement stipulates a corresponding amount of compensation.

Article 604 – Demand for extension of the lease relationship

The lessee may demand from the lessor extension of the lease relationship if:

a) the leased property is the sustenance of the lessee's business;

b) the plot of land is vitally essential for sustaining the lessee's business and dissolution of the lease, even in accordance with the contract, is so painful for the lessee and his/her family that it may not be justified even on the grounds of the legitimate interests of the lessor.

Article 605 – Termination of lease upon expiry of its period

The lease relationship shall terminate by the lapse of the term of the contract. A contract concluded for a term of more than three years may be extended for an indefinite term if an offer of one party to extend the lease is not rejected by the other party within three months. The offer and the rejection shall be made in writing.

Article 606 – Termination of lease in the case of contracts with unspecified term

1. If a lease period is not specified, then each party to the contract may, not later than ten days from the commencement of a lease year, declare its intention to dissolve the lease contract for the next year of the lease. A calendar year shall be deemed to be a lease year. If the parties agree on a shorter period of time, then this shall be drawn up in writing.

2. If a lease relationship may be terminated earlier than prescribed by law, this shall be allowed only at the end of a lease year.

Chapter Seven

Franchise

Article 607 – Concept

A franchise agreement is a long-term relationship of obligation under which independent enterprises are bilaterally bound, as far as necessary, to promote the production and marketing of goods and rendering of services by performing specific obligations.

Article 608 – Obligations of franchiser

1. A franchiser shall present to a franchisee, in the form in which the franchiser exercises them: intangible property rights; trademarks and trade names; samples and packaging; the concepts of management, production, purchase and marketing of goods, as well as any other information required to promote sales.

2. The franchiser shall protect the system of joint operation from the intervention of third parties, develop it consistently, and support the franchisee by sharing business skills and providing information and training.

Article 609 – Obligations of a franchisee

A franchisee shall pay a franchise fee, the amount of which is essentially calculated taking into account the contribution made towards the implementation of the franchise system, actively conduct the business with due diligence, receive services, and purchase goods through the franchiser or through persons named by the franchiser if this is directly related to the goal of the agreement.

Article 610 – Obligation not to disclose confidential information

At the time of execution of the contract, the parties shall openly and completely inform each other about the circumstances relating to the franchise, especially the franchise system, and communicate the information to each other in good faith. The parties shall not disclose the information disclosed to them even if the agreement is not executed.

Article 611 – Form of contract

The validity of a franchise contract requires that it be in written form. In addition to clearly indicating the bilateral obligations, the duration of the contract, provisions on termination or extension of the contract and other essential clauses, the contract shall contain a complete description of the franchise system.

Article 612 – Duration of contract

1. The duration of the contract shall be determined by the parties taking into account the requirements for marketing the given goods and services.

2. If the duration of the contract exceeds ten years, either party may dissolve the contract by observing a one-year period of time required for dissolution. If neither party exercises the right to dissolve the contract, the contract shall be extended for two years. If the contract is dissolved by the expiry of its term or at the initiative of the parties, then the parties shall try, by observing the principles of mutual confidence, to continue the contract on the same or altered terms until the business relationship is actually ended.

Article 613 – Loyal competition

1. Even after expiration of the contractual relationship the parties shall compete with each other loyally. Within these limits, the franchisee may be prohibited from competing within a specified area for a period of time, which shall not exceed one year.

2. If the prohibition of competition may endanger the professional business, then an appropriate monetary compensation shall be given to the franchisee despite the expiration of the term of the contract.

Article 614 – Liability of a franchiser

The franchiser shall be liable for the rights and information specified by the franchise system. If he/she breaches the contractual obligation by his/her fault, the franchisee may reduce the franchise fee. The amount of the reduction shall be determined finally by an independent expert, the expenses of whose services shall be borne by the parties.

Chapter Eight

Lending

Article 615 – Concept

Under a contract of lending, the lender undertakes the obligation to transfer property to the borrower for his/her temporary and gratuitous use.

Article 616 – Liability of a lender

The lender shall be liable only for damages caused either intentionally or by gross negligence.

Article 617 – Obligation to pay damages for concealment of defects

If the lender knowingly conceals a defect of the right or thing from the borrower, he/she shall be obligated to compensate damages incurred.

Article 618 – Using the loaned thing for its intended purpose

The borrower may not use the loaned thing otherwise than as stipulated in the contract. He/she may not transfer the thing to the use of a third person without the consent of the lender.

Article 619 – Obligation to bear ordinary expenses

1. Ordinary expenses required for the maintenance of the loaned thing shall be borne by the borrower.

2. The lender's obligation to pay other expenses shall be determined according to the rules governing agency without specific authorisation.

Article 620 – Wear and Tear of loaned things

The borrower shall not be liable for modifications to or deterioration of the loaned thing if they are caused with use that conforms to the contract.

Article 621 – Obligation to return loaned things

1. The borrower shall return the loaned thing after expiration of the period determined under the contract of lending.

2. If no such period is fixed under the contract, then the lender may retrieve the thing after expiration of the period of time required for the intended use; and if the intended use is not specified, then he/she may demand return of the thing at any time.

3. The borrower may return the thing at any time.

Article 622 – Effect of death of the borrower

If the borrower dies or if the lender is in need of the thing due to unforeseen circumstances, then the lender may dissolve the contract.

Chapter Nine

Loan

Article 623 – Concept

Under a loan contract the lender transfers to the ownership of the borrower money or some other generic thing, and the borrower undertakes the obligation to return a thing of the same kind, quality and amount.

Article 624 – Form of a loan contract

A loan contract shall be made orally. The parties may agree on a written form as well. In the case of an oral contract its validity may not be proved only on the grounds of witnesses' testimony.

Article 624 – Procedure for granting secured loans/credits

When granting a loan/a credit secured by an immovable thing and/or by a transport vehicle defined under Article 53(1) of the Law of Georgia on Traffic and/or an auxiliary technical equipment of an agricultural machine, and by a water, air and railway means of transportation, a creditor/loan holder must transfer financial resources to a borrower/recipient of a loan in the form of non-cash settlement.

Law of Georgia No 3315 of 21 July 2018 – website, 7.8.2018

Article 625 – Obligation of a creditor and a loan interest

1. The parties may agree on an interest on the loan. A monthly interest rate agreed upon by the parties shall be indicated in a mortgage-backed loan contract.

2. When determining a loan interest as agreed by the parties, an annual effective interest rate must not exceed 50%.

3. The monthly interest rate agreed upon by the parties and indicated in a mortgage-backed loan contract, including the expenses (except for a mortgage notarisation and mortgage registration expenses) related to the use of the loan, shall not exceed one twelfth of 2.5 times the previous calendar year's arithmetical mean of the market interest rates of loans issued by commercial banks posted by National Bank of Georgia on its official website, which enters into force from 1 March each year.

3^1. The requirement under paragraph 2 of this article shall apply to all loan types, and to the annual amount of a monthly interest rate as agreed upon by the parties under paragraph 3 of this article.

4. Unless otherwise determined by the legislation of Georgia, provisions under paragraph 3 of this article shall not apply to loan agreements made by a commercial bank, a microfinance organisation, and a non-bank depository institution – a credit union.

5. Unless otherwise determined by the legislation of Georgia, in case of granting a loan, the amount of any fee, financial expense (except for the expenses included in the calculation of the effective interest rate of a loan), of a penalty and any type of a financial sanction provided for/imposed on a borrower under the loan contract for violation of any provision of the contract shall not exceed the annual 0.27% of the remaining principal amount of the loan for each day. For the purposes of 0.27% provided for/imposed under the loan contract, the creditor shall not include in the penalty and any type of financial sanction provided for/imposed on a borrower under the contract, when the loan period is exceeded (until the exceeded loan period is fully corrected), the imposition of one-time payment of a maximum of GEL 20 (or its equivalent in a foreign currency) as a penalty, and, in the case of refinancing of a loan or an early repayment of a loan with his/her own resources and/or by a third person under paragraph 8 of this article, the imposition of a fee for advance payment. The amount of a penalty and any type of financial sanction provided for/imposed on a borrower under the contract for violation of any provision of the loan contract at each exceeding of the loan period shall not exceed in total the 1.5-time amount of the currently remaining principal amount of the loan. For the purposes of this paragraph, the remaining principal amount of the loan shall not include, when the loan period is exceeded, the increment of the remaining principal amount of the loan in the case of the loan deferment, loan refinancing and/or loan restructuring, and correction of the exceeded loan period through loan restructuring, loan refinancing (if the refinancing is done through conclusion of a contract with a primary creditor) and/or loan deferment shall not be deemed to be the full correction of the exceeded loan period. For the purposes of this paragraph, loan restructuring, loan refinancing (if the refinancing is done through conclusion of a contract with a primary creditor) and loan deferment shall only be deemed to be the full correction of the exceeded loan period when the borrower has fully paid the financial resources related to the penalty, any form of financial sanction, fee and financial expenses imposed on him/her for exceeding the loan period.

6. For the purposes of this article, the 'effective interest rate' shall be defined under a legal act of the National Bank of Georgia.

6^1. For the purposes of paragraph 5 of this article, the National Bank of Georgia may establish the procedure, which is different from the one defined in paragraph 5 of this article, for calculating the current remaining principal amount of the loan, and for considering a fee, financial expenses, penalty and/or any form of financial sanction.

7. Unless otherwise determined by the legislation of Georgia, a loan of up to GEL 200 000 (two hundred thousand) shall be granted only in GEL, except when the total liabilities of a borrower to the same creditor as a result of granting the loan exceed GEL 200 000 (two hundred thousand). For the purposes of this paragraph, any loan attached or indexed, in any form, to a foreign currency shall not be considered as having been granted in GEL.

8. Unless otherwise determined by the legislation of Georgia, in case of granting of a loan, a lender shall be prohibited, in the case

of refinancing of a loan granted by it, or in the case of repayment of a loan by the customer with his/her own resources and/or by a third person as determined under this Code, to impose on the customer a fee and/or a penalty for advance payment, or any fine sanctions that, content-wise, is a fee and/or a penalty for advance payment, which exceeds 2% of the remaining principal amount of the loan.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Law of Georgia No 1864 of 25 December 2013 – website, 30.12.2013

Law of Georgia No 239 of 29 December 2016 – website, 13.1.2017

Law of Georgia No 1901 of 23 December 2017 – website, 11.1.2018

Law of Georgia No 3315 of 21 July 2018 – website, 7.8.2018

Law of Georgia No 4104 of 22 December 2018 – website, 10.1.2019

Article 626 – Termination of the contract and payment of the debt

1. If the time for payment of the debt is not specified in the contract, then the loan shall be repaid upon termination of the contract by the lender or by the borrower.

2. The period of time for termination of the contract shall be three months. If no interest is promised, then the borrower may prepay the debt before its due date. An interest-bearing loan may be prepaid only by the preliminary agreement of the parties or with the consent of the lender.

3. Interest shall be paid after the lapse of each year. If the maturity date is specified in the loan, then both the debt and the interest shall be paid when due.

Article 627 – Right of acceleration

The lender may accelerate the debt if the economic condition of the borrower deteriorates significantly, endangering the repayment of the loan. This right shall also be effective if the deterioration of the borrower's economic condition preceded the conclusion of the contract but the lender became aware of it only after the concluding the contract.

Article 628 – Promise of a loan

If a loan is promised, the promisor may refuse to grant the loan if the other party's economic condition has deteriorated so badly that the repayment of the loan may be endangered. The promise of a loan shall be made in writing.

Article 628^1 – Restriction of attracting funds

1. An entrepreneurial entity shall have the right to attract repayable funds from more than 20 natural persons (including from an individual entrepreneur) only in accordance with the procedure and requirements determined by the Organic Law of Georgia on National Bank of Georgia.

2. If a microfinance organisation attracts funds in any form from more than 20 natural persons (including from an individual entrepreneur), then the amount of money attracted from each natural person (including from an individual entrepreneur) must not be less than GEL 100 000 (one hundred thousand) (or its equivalent in a foreign currency). If the obligation to comply with the requirements under this paragraph arises for a microfinance organisation, then it shall pay the amount less than GEL 100 000 (one hundred thousand) (or its equivalent in a foreign currency) attracted from less than 20 natural persons (including from an individual entrepreneur) within one year after that obligation has arisen.

Law of Georgia No 239 of 29 December 2016 – website, 13.1.2017

Law of Georgia No 1901 of 23 December 2017 – website, 11.1.2018

Law of Georgia No 3315 of 21 July 2018 – website, 7.8.2018

Chapter Ten

Contract for Work

Article 629 – Concept

1. Under a contract for work, the contractor undertakes to perform the work specified in the contract and the client assumes an obligation to pay the agreed compensation to the contractor.

2. If some article is to be manufactured under a contract for work, and the contractor manufactures it with the materials that he/she purchased himself/herself, then he/she shall transfer the title to the manufactured thing to the client. If a generic thing is manufactured, the rules governing a contract of sale shall apply.

3. Drawing up an estimate for a contract for work shall not be compensated, unless otherwise provided for in the agreement.

Article 630 – Agreement for compensation

1. Compensation shall be deemed to have been tacitly agreed if, considering the circumstances of the case, the contract work is expected to be performed only for compensation.

2. If the amount of compensation is not agreed upon, a tariff rate shall be deemed to apply where such rate exists, but where no tariffs exist, a customary fee shall apply.

Article 631 – Effects of overrunning an approximate estimate

1. If a contractor significantly overruns an approximate estimate, he/she may demand only the agreed compensation, except when the cost overrun could not be foreseen.

2. The contractor shall immediately notify the client of any overrun of the approximate estimate that could not be foreseen at the time the contract was made. If the client terminates the contract because of the cost overrun, he/her shall pay for the work according to the approximate estimate.

Article 632 – Obligation to perform work in person

A contractor shall perform work in person only if specific circumstances or the nature of the work so require.

Article 633 – Client's obligation to pay damages

1. The contractor may claim damages if the client does not accept the work performed. The client shall also pay damages if he/she does not perform actions necessary for performance of the work.

2. The amount of damages shall be determined, on the one hand, according to the duration of delay and the amount of compensation and, on the other, according to what the contractor would have received for his/her labour used otherwise if the employer had accepted the work in time.

Article 634 – Mechanic's lien on movable things

To secure his/her claims, a contractor may apply the right of lien on any movable thing manufactured or repaired by him/her if this thing is in the contractor's possession for the purpose of its manufacture or repair.

Article 635 – Construction lien on a building lot

If the object of a contract is a structure or some individual parts of a structure, the contractor may assert a lien on the building lot for his/her claims arising out of the contract.

Article 636 – Termination of a contract

The client may repudiate the contract at any time before completion of the work, but he/she shall pay the contractor for the work performed as well as the damages caused by the termination of the contract.

Article 637 – Termination of the contract on the contractor's initiative

The contractor may terminate the contract before completion of the work only so as to enable the client to receive the services otherwise, except when there is a significant reason for termination. In that case, the obligation to pay damages shall be excluded.

Article 638 – Right to demand a portion of compensation

If the contractor terminates the contract under Article 637, he/she may demand a portion of compensation pro rata to the services rendered before termination, provided the client is interested in the services rendered.

Article 639 – Obligation to deliver a thing free of defects

If the services include the manufacture of some article, then the contractor shall deliver to the client the article free of material and legal defects.

Article 640 – Articles free of legal defects

An article shall be regarded as free of legal defects if no third party may assert any claims against the client.

Article 641 – Articles free of material defects

1. An article shall be considered to be free of material defects if it corresponds to the agreed conditions; and if no such conditions are agreed upon, then an article shall be deemed to be free of material defects if it is suitable for the use stipulated in the contract or for ordinary use.

2. A material defect shall exist if the contractor manufactures an article different from or in a smaller quantity than what was ordered.

Article 642 – Demanding additional performance

1. If an article has a defect, the client may demand additional performance. The contractor may, at his/her choice, either eliminate the defect or manufacture a new article.

2. For the purpose of additional performance, the contractor shall be obligated to incur any necessary costs, including the costs of transportation, work and materials. The contractor may refuse to provide additional performance if it requires disproportionate costs.

3. If a contractor manufactures a new article, he/she may demand that the client return the defective article.

Article 643 – Elimination of defect in an article by the client

1. If a contractor does not refuse, on the grounds of disproportional costs, to provide additional performance but the period fixed for the additional performance for a defect in the article has expired without any result, then the client may eliminate the defect on his/her own and claim compensation for the expenses incurred.

2. No additional period need to be fixed in cases under Article 405(2).

3. The client may demand from the contractor an advance payment to cover the costs required to eliminate the defect.

Article 644 – Repudiation of a contract because of a defective article

The client may repudiate the contract under Article 405 because of a defective article. In that case, the contractor shall reimburse the client for the costs related to the contract.

Article 645 – Reduction of compensation because of a defective article

A client, who neither receives any additional performance of the contract after the expiry of the period fixed for it nor repudiates the contract, may reduce the compensation by the amount by which the defect reduces the value of the article.

Article 646 – Performing work with the contractor's materials

1. If a contractor performs labour with his/her own materials, he/she shall be liable for any substandard material.

2. The contractor shall be liable for any improper use of the client's materials. The contractor shall submit to the client an account of material expenditure and return any remaining materials to him/her.

Article 647 – Obligation to give a notice

1. The contractor shall notify the client in a timely manner that:

a) the material received from the client is substandard and unfit for use;

b) if the client's instruction is fulfilled, the work will not be durable or not fit for use;

c) there are other circumstances beyond the contractor's control that endangers the durability and suitability of the work.

2. If the client, notwithstanding the notice given by the contractor, does not replace the unsuitable or substandard materials within the appropriate period of time, does not change the instructions given on the procedure for performance and/or does not eliminate any other circumstance that can prejudice the suitability or durability of the work, then the contractor may repudiate the contract and claim damages sustained by the repudiation.

Article 648 – Payment for the work performed

The client shall pay compensation to the contractor after the work has been performed, unless the contract provides for payment in instalments.

Article 649 – Acceptance of the work

If the delivery of work is required under the contract or by the nature of the work performed, the client shall accept the work performed. The client shall pay compensation upon acceptance. The work shall be deemed to have been accepted if the client does not accept the work within the period fixed by the contractor.

Article 650 – Contractor's liability where client's property is destroyed

The contractor shall also be liable for the destruction or deterioration of the client's property caused by negligence.

Article 651 – Contractor's risk

1. The risk of accidental destruction or deterioration of the work performed shall rest with the contractor until the delivery of performance to the client. The risk of accidental destruction or deterioration shall shift to the client upon the delivery of the work performed. The client's delay in accepting performance shall amount to delivery.

2. The risk of accidental destruction or deterioration of materials shall rest with the party providing the materials.

Article 652 – Effects of accepting defective articles

If the client is aware of a defect in an article and still accepts it without asserting a claim, then the client may not assert any claims on the basis of the defect.

Article 653 – Warranty period

If the contractor has given a warranty period for an article, then any defect detected during the period shall give rise to corresponding rights.

Article 654 – Effects of intentional concealment of a defect by the contractor

If a contractor conceals a defect intentionally, he/she may not resort to any agreement that excludes or restricts the client's rights arising from the defect in the article.

Article 655 – Limitation period

The client may assert claims for the defects in the performance within one year, and claims concerning structures, within five years after the date of acceptance of the work.

Article 656 – Computation of limitation period where the work is accepted in instalments

If under a contract the work is accepted in instalments, then the limitation period on claims arising from defects shall start from the date of acceptance of the work in its entirety.

Chapter Eleven

Tourist Services

Article 657 – Concept

1. Under a tourism contract, a travel organiser (travel agency) shall render the agreed services to a tourist (traveller). The tourist shall pay the promised compensation to the travel organiser for the services rendered.

2. A tour package ('the package') is a complex of two or more tourist service components (food, accommodation, transport services, etc.), the cost of which is included in the package price.

Law of Georgia No 2946 of 28 April 2006 – LHG I, No 15, 16.5.2006, Art. 99

Article 657^1 – Prohibition of misrepresentation

Any descriptive form, cost and other contractual terms relating to travel (the package) provided to the client by a travel organiser shall be free of false, incorrect or misleading information.

Law of Georgia No 2946 of 28 April 2006 – LHG I, No 15, 16.5.2006, Art. 99

Article 657^2 – Necessity to provide detailed information

1. Before a contract is signed, a traveller shall be given detailed information about the travel (package) either in writing or in any other form acceptable to the traveller. The information shall include:

a) the cost, payment methods and schedule;

b) the destination and goals, the vehicles to be used and their specifications;

c) the type, location, category, service quality, classification and other main features of accommodation;

d) food;

e) itinerary;

f) passport and visa requirements, as well as necessary health requirements for travel

g) the visits, tours and/or other services included in the package;

h) if a certain number of travellers required to organise the travel cannot be gathered, the information about the deadline for informing the traveller.

2. A travel organiser shall give the traveller the following information within a reasonable period of time before the travel begins:

a) times and places of stopovers;

b) names and telephone numbers of the travel organiser or its local representative or, if there no such representative, of the local travel agencies and/or relevant offices that the traveller can approach for assistance;

c) if a minor is traveling, the means for establishing direct contact with the minor or the person responsible for the minor;

d) the traveller's duties in relation to the reimbursement of expenses incurred as a result of the termination of the contract by the traveller, as well as expenses for assisting the traveller in cases of repatriation, accident and/or illness.

3. The information provided to the traveller in writing or in any other appropriate form shall be binding upon the travel organiser.

Law of Georgia No 2946 of 28 April 2006 – LHG I, No 15, 16.5.2006, Art. 99

Article 657^3 – Rules for changing and calculating the original contract price and the travel organiser's obligations

1. The cost of the travel package shall not be revised, except as provided for in Article 660(1) of this Code, also except where the contract itself allows for such revision and provides the rules for changing and calculating the original contract price, subject to the following conditions:

a) transportation cost, including the cost of fuel;

b) fees for specific transport and carriage services, such as carriage of cargo at ports and airports, renting a taxi, etc.;

c) the exchange rate included in the package.

2. The cost of the travel (package) shall not be increased during the twenty days before the departure day, but if the travel organiser is forced, due to the circumstances beyond his/her control, to significantly change the essential terms and conditions of the contract before the departure, he/she shall immediately notify the traveller in order for the traveller to make a decision to either terminate the contract or accept the altered terms of the contract. The traveller shall notify the travel organiser of his/her decision in a timely manner.

Law of Georgia No 2946 of 28 April 2006 – LHG I, No 15, 16.5.2006, Art. 99

Article 658 – Transfer of a travel contract

1. Before the commencement of the travel, the traveller may demand that a third person travel in his/her place. The travel organiser may refuse to allow such substitution if the third person does not meet the travel requirements.

2. The travel organiser may demand that the traveller pay the extra expenses incurred by the participation of a third person in the travel.

Article 659 – Shortcomings in travel

1. A travel organiser shall be obliged to organise travel in such a way that it does not have any shortcomings that may reduce or devalue the significance of the travel for ordinary or contractual purposes.

2. If a travel package has such shortcomings, then the traveller may demand their correction. The travel organiser may refuse to remedy the shortcomings if it requires disproportionate expenses.

3. If the travel organiser does not eliminate shortcomings within a reasonable period of time set by the traveller, then the traveller may himself/herself correct the shortcoming and demand reimbursement of the necessary expenses incurred by this action. The period of time need not be specified if the travel organiser refuses to correct the shortcoming or if the traveller is interested in an immediate correction of the shortcoming.

Article 660 – Reduction of price

1. If a travel has shortcomings, then its price shall be reduced in proportion to the duration of the shortcoming.

2. The price shall not be reduced if the traveller, thorough his/her fault, fails to notify the travel organiser of the shortcoming.

Article 661 – Termination of a contract on a traveller's initiative because of shortcomings

1. If a traveller incurs significant damages as a result of the shortcoming referred to in Article 659, he/she may terminate the contract. The same rule shall apply if he/she cannot travel for a valid reason which is also known to the travel organiser.

2. A contract may be terminated if a travel organiser has not eliminated the shortcomings within the period of time set by the traveller. A period of time need not be set if the shortcomings cannot be eliminated or if the travel agency refuses to eliminate them, or if the termination of the contract is justified by a particular interest of the traveller.

3. If a contract is terminated, the travel organiser shall lose his/her claim to the agreed compensation but he/she may demand compensation for the travel services already provided without defect.

4. If a contract includes return travel, the travel organiser shall transport the tourist back after the contract is terminated. In that case, any extra costs shall be borne by the travel organiser.

5. If a traveller terminates the contract under Article 657^3(2) of this Code before the commencement of travel, the travel package shall be cancelled and in that case the travel organiser shall:

a) offer the traveller a new travel package of a quality equivalent to or better than the previous travel package, if possible;

b) or reimburse the difference in price if the offered new travel package is of lower quality;

c) or immediately refund the amount paid under the contract.

Law of Georgia No 2946 of 28 April 2006 – LHG I, No 15, 16.5.2006, Art. 99

Article 662 – Reimbursement of damages caused by shortcomings in travel

1. If shortcomings in the travel result from circumstances for which the travel organiser is responsible, the traveller may claim damages for non-performance without prejudice to his/her right to demand reduction of compensation or the right to terminate the contract on the grounds of shortcomings.

2. If the travel has not been completed or has been improperly organised, then the traveller may also demand appropriate monetary compensation for the wasted vacation.

3. If a contract is terminated not due to the traveller's fault before the commencement of travel, the traveller may claim damages for non-performance, except where:

a) the basis for terminating the contract is the lack of the necessary number of persons required to organise the travel, of which the traveller has been notified in writing within the period of time indicated in the travel (package) description;

b) the grounds for terminating the contract are force-majeure.

Law of Georgia No 2946 of 28 April 2006 – LHG I, No 15, 16.5.2006, Art. 99

Article 662^1 – Travel organiser's obligation to respond promptly to a traveller's complaint

A travel organiser or its representative shall respond promptly to a traveller's complaint and make an appropriate decision.

Law of Georgia No 2946 of 28 April 2006 – LHG I, No 15, 16.5.2006, Art. 99

Article 662^2 – Travel organiser's obligation to present guarantees to a traveller

A travel organiser shall present solid security guarantees to cover expenses related to the return travel of clients and to refund the amount paid by the traveller in the event of its bankruptcy.

Law of Georgia No 2946 of 28 April 2006 – LHG I, No 15, 16.5.2006, Art. 99

Article 663 – Limitation period for claims arising out of travel contracts

1. Claims under articles 659-662 may be asserted by a traveller against a travel organiser within one month after the period of travel stipulated in the contract ends. After the end of the period, the traveller may only assert claims if he/she exceeded the limitation period through no fault of his/her own.

2. The limitation period for claims of a traveller shall be six-months. This period shall commence on the day, on which the travel was to end under the contract. If the traveller asserts claims before the commencement of the limitation period, then the limitation period shall be suspended until the day the travel organiser rejects the claim.

Article 664 – Limitation of liability

A travel organiser may, in agreement with a traveller, limit his/her liability to three times the amount of compensation for its services if:

a) the damage caused to the traveller was not caused intentionally or through gross negligence,

or

b) the travel organiser is not solely and entirely responsible for the damage caused to the traveller due to the fault of one of the persons performing the duties of the travel organiser.

Article 665 – Repudiation of a contract before the commencement of travel

1. A traveller may repudiate the contract at any time before the commencement of travel.

2. If a traveller repudiates the contract, the travel organiser loses his/her claim to the agreed compensation. At the same time, it may demand appropriate compensation, the amount of which shall be determined on the basis of the agreed compensation by deducting the amount that it could have received by providing its services in any other way.

Article 666 – Force majeure

1. If travel is substantially obstructed, jeopardised or the traveller is harmed as a result of force majeure that could not have been foreseen at the time when the contract was entered, then either the travel organiser or the traveller may terminate the contract.

2. If the contract is terminated under paragraph 1 of this article, then the provisions of Article 661(3) and the first sentence of Article 661(4) shall apply. Each of the parties shall bear half of the extra costs for return travel. In other cases, extra costs shall be borne by the traveller.

Article 667 – Agreements prejudicial to travellers not allowed

No provisions of this chapter may be changed to the prejudice of a traveller.

Chapter Twelve

Carriage

I – Contract of Carriage

Article 668 – Concept

Under a contract of carriage, the carrier shall be obligated to transport goods or passengers to the place of destination for an agreed fee.

Article 669 – Liability of the carrier

1. The carrier shall be liable for any harm done to passengers as well as for any damage caused to the passenger's baggage or for its loss.

2. The liability shall not accrue if the damage is caused by force majeure or by a passenger himself/herself or by his/her baggage.

3. The liability of the carrier may not be excluded or limited by contract.

Article 670 – Obligation to enter into a contract

A person publicly offering the carriage of goods or passengers shall be obligated to enter into a contract of carriage unless there is a basis for refusal.

Article 671 – Carriage by several means of transport

If a loaded motor vehicle is transported across one section of the road by sea, rail or air and the goods are not discharged in compliance with Article 682, the rules of this chapter shall nevertheless apply to the entire carriage.

Article 672 – Form of a contract of carriage

A contract of carriage shall be drawn up in the form of a waybill (or other document). Notwithstanding the nonexistence, defectiveness or loss of the waybill, the content and validity of a contract of carriage shall be determined by the rules of this chapter.

Article 673 – Rules for drawing up a waybill

1. A waybill shall be drawn up in three counterparts signed by the shipper and by the carrier. The first counterpart shall be retained by the shipper, the second shall accompany the freight and the third shall be retained by the carrier.

2. If the freight to be carried is distributed among several means of transport, or if different kinds of freight are involved and/or freight is divided into individual shipments, both the shipper and the carrier may demand that as many waybills be drawn up as there are kinds of freight or means of transport.

Article 674 – Particulars of a waybill

1. A waybill shall include the following particulars:

a) the date and place of issue;

b) the name and address of the shipper;

c) the name and address of the carrier;

d) the date and place of consignment, as well as the place of delivery of the freight;

e) the name and address of the consignee;

f) the regular name of the type of freight and packaging, and for hazardous freight, its universally recognised marking;

g) the quantity, markings and numbers of the freight to be shipped;

h) the weight of the freight or otherwise indicated quantity;

i) the costs of carriage (price of carriage, extra charges, import duties and other expenses arising from the time of execution of the contract until the delivery of freight);

j) the markings of the LEPL Revenue Service of the Ministry of Finance of Georgia;

k) the indication that the carriage, notwithstanding the bilateral agreement, is still subject to the rules of this chapter.

2. If necessary, the waybill shall include the following additional data:

a) prohibition of transhipment to another transport;

b) the expenses assumed by the shipper;

c) the amount of the surcharge to be paid at the moment of shipping the freight;

d) the value of the freight and the indication of any special interest in delivery;

e) the freight insurance instructions given by the shipper to the carrier;

f) the agreed period of time, within which the carriage is to be completed;

g) the list of the documents delivered to the carrier.

3. The parties may also enter on the waybill any other data that they consider appropriate.

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

Article 675 – Liability of the shipper

1. The shipper shall be liable for all the expenses and damages resulting from incorrect or incomplete presentation of:

a) the particulars referred to in Article 674(1)(b), (d), (e), (f), (g), (h) and (j);

b) the data referred to in Article 674(2);

c) all the other data or instructions of the shipper related to drawing up of the waybill or to be entered on the waybill.

2. If the carrier enters, at the request of the shipper, the particulars set forth in paragraph 1 of this article on the waybill, then the carrier shall be deemed to have acted on behalf of the shipper until proven otherwise.

3. If the waybill does not include the data referred to in Article 674(1)(k), then the shipper shall be liable for any expenses and damages incurred to the person entitled to the freight due to the absence of this data.

Article 676 – Liability of the carrier upon acceptance of freight

1. When accepting the freight, the carrier shall inspect:

a) the number of pieces of the freight and the accuracy of the data appearing on the waybill with respect to the marks and numbers of the freight;

b) the external condition of the freight and its packaging.

2. If the carrier lacks appropriate means to inspect the data defined in paragraph 1(a) of this article, then it shall enter on the waybill the conditions to be performed. It shall likewise enter the conditions that pertain to the external condition and packaging of the freight. These conditions shall not be binding upon the shipper except where he/she has clearly acknowledged them in the waybill.

3. The shipper may demand that the carrier verify the weight of the freight or its otherwise indicated quantity. He/she may also demand that the carrier check the contents of the freight. The carrier may demand compensation for the expenses relating to such checks. The results of the inspection shall be indicated in the waybill.

Article 677 – Presumption of execution of a contract of carriage

1. Until proven otherwise, a waybill (or consignment or other forms accepted in the carriage business) shall serve as proof that a contract of carriage has been entered into, its content has been determined and the carrier has taken the freight into its custody.

2. If the waybill does not indicate the conditions of carriage, it shall be presumed, until proven otherwise, that at the time the carrier took the freight into its custody, the freight and its packaging were in good external condition and the number of pieces of the freight, its marks and numbers matched those indicated in the waybill.

Article 678 – Liability of the shipper for damage caused by substandard packaging of freight

The shipper shall be liable to the carrier for any harm or damage caused to persons, materials and other property due to substandard packaging of the freight, as well as for any expenses incurred due to substandard packaging of the freight, except where the defect was obvious, or the carrier knew of the defect when accepting the freight but did not stipulate any condition in

this respect.

Article 679 – Obligation of the shipper to provide necessary information

1. The shipper shall attach to the waybill all the documents that are required for the performance of customs formalities and other similar actions before the delivery of the freight, or deliver the documents to the carrier and provide it with all necessary information.

2. The carrier shall not be obligated to examine if these documents and information are accurate and sufficient. The shipper shall be liable to the carrier for any damage caused by the incompleteness or inaccuracy of the documents and data, unless this occurs due to the carrier's fault.

3. The carrier shall be liable for the loss or misuse of the documents delivered to it or the documents indicated in and attached to the waybill; the carrier's liability may not exceed the liability that would have resulted from loss of the freight.

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

Law of Georgia No 5964 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 4925 of 28 June 2019 – website, 4.7.2019

Article 680 – Rights of the shipper

1. The shipper may dispose of the freight or demand termination of the carriage; he/she may also demand that the carrier not change the destination or the freight, or deliver it to any person other than the one indicated in the waybill.

2. This right shall be extinguished as soon as the second counterpart of the waybill is delivered to the consignee or as soon as the consignee exercises his/her rights under the first sentence of Article 681. From that moment on, the carrier shall perform the consignee's instructions.

3. The consignee shall acquire the right of disposal upon the drawing up of the waybill, provided the shipper so indicates in the waybill.

4. If in exercising the right of disposal the consignee instructed that the freight be delivered to a third party, then the third party may not name another consignee.

5. The right of disposal shall be exercised subject to the following rules:

a) if the shipper or, in the case defined under paragraph 3 of this article, the consignee, wishes to exercise his/her right of disposal, he/she shall present the original copy of the waybill containing the new instructions to the carrier, and reimburse the carrier for all the expenses and damages resulting from the performance of these instructions;

b) it shall be possible to perform the instructions when they reach the person who is to perform them, and the instructions may neither impede the carrier's regular business activities nor inflict any damage to other freight of the shipper or of the consignee;

c) the instructions shall not cause division of the freight.

6. If the carrier is unable to fulfil the instructions for the reason indicated in paragraph 5(b) of this article, it shall immediately notify the person who has given the instructions.

7. A carrier not performing instructions given under this article or performing them without having demanded the original copy of the waybill shall be liable to the rightful person for any resulting damage.

Law of Georgia No 1902 of 28 December 2002 – LHG I, No 4, 22.1.2003, Art. 20

Article 681 – Rights of the consignee upon delivery of freight

Upon delivery of the freight to the intended place of delivery, the consignee may demand that the carrier tender the second counterpart of the waybill as confirmation of the receipt of the freight, and with that action the freight shall be deemed to have been delivered. If a shortage of the freight is discovered or if the freight is not delivered within the period of time defined under Article 688, the consignee may exercise in his/her own name the rights arising out of the contract of carriage against the carrier.

Article 682 – Impossibility to perform the contract

1. If, before the acceptance of the freight at the intended place of delivery, it is impossible to perform the contract in compliance with the conditions indicated in the waybill, the carrier shall demand instructions with respect to the freight from the rightful person under Article 680.

2. If the circumstances allow for the carriage to be performed other than under the conditions indicated in the waybill and the carrier is unable to receive, within the appropriate period of time, from the authorised person the instructions with respect to the freight defined under Article 680, it shall take actions that are in the best interests of the authorised person.

Article 683 – Circumstances impeding freight delivery

1. If circumstances impeding the delivery of the freight arise after the arrival of the freight at its destination, the carrier shall demand instructions from the shipper. If the consignee refuses to accept the freight, the shipper may dispose of the freight on his/her own without presenting the original copy of the waybill.

2. Until the carrier receives the shipper's instructions to the contrary, the consignee may demand the delivery of the freight to him/her even if he/she has refused to accept the freight.

3. If circumstances impeding the delivery of the freight arise after the consignee has issued instruction under Article 680(3) to deliver the freight to a third party, then in cases where paragraphs 1 and 2 of this article are applied, the consignee shall take the place of the shipper and the third party shall take the place of the consignee.

Article 684 – Right to claim expenses arising out of the shipper's instructions

1. The carrier may claim the expenses incurred by him/her by reason of receiving or performing instructions, except when these expenses arise through its own fault.

2. In cases provided for in Articles 682(1) and 683, the carrier may urgently unload the freight at the expense of the authorised person; after the unloading, the carriage shall be deemed complete. After that, the carrier shall store the freight for the authorised person. He/she may entrust the storage of the freight to a third party; in that case, he/she shall be liable only for selecting the third party. All claims and expenses arising out of the waybill shall be paid from the value of the freight.

3. Without waiting for instructions from the authorised person, the carrier may sell the freight if the goods are perishable or if the condition of the freight warrants such action and/or if the storage expenses exceed the value of the freight. The carrier may sell the freight in other cases as well, unless he/she receives any instructions from any party within a specified period of time.

4. If the freight is sold according to this article, then the sum, less the expenses relating to the freight, shall be transferred to the authorised person. If the expenses exceed the proceeds, the carrier may claim the difference.

5. The procedure of sale shall be determined according to the laws and customs of the place where the freight is located.

Article 685 – Carrier's lien on the freight

For the expenses arising out of the contract of carriage, the carrier shall have a lien on the freight until he/she is entitled to dispose

of the thing.

II – Liability of the Carrier

Article 686 – Concept; content

1. The carrier shall be liable for partial or total loss of the freight and damage caused to it if the freight was lost or damaged from the moment it was accepted up to the moment it was delivered, as well as for delayed delivery.

2. The carrier shall be released from liability if the loss of or damage to the freight or a delayed delivery is caused through the fault of the authorised person and/or because of instructions from that person, for which the carrier is not responsible; also, if the defect of the freight is caused by the circumstances that the carrier could not avoid, nor could the carrier avoid the consequences of those circumstances.

3. The carrier may not claim a defect in the means of transport used for carriage or the fault of the staff of the lessor or lessee of the means of transport to obtain release from liability.

4. In the cases specified in Article 687(2-5), the carrier shall be released from liability if the loss of or damage to the freight was caused by extraordinary danger relating to the following circumstances:

a) an open, uncovered means of transport is used, provided its use was specifically agreed upon and indicated in the waybill;

b) the freight is not packaged or the packaging is substandard that, considering the nature of the freight, presents a risk of the loss of or damage to the freight;

c) the freight is inspected, loaded, stowed or unloaded by the shipper or the consignee or by a third party acting for them;

d) because of the peculiarities of specific freight, there is a risk of partial or total loss or damage, namely the risk of breaking, rusting, corroding, withering, spilling, normal wear and tear or the influence of insects and rodents;

e) the freight to be carried has not been sufficiently marked or numbered;

f) animals are to be carried.

Article 687 – Burden of proof

1. The burden of proving that the loss of or damage to or a delayed delivery of the freight was caused by the circumstances indicated in Article 686(2) shall rest with the carrier.

2. If the carrier proves that, proceeding from the specific circumstances of the case, the loss or damage might have been caused by one or more of the risks indicated in Article 686(4), the damage shall be presumed to have been caused by such risk(s). The authorised person may prove that the damage was not caused by that risk or only by that risk.

3. The presumption specified in paragraph 2 of this article shall not apply if the freight is lost or destroyed in the extraordinary circumstances provided for in Article 686(4)(a).

4. If the carriage is performed by a means of transport that has special equipment for protecting freight from heat, cold, temperature variation or wind, the carrier may resort to Article 686(4) only if he/she proves that he/she has performed the necessary actions with respect to the selection, maintenance and use of the equipment and complied with all the requirements incumbent upon him/her.

5. The carrier may resort to 686(4)(d) only if he/she proves that he/she has performed all actions and instructions incumbent upon him/her.

Article 688 – Delayed delivery of freight

The delivery of freight shall be deemed to have been delayed if the freight is not delivered within the agreed time or, if no time was agreed, within an ordinary period of time required for carriage, considering the circumstances relating to the determination of the time required for assembling parts of the freight when the freight is to be loaded in parts, if the time that a prudent carrier ought to have normally observed has not been observed.

Article 689 – Presumption of the loss of freight

1. The authorised person may deem the freight lost, even without presenting any additional evidence, if the freight is not delivered to its destination within thirty days after the agreed time of delivery expires or, if no such time has been agreed, within sixty days after the carrier accepts the freight.

2. Upon receiving compensation for damages for the lost freight, the authorised person may demand in writing that he/she be promptly notified if the lost freight is found within one year from the day of receipt of compensation for damages. The reply to the demand shall be given also in writing.

3. Within thirty days after receipt of such notification, the authorised person may demand delivery of the freight to him/her after satisfaction of the rights arising out of the waybill, and on condition that he/she returns the compensation received, if necessary, by deducting the expenses incurred from the compensation for damages; his/her claims for damages due to delay in delivery under Articles 692 and 694 shall remain unchanged.

4. If the demand provided for in paragraph 2 of this article is not asserted, or if there is no instruction because of the thirty-day period referred to in paragraph 3, or if the freight is found after the lapse of one year from the date of compensation, then the carrier may dispose of the freight according to the rules that are in force at the place where the freight is located.

Article 690 – Right to demand surcharge

If the freight is delivered to the consignee without payment of the surcharge that should have been paid to the carrier upon delivery of the freight at the place of destination, then the carrier may, by resorting to the right of recourse, claim damages from the shipper.

Article 691 – Hazardous freight shipment rules

1. If a shipper ships a hazardous freight, he/she shall provide the carrier with accurate information and a warning about the freight and, if necessary, insure the freight. If the obligation is not entered on the waybill, then the shipper and the consignee are required to prove by other means that the carrier was precisely aware of the type of the freight and of the expected danger.

2. The carrier may, at any time and place, discharge, destroy or render harmless the hazardous freight, of which he/she had no knowledge under paragraph 1, without any obligation to pay damages; the shipper shall also be liable for the damage and expenses incurred by tendering the freight for carriage or by its carriage.

Article 692 – Value of freight in the case of its partial or total loss

1. If the carrier is obligated under this chapter to pay damages for partial or total loss of the freight, then the damages shall be calculated according to the price of the freight applicable at the place and time of delivering the freight.

2. The value of the freight shall be determined according to a commodity exchange price, and if no such price is available, according to a market price; and if no market price is available, the value shall be determined by analogy to freight of the same kind and value.

3. The cost of carriage, as well as the expenses associated with customs formalities and other similar expenses, shall be refunded in full in the event of a total loss of the freight or in part, in the event of partial loss.

4. If the delivery of the freight is delayed and the authorised person proves that he/she has sustained damages as a result of the delay, the carrier shall compensate the damage only to the extent of the value of the freight. Damages in excess of this value may be claimed only if there was a special interest under Article 694 in this carriage or if the value of the freight was indicated.

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

Law of Georgia No 5964 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 4925 of 28 June 2019 – website, 4.7.2019

Article 693 – Compensation for damage to freight

1. If the freight is damaged, the carrier shall pay compensation equivalent to the amount by which the value of the freight was reduced and which shall be calculated according to the freight value determined under Article 692(1), (2) and (3).

2. Compensation for damages may not exceed the amount that:

a) ought to have been paid for a total loss of the freight, provided the freight is totally devalued as a result of the damage;

b) ought to have been paid for the loss of a devalued part of the freight, provided only part of the freight is devalued as a result of the damage.

Article 694 – Indicating special interest in a waybill

1. By paying the agreed surcharge, the shipper can indicate in the waybill his/her special interest in the carriage in the event of the loss or damage of the freight or its delayed delivery.

2. If a special interest in the carriage has already been expressed, additional damages in the amount of the special interest expressed may be claimed independently from the compensation for damages provided for in Articles 692 and 693.

Article 695 – Claim of interest on secured compensation for damages

1. The person entitled to the freight may claim interest at the annual rate of five per cent on the damages secured for him/her. The interest begins to accrue from the date a claim is presented to the carrier or, if the claim is not presented, from the date a lawsuit is filed.

2. If the damages are to be paid in a unit of currency that is not effective in the country, and the payment is demanded, the exchange rate shall be determined according to the exchange rate in force on the day and at the place of the payment of the damages.

Article 696 – Non-contractual claims in carriage

1. If any loss, damage or delay occurring in the course of carriage governed by this chapter may give rise to non-contractual claims under the rules in force, then in response the carrier may resort to the rules of this chapter that exclude his/her liability or define and/or limit the amount of damages.

2. If non-contractual claims for the loss, damage or delay are asserted against one of the parties, then the party may resort to the rules of this chapter that exclude his/her liability or define and/or limit the amount of damages.

Article 697 – Inadmissibility of releasing a carrier from liability

A carrier may not resort to the rules of this chapter that exclude or limit his/her liability and/or release him/her from the burden of proof if the damage is caused through his/her fault.

III – Claim and Lawsuit

Article 698 – Concept; content

1. If a consignee accepts the freight without inspecting it together with the carrier and does not assert against the carrier any claim of a general nature for loss or damage, then the consignee shall be deemed, until proven otherwise, to have accepted the freight in the condition indicated in the waybill. The claim shall be asserted on the day that the freight is delivered if the matter concerns externally visible shortages or damages, and in the case of externally invisible shortages or damages, then no later than seven days after the delivery of the freight. In the case of externally invisible shortages or damages, the claim (demand) shall be made in writing.

2. If the consignee and the carrier jointly inspect the condition of the freight, proof contradicting the results of the inspection shall be allowed only in the case of externally invisible shortages or damages and if the consignee does not file a written claim within seven days after receipt of the freight.

3. A claim for damages resulting from delay may be asserted only if the consignee submits to the carrier a written claim within twenty one days after receipt of the freight.

4. The days, on which the freight is shipped, inspected and delivered to the consignee, shall not be counted when calculating the times provided for in this article.

5. The carrier and the consignee shall assist each other in conducting the necessary inspections and establishing the necessary facts.

Article 699 – Limitation period for rights arising out of carriage

The limitation period for rights arising out of the carriage governed by this chapter shall be one year. If intentional misconduct or gross negligence is involved, the limitation period shall be three years. The limitation period shall run:

a) from the day the freight is shipped in cases of partial loss, damage or delay in the delivery of freight;

b) from the twenty-first day after the expiry of the agreed time for the carriage in cases of total loss of the freight or, if no such time was agreed upon, from the sixtieth day after receipt of the freight by the consignee;

c) in all other cases, after the lapse of three months after the day of drawing up the contract of carriage.

Article 700 – Suspension of the limitation period

The limitation period shall be suspended on the basis of a written claim on the day the carrier rejects the claim and returns the attached documents. If the claim is acknowledged in part, the limitation period for the disputed part shall continue to run. The burden of proving the receipt of or response to the claim, as well as the return of the documents shall rest with the person who resorts to them. Other claims concerning the same subject matter shall not suspend the running of the limitation period.

IV – Carriage by Connecting Carriers

Article 701 – Liability during carriage by connecting carriers

If a number of different connecting carriers perform carriage under one contract, each of them shall be liable for the performance of the entire carriage; the second and each subsequent carrier shall become a party to the contract by accepting the freight and the waybill.

Article 702 – Obligation to deliver appropriate documents

1. The carrier accepting the freight from the preceding carrier shall issue a dated document, signed by him/her, confirming the acceptance of the freight. He/she shall indicate his/her name and address on the second counterpart of the waybill. If necessary, the subsequent carrier shall enter on the second counterpart of the waybill the terms provided for in Article 676(2) and the confirmation of receipt of the freight.

2. Relations of connecting carriers shall be regulated by Article 677.

Article 703 – Claiming damages from connecting carriers

Claims for damages for the loss, damage or delay in the delivery of the freight, other than counterclaims and counteractions, may be asserted only against the first carrier, the last carrier or the carrier that was carrying the freight when it was lost, damaged or delayed. The same action may be brought against several carriers.

Article 704 – Right of recourse in the event of compensation for damage

If the carrier has already paid damages under this chapter, he/she shall have the right of recourse in the following cases:

a) if the carrier causing the loss or damage of the freight is solely liable for the damage caused by him/her alone or by several carriers;

b) if the loss of or damage to the freight has been caused by two or more carriers, then each of them shall pay damages in the amount corresponding to their share of liability; and if the share cannot be determined, then each of them shall be liable pro rata to their share in the carriage charges received;

c) if it cannot be determined which carrier is liable for the damages, then all the carriers shall pay the damages according to the proportion defined in subparagraph (b).

Article 705 – Effects of carrier's insolvency

If one of the carriers is insolvent, the amount to be paid but not yet paid by him/her shall be apportioned among the rest of the carriers pro rata to their share in the carriage charges received.

Article 706 – Dispute over the exercised right of recourse

The carrier against whom recourse is sought under Articles 704 and 705 may not assert that the carrier that has exercised the right of recourse paid the damages groundlessly, provided the decision on payment of damages was made by a court and the carrier was duly notified of the litigation and was afforded the opportunity to participate in the litigation.

Article 707 – Mutual agreement among connecting carriers

The carriers may enter into an agreement on the matters different from those defined in Articles 704 and 705.

Article 708 – Invalidity of unlawful agreements

1. Any agreement that directly or indirectly contravenes the rules of this chapter, other than the rules set forth in Article 707, shall be void. The invalidity of such agreements shall not void the rest of the provisions of the entire contract.

2. Any agreement, under which the carrier waives claims arising out of the freight insurance, or any other similar agreement, under which the burden of proof is shifted to another person, shall be void.

Chapter Thirteen

Mandate

Article 709 – Concept

Under a contract of mandate the mandatary shall be obligated to perform one or several actions mandated (entrusted) to him/her on behalf and at the expense of the mandator.

Article 710 – Remuneration for mandate

1. The mandator shall be obligated to pay remuneration to the mandatary only if so provided by the contract of mandate or by law.

2. Remuneration shall be deemed to have been tacitly agreed if, considering the circumstances involved, the performance of the action is expected only against remuneration.

3. If the amount of remuneration is not determined, then if some tariff schedule exists, a tariff rate shall be considered to be the agreed remuneration, or, if no tariff schedule exists, an ordinary remuneration.

Article 711 – Transferring a mandate to a third person

1. The mandatary shall perform the mandate personally, except when he/she is permitted or compelled by the circumstances to transfer the mandate to a third party. The involvement of assisting persons shall be allowed.

2. If the transfer of the mandate to a third party is permitted, then the mandatary shall be liable only for his/her fault in connection with the transfer and in the selection of the person.

Article 712 – Deviation from the mandator's instructions

1. The mandatary shall be obligated to perform the mandator's instructions.

2. The mandatary may deviate from the instructions of the mandator if, because of the circumstances, he/she may assume that the mandator would approve such deviation if he/she were aware of the factual situation. The mandatary shall give the mandator

notice before such deviation and wait for the decision of the mandatory, unless postponement entails danger to the mandatary.

3. If a mandatary's performance of instructions may inflict significant damage to the mandator, the mandatary may perform the instructions only after he/she notifies the mandator of the damage and the mandator does not change the instructions.

Article 713 – Duty of information

1. The mandatary shall be obliged to provide the mandator with the required information and, at the mandator's demand, keep him/her informed on the status of the mandated task, and after carrying out the mandate to render an account for it.

2. An agreement subsequently limiting or excluding the mandator's duty under paragraph 1 of this article shall be made in writing.

Article 714 – Duty to keep secrets

1. The mandatary may not disclose facts that have become known to him/her within the scope of his/her activity and in the confidentiality of which the mandator has a legitimate interest, unless the disclosure of the secret is required by law or permitted by the mandator.

2. The duty of non–disclosure of facts shall survive the end of contractual relations.

Law of Georgia No 1902 of 28 December 2002 – LHG I, No 4, 22.1.2003, Art. 20

Article 715 – Duty to return the thing received for performing the mandate

1. The mandatary shall be obliged to return to the mandator everything that he/she receives to perform the mandate and does not use for it, as well as everything that he/she obtains from performing the mandate.

2. If the mandatary spends money for himself/herself that he/she ought to have returned to or spent for the mandator, then the mandatary shall return the money with the accrued interest.

Article 716 – Presumption of mandator's ownership of property

The property that the mandatary has acquired on his/her own behalf and at the mandator's expense when performing the mandate and or received from the mandator to perform the mandate shall be presumed to be the mandator's property in the mandatary's relations with creditors.

Article 717 – Duty to reimburse expenses

1. The mandator shall reimburse the necessary expenses that the mandatary incurred to perform the mandate.

2. The claim specified in paragraph 1 of this article shall not arise if the expenses are to be paid from the remuneration.

3. The mandatary may demand from the mandator advance payment for the expenses for which he/she is to receive compensation.

Article 718 – Reimbursement of damages occurring through no fault

1. The mandator shall be obligated to reimburse also the damages that the mandatary sustains when performing the mandate, even if there was no fault on the mandator's part, provided the damage occurred as a result of a substantial danger involved in the

performance of the mandate according to the mandator's instructions.

2. The claim under paragraph 1 of this article shall not arise if the damage is to be paid from the remuneration or if the damage is caused by the mandatary's action. If the payment of the damages from the remuneration is disputed, then the burden of proof shall rest on the mandatary.

Article 719 – Reimbursement of damages caused by culpable action

If the mandatary gratuitously performs the mandate, he/she shall be liable only for damages caused by intentional misconduct or gross negligence.

Article 720 – Termination of a contract of mandate

1. The parties may terminate a contract of mandate at any time. Any agreement to waive this right shall be void.

2. If the mandatary terminates the contract when the mandator is unable to secure his/her interests otherwise, the mandatary shall compensate the damage caused by the termination, except where the mandatary has a valid reason to terminate the contract.

3. If the mandator revokes the contract, then he/she shall reimburse the mandatary of all the necessary expenses incurred to perform the mandate and if the contract stipulated payment, to pay remuneration for the work performed.

Article 721 – Effects of a mandator's death or recognition as a beneficiary of support

1. The contract shall not be terminated due to the mandator's death or recognition as a beneficiary of support unless otherwise agreed, or otherwise stipulated by the content of the mandate.

2. If the contract is terminated due to the mandator's death or recognition as a beneficiary of support, the mandatary shall continue performing the mandate if the delay entails danger on the mandator or his/her heirs until the heirs of the mandator, or the legal representative of the mandator/beneficiary of support can make the necessary arrangements; during this time, the contractual relation shall be deemed to continue.

3. If the contract is terminated due to the mandator's death or recognition as a beneficiary of support, then the contract shall be deemed to continue for the mandatary until he/she is notified of the grounds for termination of the contract.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 722 – Effects of a mandatary's death

1. The contract shall be terminated due to the mandatary's death unless otherwise agreed or unless the content of the mandate provides otherwise.

2. If the mandatary dies, his/her heirs shall notify the mandator and make the necessary arrangements to safeguard the mandator's interests.

Article 723 – Contract of commission agency

The Law on Entrepreneurs shall apply to a contract of commission agency.

Chapter Fourteen

Entrusting Property

Article 724 – Concept

Under a trust agreement, the trustor assigns property to the trustee who holds and manages it in the interests of the trustor.

Article 725 – Rights and duties of a trustee

1. The trustee shall manage the entrusted property in his/her own name, but at the expense and risk of the trustor.

2. The trustee shall exercise the owner's rights in relation with third parties. If the trustee, contrary to the interests of the trustor, does not exercise the same due diligence as he/she would exercise in managing his/her own affairs, he/she shall be obligated to pay the damages resulting from such action.

Article 726 – Reimbursement of trust expenses

1. The trustee shall be paid no remuneration from the trustor for managing the trust unless otherwise agreed by the parties.

2. All expenses relating to the property held in trust shall be borne by the trustor.

3. The trustor shall retain the fruits of the trust.

Article 727 – Form of a trust agreement

A trust agreement shall be made in writing.

Article 728 – Liability of a trustee

The trustee shall be liable to third parties.

Article 729 – Application of the rules governing a contract of mandate

The rules governing a contract of mandate shall apply to trust agreements.

Chapter Fifteen

Freight Forwarding

Article 730 – Concept

1. Under a freight forwarding contract, the forwarding agent undertakes to carry out the actions relating to the carriage of freight

in his/her own name and at the expense of a client. The client shall be obligated to pay an agreed upon fee.

2. The rules governing a mandate shall apply accordingly to freight forwarding unless otherwise provided for in this chapter.

Article 731 – Good faith required from forwarding agents

The forwarding agent shall ship freight and select the persons involved in the carriage with a bona-fide freight forwarder's diligence, and shall protect the interests and perform the instructions of the shipper.

Article 732 – Client duties

1. At the request of the forwarding agent, the client shall timely provide him/her with appropriate data on the freight and give him/her instructions necessary for drawing up the transportation documents, furnish the necessary data to perform customs formalities and other actions and, if necessary, to pay import duties. In addition, the client shall give the forwarding agent the necessary documents to confirm the veracity of such data.

2. In the case of hazardous freight, the client shall give the forwarding agent notice of the precise type of hazard involved and, if necessary, instruct him/her on safety precautions.

3. If the forwarding agent was not aware of the danger associated with the hazardous freight, the freight may be unloaded, destroyed or rendered harmless at any time and place without incurring an obligation to pay damages.

4. If the type of freight requires packaging, the client shall package the freight according to the transportation requirements.

5. If special markings are required to identify the freight, the markings shall be clearly visible until the freight is delivered.

6. The client shall be liable for damages incurred to the forwarding agent due to the non-performance of the duties defined in the preceding paragraphs of this article, unless the forwarding agent, under paragraphs 3 and 4 of this article, raises any objections over the absence or defectiveness of packaging or markings, even though it was evident, or he/she had information about it when accepting the freight.

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

Law of Georgia No 5964 of 27 March 2012 – website, 12.4.2012

Law of Georgia No 4925 of 28 June 2019 – website, 4.7.2019

Article 733 – Inspection of freight piece by piece

The client may demand, by paying a special fee that the forwarding agent inspect the freight piece by piece when accepting it.

Article 734 – Duty to insure freight

The forwarding agent shall be liable to insure freight only when so instructed by the client. In the absence of any special instructions, the forwarding agent shall insure freight only under regular terms.

Article 735 – Forwarding insurance contract

Unless the client expressly refuses in writing, the forwarding agent shall insure the freight, at the customer's expense against damages that may be incurred to the client as a result of the forwarding agent's actions in the course of performing the order. The

forwarding agent shall notify the client of the party with which he/she has entered into the insurance contract.

Article 736 – Duty to give timely notice of damage

Under the insurance contract entered into under Article 735, the client shall be responsible for timely notification of damage. If a notice of damage is sent to the forwarding agent, then he/she shall immediately forward it to the insurer(s).

Article 737 – Effects of non-acceptance of freight

If at the place of destination the consignee does not accept the freight or it is impossible to receive it for any other reason, then the rights and duties of the forwarding agent shall be regulated by the rules of a contract of carriage.

Article 738 – Impossibility to inspect the condition of freight upon receipt

If the condition of freight cannot be inspected in the presence of the parties, then, until proven otherwise, the acceptance of the freight shall be deemed to be the proof that the freight was received without shortage or damage, unless the consignee indicates the general character of the damage to the person delivering the freight. If there is any obvious shortage or damage, this shall be indicated immediately upon receipt of the freight, and if there is no such shortage or damage, then no later than three days after the day of receiving the freight.

Article 739 – Right to transport the freight by own means

1. Unless otherwise agreed, the forwarding agent may transport the freight by his/her own means. The exercise of this right shall not contradict the client's rights and interests.

2. If the forwarding agent exercises this right, he/she shall simultaneously assume the rights and duties of the freight carrier.

Article 740 – Liability of forwarding agents

The forwarding agent shall normally be liable for the duties arising out of the contract of forwarding when he/she or his/her assistant is at fault.

Article 741 – Damage caused by a third party

If the damage is caused by a third party participating in the contract, then the forwarding agent, at the request of the client, shall be obligated to assign his/her claim against the third party to the client, except when the forwarding agent undertakes to exercise the claim himself/herself under a special agreement, at the expense and risk of the client.

Article 742 – Reimbursement of damages caused by the forwarding agent's culpable action

1. The forwarding agent may not resort to rules that exclude or limit his/her liability or shift the burden of proof if the damage was caused through his/her intentional misconduct or gross negligence.

2. The same rule shall apply to the non-contractual liability of the assistant if he/she is found to be at fault under paragraph 1 of this article.

Article 743 – Fee payment terms

The fee shall be paid after the forwarding agent has delivered the freight to the carrier.

Chapter Sixteen

Brokerage

I – General Provisions

Article 744 – Concept

A person who promises a fee for brokerage services that provide opportunity to enter into a contract shall pay the fee only if the contract is entered into as a result of these brokerage services. If a contract is entered into subject to a condition precedent, the brokerage fee may only be demanded if the condition occurs. If the amount of the fee is not specified, then the customary fee shall be deemed to have been agreed upon. Any agreement differing from the first and second sentences of this article that is entered into to the detriment of the client shall be void.

Article 745 – Fee for a broker's services

1. The fee for a broker's contractual services that are not included in the brokerage services may be agreed upon irrespective of whether or not the contract is entered into.

2. The broker may not stipulate or receive any advance payment under Article 744.

3. The broker's expenses shall be reimbursed only if it was so agreed. This rule shall apply also when the contract could not be entered into. Any agreement stipulating the reimbursement of expenses that are not necessary to perform the brokerage contract shall be void.

Article 746 – Exclusive mandate

1. If the client is required to refrain from engaging another broker for a certain period of time (exclusive mandate), then the broker shall be obligated to facilitate the conclusion of the contract during this period of time. If the client acts contrary to the obligation defined in the first sentence, then the broker may claim damage if the contract is concluded by engaging another broker. The contract may provide for a lump-sum payment for damages depending on proof of the existence of damages. The amount may not exceed two per cent of the contract price if the contract was intended for brokering a contract of sale.

2. The client may enter into a contract with a third party without engaging the broker. At the same time, it may be agreed that the client is obligated to pay the appropriate fee even if he/she enters into a contract without engaging the broker. The fee may not exceed two per cent of the contract price if the contract was intended for brokering of a contract of sale.

3. Any agreement differing from these rules, which is entered into to the detriment of the client, shall be void.

4. An agreement for an exclusive mandate shall be made in writing.

Article 747 – Dissolution of brokerage contracts

1. A brokerage contract may be dissolved at any time without observing any time limit unless the term of the contract is fixed.

2. An exclusive mandate may be dissolved only for a valid reason. It may be dissolved at any time after the lapse of six months.

3. The right to dissolve the contract may be not be exercised even when a period of more than six months has elapsed because the type and subject-matter of the contract to be brokered requires otherwise.

Article 748 – Inadmissibility of paying a broker's fee

1. A broker may not be paid any fee or be reimbursed for any expenses if the contract made with a third party concerns a thing owned by the broker. The same rule shall apply when some extraordinary circumstances pose a risk to the broker's exercise of the client's interests, namely when:

a) the broker is a legal person or an association in which the third party has a legal and pecuniary interest;

b) the third party is a legal person or an association in which the broker has a legal and pecuniary interest;

c) the broker is in official business or labour relations with the third party;

d) the broker is the spouse of the third party.

2. The broker may receive a fee or compensation for expenses if he/she notifies the client of the circumstances before entering into the contract with a third party.

3. The broker shall forfeit the claim to a brokerage fee or reimbursement of expenses if he/she acted in favour of the third party contrary to the content of the contract.

4. An agreement contravening the rules defined in paragraphs 1 and 2 of this article shall be void.

II – Apartment Brokerage

Article 749 – Apartment broker

1. The general rules governing brokerage shall apply to a contract under which a person (apartment broker) undertakes to broker a tenancy agreement, unless otherwise stipulated in the apartment brokerage contract.

2. The rules regulating apartment brokerage shall not apply to contracts that pertain to apartment brokerage during tourism and business trips.

Article 750 – Inadmissibility of receiving brokerage fee

1. An apartment broker may not claim any fee or reimbursement of expenses if:

a) under the tenancy agreement, an already existing tenancy to the same apartment is extended or otherwise changed;

b) the tenancy agreement is concluded on a residential space administered by the apartment broker.

2. Any agreement made to the detriment of the client shall be void.

III – Loan Brokerage

Article 751 – Loan broker

The general rules governing brokerage shall apply to a contract under which a person (loan broker), undertakes to broker a loan contract unless specific rules specified in Articles 752 and 753 require otherwise.

Article 752 – Form of a loan brokerage contract

1. The contract shall be made in writing.

2. The contract shall include the amount of the loan broker's fee by indicating the rate of interest to be received from the loan; in addition the contract shall include: the loan amount, duration, interest rate, maturity date, repayment exchange rate, interest accrual period, additional expenses, the total amount to be paid by the client, and the name and address of the lender. These rules shall not apply when the brokerage concerns a mortgage loan or a loan issued to buy a plot of land that is to be used by the client for his/her independent professional, entrepreneurial, departmental or employment activities.

3. The text of the contract shall not have any connection to the brokerage for the issuance of a loan. The loan broker shall hand over a counterpart of the contract to the client.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Article 753 – Duty to pay fee

1. The client shall pay a fee only if he/she receives the loan as a result of brokerage. Any agreement made contrary to the client's interests shall be void.

2. The loan broker may not demand any fee other than the one defined in paragraph 1 of this article for actions relating to the brokerage of the loan.

Article 754 – Sales broker

The Law on Entrepreneurs shall apply to sales brokers.

Chapter Seventeen

Public Promise of a Reward; Competition

Article 755 – Concept

Anyone publicly promising a reward for the performance of an act, including for producing a certain outcome, shall be obliged to pay the reward to the person who has performed the action. The person shall be entitled to the reward even if he/she did not act because of the public promise of the reward.

Article 756 – Revoking a public promise of a reward

1. A public promise of a reward may be revoked before the announced action is performed. The revocation of a public promise of a reward shall be valid if it is announced in the same way as the promise of a reward or through a special notice.

2. Revocability may be waived in a public promise of a reward; in cases of doubt, the promise shall be presumed to have been revoked if the action is not performed within the agreed upon time.

Article 757 – Action performed by more than one person

1. If an action for which a reward has been promised is performed by more than one person, then the reward shall be granted to the person who performed the action first.

2. If the action is performed simultaneously by more than one person, then the reward shall be apportioned to each person. Where the reward cannot be apportioned due to its characteristics, or if, according to the terms of the public promise of a reward, only one person is to be given the reward, then the matter shall be decided by drawing lots.

Article 758 – Promising a prize

1. The person publicly promising a prize for the best performance of a certain work shall award it to the best performer of the work.

2. The announcement of a competition is valid only if it sets a specific period of time for performing the work.

Article 759 – Inadmissibility of making changes to the terms of a competition

No change that is prejudicial to the participants of a competition may be made to the terms of the competition.

Article 760 – Deciding the winner of a competition

The person specified in the competition announcement or, where there is no such a person, the person announcing the competition shall decide whether or not the work submitted within the set period of time meets the requirements of the competition or which of the works is the best.

Article 761 – Competition won by more than one person

If the work for which a prize has been promised is performed by more than one person, the corresponding rules governing a public promise of a reward shall apply to these persons.

Article 762 – Procedure for returning the works submitted to a competition

The competition announcer shall return to the participants the works submitted by them to the competition unless otherwise determined by the competition announcement.

Chapter Eighteen

Bailment

Article 763 – Concept

Under a bailment contract, the bailee undertakes to keep a movable thing delivered to him/her by the bailor.

Article 764 – Bailment fee

1. Bailment shall be regarded as gratuitous unless otherwise agreed upon. If the bailee assumes safekeeping within the scope of its business activities, a bailment fee shall be deemed to have been tacitly agreed.

2. If the amount of the fee is not determined, a tariff rate shall be deemed to have been agreed where such tariffs exist, but where no tariffs exist, a customary fee shall apply.

Article 765 – Bailee's duty for gratuitous bailment

If bailment is assumed gratuitously, then the bailee shall keep the thing as diligently as he/she would keep his/her own thing.

Article 766 – Inadmissibility of transferring a thing to a third party

1. The bailee may not sub-bail the thing to a third party without the bailor's permission.

2. If the sub-bailment is permitted, the bailiee shall be liable for only the fault that he/she has in selecting the third party or place.

Article 767 – Inadmissibility of using bailed things

Without the bailor's permission, the bailee may not use the thing that has been entrusted to him/her, except where the use of the thing is necessary for preserving it.

Article 768 – Changing the procedure for storing things

The bailee may, if necessary, change the procedure for storing the thing. He/she shall notify the bailor about it. The bailee shall also notify the bailor of any claims of third parties to the bailed thing.

Article 769 – Reimbursement of damages resulting from the features of the thing

The bailor shall reimburse the bailee for damage resulting from the features of the bailed thing, except where he/she did not know and could not have known of the dangerous features of the thing.

Article 770 – Time frames for returning bailed things

The bailor may, at any time, demand the return of the bailed thing even if the time for storing this thing has been specified.

Article 771 – Duty to collect bailed things

1. The bailee may, at any time, demand that the bailor collect the bailed thing unless the time for keeping is specified.

2. The bailee may exercise this right only in such a way as to enable the bailor to deposit the thing otherwise, except where there is a valid reason for returning the deposited thing.

Article 772 – Place for returning deposited things

The deposited thing shall be returned at the place identified in the contract, except where another place of return has been agreed to. The transportation expenses shall be borne by the bailor.

Article 773 – Duty to hand over the fruit of bailed things

1. The bailee shall hand over to the bailor the fruit that he/she has received during the bailment.

2. The bailor shall reimburse the bailee for the necessary expenses incurred for storing the thing.

Article 774 – Bailee's liability for intentional misconduct or gross negligence

If a time is specified for collecting the bailed thing, after the expiration of the time the bailee shall be liable only for intentional misconduct or gross negligence.

Article 775 – Duty to pay a fee

If the bailment is for consideration, the bailor shall pay the agreed fee to the bailee upon termination of the contract.

Article 776 – Lien on the bailed property

The bailee may refuse to return the bailed thing until he/she is paid the fee due and reimbursed for expenses that he/she has incurred for storing the thing.

Article 777 – Peculiarities of bailment of generic things

If a generic thing is deposited in such a way that the ownership is to be transferred to the bailee and the bailee is obligated to return the thing of the same kind, quality and quantity, then the corresponding provisions of a loan contract shall apply.

Article 778 – Peculiarities of depositing things with innkeepers

Hotels, sanatoriums and guesthouses shall be liable for the damage incurred to a guest as a result of the loss, destruction or damage to the goods that the guests brought. This rule shall not apply to money and valuables unless they were deposited in a special manner.

Article 779 – Release from liability due to force majeure

Liability shall be excluded if the damage is caused by force majeure, by the guest or a person accompanying him/her or by the features of the thing.

Chapter Nineteen

Article 780 – Concept

The corresponding rules governing a bailment contract shall apply to a warehouse bailment contract unless otherwise provided for in this chapter.

Article 781 – Duty to perform storage duties in good faith

The warehouseman shall perform storage duties with the diligence of a faithful businessman.

Article 782 – Inspection of quantity of goods by the warehouseman

1. When accepting goods for storage, the warehouseman shall not be obligated to inspect their quantity, size, weight, type, quality or other features unless the rules of this chapter stipulate otherwise.

2. If the goods tendered to the warehouseman for storage are found to be damaged or incomplete at the time of tendering and such condition is visible by external inspection as well, the warehouseman shall immediately notify the depositor to that effect. If the warehouseman fails to perform this obligation, then he/she shall pay the damages.

Article 783 – Right to inspect deposited goods

The warehouseman shall permit the depositor to inspect, take samples from or perform the necessary actions in connection with the goods during working hours.

Article 784 – Obligation to give notice

The warehouseman shall immediately notify the depositor if he/she moves the deposited goods to another warehouse or if he/she discovers a change in the features of the goods or a risk of such change. The warehouseman shall notify the last holder of a warehouse receipt known to him/her. If the warehouseman fails to discharge his/her duties, he/she shall pay damages.

Article 785 – Obligation to pay damages

The warehouseman shall be liable for the damage resulting from the loss and/or damage to the deposited goods, except where the damages could not have been avoided even by a conscientious warehouseman.

Article 786 – Peculiarities of storing generic things

1. In cases of storing generic things, the warehouseman may mix them with other things of the same kind and characteristics only if the depositor so permits.

2. The bailors shall have a co-ownership right to the goods resulted from such mixing. The portion of each bailor shall be determined by the quantity of the goods deposited by him/her.

3. The warehouseman shall return the bailed goods to each depositor according to their due shares, without the permission of the rest of the depositors.

Article 787 – Sale of deposited goods

If the deposited goods are perishable or change to such extent that they may suffer devaluation and the warehouseman has no time or is unable to notify the authorised person about it, he/she may sell the goods.

Article 788 – Warehouse receipts

Upon accepting goods, the warehouseman shall issue a warehouse receipt to the depositor.

Article 789 – Particulars of a warehouse receipt

1. A warehouse receipt shall indicate:

a) issue date and registration number of the warehouse receipt;

b) identity and addresses of the parties;

c) place of storage;

d) storage rules;

e) description (quantity, size or weight) and quality of the goods to be stored; the description of packaging if the goods are packaged;

f) amount of storage fees and other necessary expenses;

g) the amount of insurance if the goods to be stored are to be insured;

h) effective period of the contract;

i) the depositor's signature certified with the appropriate seal.

2. Failure to fully reflect the conditions set out in this article in the warehouse receipt shall not release the parties from any liabilities. The parties may incorporate other conditions, too, in the warehouse receipt.

Article 790 – Warehouse warrants

The holder of a warehouse receipt may pledge, through a certificate of lien (warehouse warrant), the goods deposited at the warehouse for securing another obligation without removing goods from the warehouse

Article 791 – Negotiable warehouse receipts

If a warehouseman issues a negotiable warehouse receipt, the receipt may be transferred to a third party by endorsement.

Article 792 – Liability for endorsed warehouse receipts

1. If a warehouse receipt is issued by endorsement, then the warehouseman shall be liable to the receipt holder for the accuracy of the conditions indicated in it, except when the receipt clearly indicates that the data are based on the information supplied by the depositor or by a third party.

2. If the warehouseman knew that the data were incorrect, then he/she shall be liable even if he/she made the indication under paragraph 1 of this article.

3. In the case of mixed storage, the warehouseman may not make the indication specified in paragraph 1.

Article 793 – Presumption of accuracy of endorsements

1. When returning goods deposited for storage, the warehouseman who issued a negotiable warehouse receipt shall hand the goods over only to the lawful holder of the warehouse receipt.

2. If a warehouse warrant is issued, then the warehouseman shall demand its return.

3. The warehouseman shall not be obligated to check the accuracy of the endorsement. The transfer shall be confirmed with an appropriate inscription on the warehouse receipt.

Article 794 – Loss of warehouse receipts

1. If a warehouse receipt or warrant is lost or destroyed, its lawful holder may apply to a court and demand that the lost document be declared void and a new receipt or warrant be issued instead. The court shall consider the application in special proceedings.

2. Based on the court decision, the warehouseman shall issue a new warehouse receipt or warrant.

Article 795 – Pledging of the deposited goods

1. To pledge the goods deposited at a warehouse, the pledger shall make a special inscription (endorsement) on the warehouse warrant and give it to the interested person in that form.

2. The endorsement shall include the bailor's and creditor's identities and the extent of the liability.

3. The warehouseman shall be notified of the transfer of the warehouse warrant to the creditor and the warehouseman shall make the appropriate note.

Article 796 – Transfer of lien to the new holder of the warehouse receipt

1. Due to storage expenses, the warehouseman shall have lien on the goods until the goods are in his/her possession.

2. If a warehouse receipt is issued by endorsement, then the lien shall exist in relation to the new holder of the warehouse receipt.

Article 797 – Inadmissibility of taking back deposited goods

The warehouseman may not demand that the depositor take back the deposited goods until the agreed period of time expires or where no such period is specified, until three months expire from the date of depositing.

Article 798 – Setting an additional period of time for reclaiming goods

1. If after the expiration of a storage period the warehouse receipt holder avoids reclaiming the goods from the warehouse, the warehouseman shall set him/her an additional period of two weeks for reclaiming the goods. If the warehouse receipt holder does not claim the goods within such period either, the warehouseman may sell the goods.

2. The proceeds of the sale of the goods, less the amount of expenses payable to the warehouseman, shall be transferred to the warehouse receipt holder.

Chapter Twenty

Insurance

I – General Provisions

Article 799 – Concept

1. Under an insurance contract the insurer shall be obligated to compensate the insured for the damages resulting from the occurrence of an insured event, subject to the terms of the contract. If insurance involves a firm fixed insured sum, the insurer shall be obligated to pay the insurance amount or perform any other promised action.

2. The policyholder shall pay the insurance contribution (premium).

[3. A derivative shall not be an insurance contract. Relations arising from derivatives shall be regulated under the Law of Georgia on Financial Collaterals, Mutual Setoffs and Derivatives. This article and Articles 800-858 of this Code shall not apply to relations arising from the said law. ***(Shall become effective from 14 January 2020)***]

Law of Georgia No 5674 of 20 December 2019 – website, 31.12.2019

Article 800 – Obligation to enter into an insurance contract

A person who publicly offers to conclude an insurance contract shall enter into the contract unless there is a valid reason for refusal.

Article 801 – Compulsory insurance

The law may provide for compulsory insurance to which the rules of this chapter shall apply unless they contradict compulsory insurance legislation. Matters relating to reinsurance shall be regulated according to the procedure set down by law.

Article 802 – Insurance certificate (policy)

1. The insurer shall be obligated to deliver to the insured a signed document relating to the insurance contract (insurance certificate – policy).

2. The insurance policy shall include:

a) the identities of the parties to the contract and their domiciles (place of residence or legal address);

b) the object of the insurance and the name of the insured person;

c) the definition of the insurance risk;

d) the commencement and duration of the insurance;

e) the amount of insurance;

f) the amount of the insurance premium and the place and time of its payment.

3. If the object of the insurance is the life of a person, then additional data shall be required on the conditions of calculating the profit of the insurer and on the conditions of distribution of the profit.

Article 803 – Types of insurance policies

If the insurance policy is issued to a bearer as blank endorsed or to order, the insurer may assert against the holder of the policy all the claims that he/she has against the original policyholder. This rule shall not apply if the holder of the insurance policy notifies the insurer of the transfer of insurance rights to him/her and the insurer does not immediately assert his/her claims.

Article 804 – Effects of losing an insurance policy

1. If under a contract the insurer must perform his/her duty only after the insurance policy has been presented but the policy is lost or destroyed, the policyholder may claim performance only if the insurance policy has been declared void under special proceedings.

2. If the insurance policy is lost or destroyed, the insured may demand a copy from the insurer. The expenses of issuing the copy shall be borne by the policyholder.

Article 805 – Rights of insurance agents

1 If an insurance agent (representative) is entitled to enter into an insurance contract, he/she may also amend the terms of the contract, prolong the contract or dissolve it.

2. An insurance agent brokering an insurance contract may enter into such contract.

Article 806 – Time of commencement of insurance

1. The insurance shall commence at 24:00 on the day the contract is entered into and shall end at 24:00 on the last day of the contract period.

2. If the insurance contract is made for a period of more than five years, either party may terminate the contract three months after giving a notice of termination.

Article 807 – Effects of increasing the insurance premium

If the insurer increases the insurance premium, the insured may terminate the contract one month after giving a notice of termination. This right shall not arise if the insurance premium is increased slightly.

Article 808 – Obligation to communicate information

1. When entering into a contract, the insured shall inform the insurer of all circumstances known to him/her that are material to

the occurrence of the danger or event covered by the insurance. The circumstances that can influence the insurer's decision to repudiate the contract or enter into it on modified terms shall be deemed to be material.

2. Any circumstance, about which the insurer clearly and unequivocally inquires of the insured, shall also be deemed as material.

3. If contrary to the rules under paragraph 1 of this article the insurer is not informed of a material circumstance, then the insurer may repudiate the contract. The same shall hold true if the insured intentionally avoids informing the insurer of a material circumstance.

4. The contract may not be terminated if the insurer knew of the concealed circumstances or if the insured was not responsible for the failure to communicate them.

Article 809 – Effects of communicating incorrect information

1. The insurer may also repudiate the contract if the notice of material circumstances includes incorrect data.

2. The contract may not be repudiated if the insurer knew of the inaccuracy of the data or if the insured was not responsible for communicating the incorrect data. The insurer may terminate the contract within one month after the communication of such data.

Article 810 – Termination of insurance contracts by reason of failure to communicate information

If the insured was required to respond to written queries about the circumstances of a danger, the insurer may terminate the contract for the failure to communicate the circumstances, which, though not inquired about, were intentionally withheld by the policyholder.

Article 811 – Period for termination of contracts by reason of failure to communicate information

1. The insurer may terminate the contract within one month after the failure to communicate the information defined under this chapter. The period shall commence from the moment the insurer became aware of the breach of the duty to give notice.

2. The insured shall be notified of termination of the contract.

Article 812 – Termination of a contract after the occurrence of insured events

If the insurer terminates the insurance contract after the occurrence of an insured event, it shall not be released from its duty if the circumstance with respect to which the duty to give notice was breached had no influence on the occurrence of the insured event and on performance of the insurer's duty.

Article 813 – Obligation to give notice of increased risk

1. The policyholder shall immediately notify the insurer of an increased risk arising after the contract was concluded if it would have a material influence on the conclusion of the contract.

2. Where so provided for in paragraph 1 of this article, the insurer may terminate the contract one month after giving a notice of termination or demand a corresponding increase in the insurance premium. If the insured intentionally causes the increased risk, the insurer may terminate the contract without observing the notice period.

Article 814 – Obligation of notifying about an insured event

1. Upon becoming aware of the occurrence of an insured event, the policyholder shall notify the insurer.

2. After the occurrence of the insured event, the insurer may demand any kind of information from the insured necessary to determine the extent of the insured event or of the liability.

3. The insurer may not resort to an agreement under which it is released from liability in the event of the policyholder's failure of notification, but if such failure of notification does not materially prejudice the insurer's interests.

4. The insurer shall perform its duty after having ascertained the insured accident and the extent of compensation.

II – Insurance Premiums

Article 815 – Obligation to pay insurance premiums

1. The policyholder shall be obligated to pay the insurance premium only after obtaining the insurance document.

2. If interest in the insurance is lost, the insurer may demand that part of the insurance premium that corresponds to the duration of the risk assumed. The insurer may demand corresponding compensation for the services.

Article 816 – First insurance premium

Until the first or one-time insurance premium is paid, the insurer shall be free from liability.

Article 817 – Late payment of insurance premium

1. If an insurance premium is not paid on time, the insurer may specify a two-week payment term in writing, and shall indicate the consequences of the failure to pay within the specified term.

2. If the insured event occurs after the expiry of such term and by that time the policyholder has delayed the payment of the premium or interests, the insurer shall be released from liability.

Article 818 – Contract termination by reason of late payment of insurance premiums

If the policyholder does not pay the insurance premium on time, the insurer can give the policyholder a one month's prior notice of termination of the contract and terminate the contract if the term expires without payment.

Article 819 – Discontinuing the payment of insurance premiums

The policyholder may discontinue the payment of insurance premiums if it turns out after concluding the contract that the insurer's financial condition has worsened to the extent that there is a real risk that the insurer may default on its contractual obligations if the insured event occurs.

III – Insurance against Damages

a) Content of the Contract

Article 820 – Monetary liability for damages

In cases of insured damage, the insurer shall pay the damages in money.

Article 821 – Extent of liability for damages

The insurer shall pay the damages only to the extent of the insured amount.

Article 822 – Insurance comparison

1. If it is discovered that the insured amount significantly exceeds the value of the insured interest (insured value), then either the policyholder or the insurer may demand that the insured amount be reduced with immediate corresponding reduction of the insurance premium in order to avoid excessive insurance.

2. If the policyholder, with the intent to receive illegal income, concludes the contract by increasing the insurance, then the contract shall be deemed void. The insurer shall retain the insurance premiums paid before the invalidity of the contract if it was not aware of the invalidity at the moment that the contract was concluded.

Article 823 – Peculiarities of property insurance

The value of a property shall be deemed to be the amount of the property insurance, unless otherwise determined by the circumstances of the case.

Article 824 – Insurance of lost benefit

Insurance shall apply to the benefits lost due to the occurrence of an insured event, if so provided for in the agreement.

Article 825 – Insurance of unity of things

If a unity of things is insured, the insurance shall apply to all the things in it.

Article 826 – Amount of insurance compensation

The insurer shall not be obligated to pay the policyholder any sum in excess of the extent of the damage even if the insured amount exceeds the insured value at the moment when the insured event occurs.

Article 827 – Underinsurance or partial insurance; double insurance

1. If the insured mount is less than the insured value at the moment when the insured event occurs (underinsurance or partial insurance), the insurer shall pay the damages according to the ratio of the insured amount to the insured value.

2. The person who has insured the same interest concurrently with several insurers shall immediately notify each insurer about it. The notice shall indicate the identity of all the insurers and the amount of insurance.

3. If the given interest is insured against the same risk with several insurers and the combined amounts of insurance exceed the insured value or if because of other reasons the combined amount of the compensations that would have been paid by the insurer if there had been no other contract, exceeds the total damage (double insurance), then the insurers shall be liable before the policyholder as joint and several debtors to the extent of the sum that they have agreed under the contract of insurance, but the policyholder may not receive in total the sum exceeding the real damage.

Article 828 – Invalidity of double insurance

If the policyholder concludes double insurance to receive illegal income, then each contract concluded for this purpose shall be deemed to be void.

Article 829 – The fault of the policyholder upon occurrence of the insured event

The insurer shall be released from liability if the policyholder causes the event covered by the insurance by intent or gross negligence.

Article 830 – Duty to fulfil the insurer's instructions

1. If the event covered by insurance occurs, the policyholder shall be obligated to avoid or reduce the damage as far as possible and fulfil the insurer's instructions in that respect.

2. The insurer shall reimburse the expenses that have been incurred by its instructions.

Article 831 – Insurance against damages caused by war or other force majeure

The insurer shall be liable for damages caused by war or other force majeure only if so provided by a special agreement.

Article 832 – Claim for damages asserted against a third party

1. If the policyholder can assert a claim for damages against a third party, then the claim shall be transferred to the insurer if it pays the damages to the policyholder. If the policyholder waives his/her claim against the third party or the right to secure his/her claim, then the insurer shall be released from liability for the damages to the extent of the amount that it could have received by exercising its rights or by asserting its claim to receive compensation for its expenses.

2. If the right of the policyholder to claim damages concerns family members living with him/her, the right may not be transferred if the family member has intentionally caused the damage.

Article 833 – Effects of alienating insured property

If the insured property is alienated, then the rights and duties of the policyholder shall pass to the acquirer.

Article 834 – Obligation to notify of the alienation of the insured property

The insurer shall immediately be notified of alienation of the insured property. If the acquirer or the alienator does not notify the insurer immediately, the insurer shall be released from liability if the insured event occurs after two weeks from the moment

when the insurer ought to have received the notice.

Article 835 – Termination of insurance upon alienation of property

1. The insurer may terminate the insurance contract with the acquirer after giving one month's notice of termination. The right to terminate the contract shall become invalid if the insurer does not exercise the right within one month after it became aware of the alienation of the property.

2. The acquirer may terminate the insurance contract; it may terminate the contract only immediately or upon the expiry of the current insurance period. The right to terminate shall be extinguished if the acquirer does not exercise the right within one month after the acquisition; however, if the acquirer was not aware of the insurance, the right to terminate shall be valid until the expiry of one month from the moment when the buyer became aware of the insurance contract.

3. If the insurance contract is terminated under these rules, then the alienator shall be obligated to pay the insurer the insurance premium, but not more than what he/she ought to have paid during the insurance period up to and including the moment of the termination of the contract; in that case, the acquirer shall not be liable for payment of the insurance premium.

b) Insurance for the benefit of another person

Article 836 – Concluding an insurance contract for the benefit of another person

The policyholder may conclude an insurance contract with the insurer in his/her own name for the benefit of another person. That person need not be named.

Article 837 – Rights of another person under insurance contracts

1. If the insurance is for the benefit of another person, the rights arising out of the contract shall accrue to that person. Only the policyholder may demand the insurance policy.

2. The insured person may exercise his/her rights without agreement with the policyholder and seek the exercise of his/her rights through a court only if he/she holds the insurance policy.

Article 838 – Rights of the policyholder

1. The policyholder may exercise, in his/her own name, the rights to which an insured person is entitled under the insurance contract.

2. If the insurance policy is issued, then the policyholder may receive compensation without the insured person's consent or transfer the right to the insured person only if the policyholder holds the insurance policy.

3. The insurer shall pay the policyholder for the benefit of the insured person only if the policyholder proves that the insured person consented to the insurance contract.

c) Civil liability insurance

Article 839 – Concept

Under a civil liability insurance contract, the insurer shall release the policyholder from the obligations imposed on the insured as a result of his/her liability to a third party arising during the insurance period.

Article 840 – Claim for direct payment of damages

The insurer, within the limits of its liability, shall directly pay damages to the person who suffered the damages, if that person presents a claim to the insurer.

Article 841 – Court and out-of-court expenses

The insurance shall also cover the court and out-of-court expenses incurred for defence against the claim of a third party if the circumstances of the case warrant such expenses.

Article 842 – Releasing the insurer from liability

The insurer shall be released from liability if the policyholder intentionally causes the circumstance that creates its liabilities to a third party.

Article 843 – Liability under compulsory insurance

1. If the insurer is released, in full or in part, from liability to the policyholder, its liability to the third party shall hold where so provided by the law on compulsory insurance.

2. If the insured satisfies the claim of the third party, then the claim of the third party against the policyholder shall pass to the insurer.

III[1] – Health Insurance

Law of Georgia No 1115 of 28 June 2017 – Website, 10.7.2017

Article 843[1] – The concept

1. Under a health insurance contract, an insurer shall reimburse for the treatment expenses connected with the deterioration of the health status or the health injury of an insured person, and other medical service expenses agreed upon under this contract in accordance with the procedure and conditions established by the same contract.

2. A health insurance contract may be concluded by a policyholder in favour of an insured person.

Law of Georgia No 1115 of 28 June 2017 – Website, 10.7.2017

Article 843[2] – Assertion of a claim for damages against a third party

1. If an insured person has the right to assert a claim for damages against a third party, the claim shall be transferred to an insurer if the insurer reimburses the insured person for the damages.

2. An insurer may assert a claim for damages against a third party only after it reimburses an insured person for the damages, to the extent of the reimbursed amount of damage. If the insured person waives the claim for damages asserted against the third party, the insurer shall be released from the duty to reimburse for the damages.

Law of Georgia No 1115 of 28 June 2017 – Website, 10.7.2017

Article 843[3] – Application of the damage insurance standards to health insurance

Only Articles 820 and 821 of this Code out of the damage insurance standards shall apply to health insurance.

Law of Georgia No 1115 of 28 June 2017 – Website, 10.7.2017

IV – Life Insurance

Article 844 – Concept

1. Life insurance may cover the policyholder or another person.

2. If a life insurance contract is concluded for the benefit of another person, the written consent of such person or his/her legal representative shall be required.

Article 845 – Inadmissibility of repudiating a contract

If at the time of concluding the contract the policyholder breaches his/her duty to communicate information, the insurer may not repudiate the contract if five years has passed since the contract was concluded. Repudiation of the contract shall be allowed if the duty to communicate information was not fulfilled intentionally.

Article 846 – Termination of the contract where insurance premium is paid periodically

If the insurance premium is paid periodically, the insurer may terminate the insurance contract at any time but only at the end of the current insurance period.

Article 847 – Transfer of the right to compensation to a third person

1. In the case of a cumulative insurance, the policyholder may transfer the right to receive benefits to a third party or replace the third party with another person, unless otherwise provided by the contract.

2. The third party entitled to receive benefits may exercise the right only upon occurrence of the insured event, unless the policyholder has instructed otherwise.

Article 848 – A non-rightful third party

1. If the right of the third party does not correspond to the duty of the insurer in the case of cumulative insurance, then the policyholder shall retain this right.

2. If the third party does not exercise his/her right to receive the benefit in the case of cumulative insurance, then the policyholder shall retain this right.

Article 849 – Releasing the insurer from liability for damages

1. If the insurance contract is covering the death of another person, then the insurer shall be released from liability if the policyholder intentionally causes the death of such person by acting illegally.

2. If a third party has the right to receive the benefit in the case of life insurance, this right shall not be recognised if he/she, by acting illegally, intentionally caused the death of the person whose life was insured.

Article 850 – Release from liability for compensation in the case of suicide

1. The insurer shall be released from liability if the person whose life was insured commits suicide.

2. The heir of the policyholder may claim a refund of the insurance premiums paid.

Article 851 – Substitution of insurance contracts

1. The policyholder may demand, at any time before the end of the current insurance period, substitution of the insurance contract with a premium-free insurance contract.

2. If the policyholder demands such substitution, then from that moment on the amount of insurance or the amount of benefit shall be substituted with the amount that corresponds to the liability of the insurer, considering the age of the insured person, provided the reserve of accumulated premiums is regarded as a single premium.

Article 852 – Deductions upon termination of the contract

If a life insurance contract is terminated due to repudiation, dissolution or dispute, the insurer shall refund the amount of the premium that it has received under the contract. The insurer may also make appropriate deductions.

Article 853 – Effects of forced execution

1. If a judgment on an insurance claim is enforced or if a legal proceeding is pending in relation to the bankruptcy of the insured, then the person who is specifically named as the beneficiary may take the place of the policyholder in the insurance contract. If the person entitled to the benefits participates in the contract, then he/she shall meet all the requirements of the creditor or secure the bankruptcy assets to the extent of the amount that the policyholder could have received from the insurer upon termination of the insurance contract.

2. If the person entitled to the benefit is not interested in receiving the benefit or if he/she is not designated by name, then the spouse and children of the policyholder shall acquire this right.

V – Accident Insurance

Article 854 – Concept

1. An accident insurance contract may be concluded for an accident affecting either the policyholder or another person.

2. If the accident insurance contract is concluded not by the insured person but for his/her benefit, then the life insurance rules shall apply to such contract.

Article 855 – Effects of injury to health

If the insurer's liability depends on injury (harm) intentionally done to health, then the absence of intent shall be presumed until proven otherwise.

Article 856 – Effects of intentionally causing an accident

1. The insurer shall be released from liability if the person entitled to benefits under a contract concluded for the benefit of another person intentionally causes the accident by acting illegally.

2. If another person has the right to receive the benefit, he/she shall be deprived of the right if he/she intentionally causes the accident by acting illegally.

Article 857 – Duty to notify accidents

If the duties are to be performed for the benefit of the person entitled to benefits, then this person shall make a declaration about the accident. This rule shall also apply to the duties of communicating information and handing over documents.

Article 858 – No right of recourse

The policyholder has no right of recourse against the person who is liable for the damage.

Chapter Twenty-one

Banking

I – Settlement Account

Article 859 – Concept

1. Under a settlement account contract, a credit institution shall be obligated to make payments from its customer's account within the limits of the funds available in the account and credit incoming amounts to the account.

2. The same operations may be performed in cash by the account holder's instructions.

3. Under the agreement of the parties, the account holder may be obligated to pay service costs.

Article 860 – Obligation to issue account statements

1. A credit institution shall keep a ledger for both cash and non-cash settlements.

2. A credit institution shall be obligated to provide information to the account holder on the status of his/her account (account statement) within the times provided for in the contract; and the account holder may, at any time, demand information on the status and credit and debit entries of the account.

Article 861 – Debiting funds from the account

A credit institution shall be obligated to debit funds from the account when the account holder permits or instructs it to do so. Otherwise, the credit institution shall credit the damage incurred and wrongly transferred sums to the account of the account holder.

Article 862 – Effects of cancellation of the account holder's order

1. The account holder may cancel an order given to the credit institution before a transfer is actually made. Otherwise, the credit institution shall immediately notify the appropriate persons of the refusal of performance.

2. If the order is cancelled timely, the credit institution must reinstate the amount to the holder's account.

Article 863 – Obligation to keep confidentiality

1. A credit institution shall keep secret the facts relating to the account and other facts made known to it in the course of business relations with the account holder except as provided by law or except where the matter concerns ordinary banking information that is not prejudicial to the account holder's interests.

2. This obligation of the credit institution shall survive the termination of the contract.

Article 864 – Termination of settlement account contracts

1. Either party may terminate a settlement account contract at any time.

2. The credit institution may terminate the settlement account contract only in such a way as to enable the account holder to otherwise receive settlement account services, except when there is a material reason for its termination or if termination of the contract by the credit institution is defined by law.

Law of Georgia No 4463 of 28 October 2015 – website, 11.11.2015

Article 865 – Cheque payments

Under the relevant agreement, the credit institution shall pay cheques signed by the account holder to the extent of the assets in the account in accordance with the Law on Cheques. In this case, the rules governing non-cash settlement contracts shall apply.

Article 866 – Collection of checks

Even without any additional agreement, a credit institution shall be obligated to the account holder under a settlement account contract to collect the checks presented by the account holder by timely presenting such checks to a credit institution and, in the case of non-payment, undertake necessary measures to secure the payment.

II – Bank Credit

Article 867 – Concept

Under a bank credit contract, the lender makes or is bound to make available to the borrower a credit for consideration in the form of a loan.

Article 868 – Interest rates on bank credits

1. Under the agreement of the parties, the fixed interest rate and the indexed interest rate may be defined for creditors.

2. For the purposes of this article, the fixed interest rate shall be the interest rate which is fixed in an agreement and does not change during the entire term of the agreement, or which may be changed upon the onset of certain circumstances (except for the change of the public index) under the agreement. The automated change of the interest rate which is caused by the onset of circumstances related to the actions of the customer, in accordance with the pre-determined provisions of the agreement, shall not be construed as the change of the interest rate.

3. For the purposes of this article, the indexed interest rate shall be the interest rate which, under certain rules, is related to the public index and the change of which is caused by the change of the said index.

4. The maximum and minimum fixed interest rate variation thresholds and the minimum interval of variation shall be determined at the time of concluding a credit contract.

5. The lender shall notify the borrower of the interest rate in an acceptable manner.

6. If the annual interest rate is not indicated, then only the annual interest rate provided by law shall apply. If the imposition of costs was not provided at the time of calculating the annual interest rate, then such costs shall not be compensated.

7. When a bank credit is granted, the requirements under Article 625 of this Code with regard to an interest rate, a penalty, financial expenses and any type of financial sanction must be complied with.

8. Unless otherwise determined by the legislation of Georgia, a bank credit of up to GEL 200 000 (two hundred thousand) shall be granted only in GEL, except when the total liabilities of a borrower to the same bank credit provider as a result of granting the bank credit exceed 200 000 (two hundred thousand). For the purposes of this paragraph, any bank credit attached or indexed, in any form, to a foreign currency shall not be considered as having been granted in GEL.

Law of Georgia No 239 of 29 December 2016 – website, 13.1.2017

Law of Georgia No 1901 of 23 December 2017 – website, 11.1.2018

Law of Georgia No 3315 of 21 July 2018 – website, 7.8.2018

Law of Georgia No 4104 of 22 December 2018 – website, 10.1.2019

Article 869 – (Deleted)

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 870 – Using additional security

1. If proprietary or personal security is agreed upon at the time of granting credit, then the lender may demand the use of additional security if the loan is not repaid in full.

2. At the request of the borrower, the lender shall be obligated to return any security that exceeds the agreed limits of repayment.

Article 871 – Termination of contracts

1. If a fixed interest rate for a credit is agreed for a certain period, the borrower may terminate the credit contract if the obligation to pay interest ends before the stipulated loan repayment date and if no new agreement on the interest rate is concluded. The time frame for termination shall be one month.

2. If the borrower is a consumer and the credit is not secured by a mortgage, then the right of termination shall arise six months after the credit is granted. The time frame for termination shall be three months.

3. After the lapse of ten years the right of termination shall apply in any case. The time frame for termination shall be six months.

4. The borrower may terminate a loan with a variable interest rate at any time, by giving three months' notice of termination.

Article 872 – Compensation for damages incurred by prepayment of a credit

If a borrower repays the credit before the end of the credit contract, then the lender may claim adequate damages. At the same time, the damages shall include the value of saved expenses as well as the benefit that the creditor would have received by using the loan currency otherwise, or if the borrower intentionally prevented the receipt of such benefit.

Article 873 – Termination of a credit contract in case of repayment in instalments

A lender may terminate the credit contract if the repayment is to be made in instalments but the borrower has delayed the repayment of at least two instalments in a row. The termination shall take effect if the repayment is not made even within the additional two-week grace period.

III – Deposit

Article 874 – Concept; liability of the directors of credit institutions

1. When a sum of money is deposited with a credit institution (deposit), the institution shall acquire title to it and shall return, when due, the sum received in the same currency.

2. If the maturity date is not fixed, the sum of money may be claimed back at any time.

3. Interest shall appropriately accrue on deposits.

4. The depository and the directors (managers) of the credit institution shall provide the depositor with information on the liquidity of the bank and indicators of profit from bank deposits.

5. A person who culpably releases false information or refuses to release the necessary data shall be obligated to reimburse the depositor for any damage resulting from the release of false information or from the refusal to release information.

6. The bank directors (managers) who publish false information on the liquidity and indicators of profit from bank deposits through promotional brochures or otherwise shall likewise be jointly and severally liable.

Article 875 – passbook

A credit institution may issue a savings book in a nominative form (for a particular person) only.

Law of Georgia No 2617 of 23 July 2003 – LHG I, No 22, 8.8.2003, Art. 167

IV – Documentary (Commercial) Letter of Credit; Documentary Collection

Article 876 – Concept

1. By issuing a documentary letter of credit, the credit institution (issuing bank) shall be obligated to pay, on instructions from the customer (account party), a certain amount to a third party (the beneficiary) against delivery of the said document by order of the latter, or to pay a bill of exchange presented by the beneficiary, to perform acceptance, or to instruct another bank to perform the transaction, provided the credit terms are met.

2. The customer shall be obligated to pay an agreed fee.

Article 877 – Collection order

By a collection order, the credit institution authorized for the collection operation (the bank) shall undertake to issue negotiable securities on the order of the customer (principal), in exchange for acceptance and/or, where necessary, in exchange for payment by the payer.

Article 878 – International transaction practices

Unless otherwise agreed, the rights and duties of the parties shall be determined according to the accepted practices of international transactions for documentary letters of credit and collection orders.

V – Bank Guarantee

Article 879 – Concept

By virtue of a bank guarantee, a bank or any other credit institution or insurance organisation (guarantor) undertakes in writing, at the request of another person (the principal), to pay a sum of money to the principal's creditor (the beneficiary), according to an assumed obligation, at the principal's written request.

Article 880 – Fee for bank guarantee

1. The bank guarantee shall secure the due performance of the principal's obligation before the beneficiary.

2. The principal shall pay the guarantor an agreed fee for issuing the bank guarantee.

Article 881 – Independence of the guarantor's obligation from the primary obligation

In the relations between the guarantor and the beneficiary, the guarantor's obligation under the guarantee to the beneficiary shall not depend on the primary obligation, for the performance of which it is issued, even when the guarantee includes a reference to this obligation.

Article 882 – Irrevocability of a bank guarantee

The bank guarantee may not be revoked by the guarantor unless otherwise provided for in the guarantee.

Article 882^1 – The right to transfer a bank guarantee issued by a commercial bank to another commercial bank

For the purposes of the liquidation of a commercial bank, a liquidator shall be entitled to transfer a bank guarantee issued by a commercial bank to another commercial bank without the consent of the beneficiary and the principal.

Law of Georgia No 1901 of 23 December 2017 – website, 11.1.2018

Article 883 – Inadmissibility of transferring the beneficiary's claim to another person

The beneficiary's claim against the guarantor arising out of a bank guarantee may not be transferred to another person unless otherwise provided for in the guarantee.

Article 884 – Validity of the bank guarantee

The bank guarantee shall take effect from the day of its issuance unless otherwise provided for in the guarantee.

Article 885 – The form of presenting a claim

1. The beneficiary's claim for the payment of a sum of money due under the bank guarantee shall be presented to the guarantor in written form, together with the documents indicated in the guarantee. In the claim or in the supporting documents the beneficiary shall indicate the nature of the principal's breach of the primary obligation for which the guarantee was issued.

1^1. The beneficiary need not present to the guarantor a written claim for payment of a sum of money if there is an agreement between the beneficiary and the guarantor on the receipt of payment claims through electronic means.

2. The beneficiary shall present its claim to the guarantor before the expiry of the guarantee period.

Law of Georgia No 3537 of 21 July 2010 – LHG I, No 47, 5.8.2010, Art. 304

Article 886 – Guarantor's obligation upon receipt of the beneficiary's claim

1. Upon receipt of the beneficiary's claim, the guarantor shall notify the principal to that effect and deliver to him/her a copy of the claim with all the documents relating to it.

2. The guarantor shall consider the beneficiary's claim together with the enclosed documents within a reasonable period of time and exercise reasonable diligence to determine whether or not the claim and the enclosed documents meet the terms of the guarantee.

Article 887 – Guarantor's refusal to satisfy the beneficiary's claim

1. The guarantor shall deny the beneficiary's claim if the claim or the enclosed documents do not meet the terms of the guarantee, or if they are presented to the guarantor after the expiry of the period of time defined in the guarantee. The guarantor shall immediately notify the beneficiary of the refusal to satisfy his/her claim.

2. If before satisfying the beneficiary's claim the guarantor becomes aware that the primary obligation secured by the bank guarantee has already been fully performed in the relevant part, has been terminated for other reasons or is void, he/she shall immediately notify the beneficiary and the principal. If the beneficiary makes a repeated claim to the guarantor after receiving such notification, the guarantor shall satisfy the beneficiary's repeated claim.

Article 888 – Extent of the guarantor's obligation

A guarantor's obligation under a bank guarantee to the beneficiary shall be limited to payment of the amount for which the guarantee was issued.

Article 889 – Reasons for terminating the guarantor's obligation

1. The guarantor's obligation to the beneficiary shall terminate:

a) by payment to the beneficiary of the amount for which the guarantee was issued;

b) upon expiry of the guarantee period;

c) upon the beneficiary's waiver of his/her rights arising out of the guarantee and return of them to the guarantor.

2. The guarantor who has become aware of the termination of the guarantee shall immediately notify the principal.

Article 890 – Right to claim compensation by way of recourse

1. The guarantor's right to claim from the principal, by way of recourse, the amount compensated to the beneficiary under the bank guarantee shall be determined under the guarantee agreement concluded between the guarantor and the principal.

2. The guarantor may not claim from the principal an amount that has been paid to the beneficiary contrary to the terms of the guarantee, or due to the breach of the guarantor's obligation to the beneficiary, unless otherwise provided under the agreement between the guarantor and the principal.

Chapter Twenty-two

Suretyship

Article 891 – Concept

1. Under a contract of suretyship, the surety assumes an obligation to the creditor of a third party to be responsible for discharging the third party's liability.

2. The suretyship may be used for future and contingent liabilities as well.

Article 892 – Form of suretyship

1. For the suretyship to be valid, a written application of the surety shall be required and the document (contract) of suretyship shall indicate the maximum amount of the surety's quantified liability.

2. If a person offers to stand as surety within the scope of his/her professional activities, this form need not be observed.

Article 893 – Basis for the surety's liability

The currently applicable amount of the main obligation shall determine the liability of the surety. The liability of the surety shall not be extended by a transaction that the principal debtor undertakes after assumption of the suretyship and shall not apply to relations arising out of such transaction.

Article 894 – Surety's refusal to satisfy the creditor

The surety may refuse to satisfy the creditor until the creditor attempts forced execution against the principal debtor.

Article 895 – Joint and several liability of the surety

If the surety undertakes liability jointly or in another equivalent form, then the claim may be asserted against him/her even without the attempt of forced execution, if the principal debtor exceeded the payment due date and has been given a notice to no effect or if his/her insolvency is obvious.

Article 896 – Liability of co-sureties

If several persons are sureties for the same obligation, then they shall be jointly and severally liable even if they do not assume suretyship jointly.

Article 897 – Liability for the obligations assumed by previous sureties

A surety who has undertaken to a creditor to discharge the obligations assumed by previous sureties shall be jointly liable with them in the same manner as, ordinarily, a surety is liable jointly with the principal debtor.

Article 898 – Extent of the surety's liability

1. The surety shall in any case be liable only to the extent of the maximum amount indicated in the document of suretyship.

2. Unless otherwise agreed, the surety shall be liable to the extent of that maximum amount:

a) for the corresponding amount of the principal debt, in particular, including when the principal debt has changed due to the principal debtor's fault or due to delay in payment. The surety shall be liable for contractual penalties or for the total amount of damages that were stipulated up to the end of the contract, only if so specifically agreed;

b) for the contract termination expenses and court charges that are to be compensated by the principal debtor, provided the surety had the possibility to avoid the expenses by satisfying the creditor;

c) for the interest payable by the principal debtor under the contract, if so expressly agreed.

Article 899 – Defences of surety

1. The surety may assert the defences to which the principal debtor is entitled. If the principal debtor dies, the surety may not invoke the fact that the heir has limited liability.

2. The surety shall not be deprived of the right to assert defences by the fact that the principal debtor has waived this right.

Article 900 – Surety's refusal to satisfy the creditor

The surety may refuse to satisfy the creditor as long as the principal debtor is entitled to dispute the transaction on which the obligation is based.

Article 901 – Reduction of the surety's liability

If the creditor, to the detriment of the surety, reduces the liens or other means or advantages of security, then the surety's liability shall be reduced by an amount corresponding to the above-mentioned reduction.

Article 902 – Effect of delayed payments by the principal debtor

1. If the principal debtor's payment is overdue, the creditor shall notify the surety. At the request of the surety, the creditor shall, at any time, provide him/her with information on the status of the principal debt.

2. If the creditor fails to perform one of these actions, he/she shall forfeit his/her claims against the surety to the extent of the damages caused by the non-performance.

Article 903 – Termination of an open-ended contract of suretyship

1. If the suretyship is open-ended, then the surety must give a three-month notice to terminate the contract.

2. For a fixed-term suretyship, after the lapse of five years, the contract may be terminated by giving a three-month notice.

3. In the case of unilateral termination, the surety shall perform the obligations undertaken before the termination.

Article 904 – Grounds for releasing a surety from suretyship obligations

1. If a surety provides a suretyship on the principal debtor's instructions, or if he/she is entitled, under the rules governing agency without specific authorisation, as a result of assuming the suretyship, to the rights of an agent against the principal debtor, then he/she may demand release from the suretyship if:

a) the property status of the principal debtor has substantially deteriorated;

b) pursuit of rights against the principal debtor is made appreciably more difficult due to a change of residence or location after assumption of the suretyship;

c) the creditor has obtained an order of forced execution against the surety.

2. If the primary obligation has not yet fallen due, the principal debtor may provide security to the surety instead of releasing him/her.

Article 905 – Effects of satisfaction of creditors by the surety

If a surety satisfies the creditor, the creditor's claim against the principal debtor shall pass to the surety. The defences of the principal debtor arising out of his/her relationship with the surety shall remain unaffected.

Chapter Twenty-three

Current Account

Article 906 – Concept; content

1. Under a current account agreement, the parties undertake to credit the claims and payments arising out of their business relations to an account and deem them intact until the account is closed.

2. The balance of the account shall be paid within the agreed time. If at the closing of the account the party rightful to the balance does not demand payment, then it shall be credited to the current account.

3. Closing of the account shall give rise to a claim for the balance that, for purposes of performance, substitutes the claim placed on the current account.

4. The account shall be closed once a year unless stipulated otherwise.

Article 907 – Cancellation of current accounts

In case of doubt, a current account may be cancelled and the account closed at any time.

Article 908 – Interest on payments made

Interest at the rate prescribed by law shall be paid on scheduled payments unless the contract provides otherwise.

Article 909 – Personal or proprietary security for a claim entered into the current account

1. If there is a personal or proprietary security for a claim entered into the current account, then the creditor may claim satisfaction from this security for the balance existing in his favour even after the account has been closed.

2. The rule laid down in paragraph 1 of this article shall apply even when there is joint and several liability for the claim.

Article 910 – Attachment

If a creditor of one of the parties to the agreement obtains an attachment order against the balance in the current account, which belongs to the debtor, then the parts of the debt arising out of a new transaction made after the attachment order has been issued shall not be considered in relation to the creditor. A transaction that has already been made on the basis of claims existing before

the transaction shall not be regarded as a new transaction.

Chapter Twenty-four

Obligations Arising out of Securities Transactions

I – Obligations arising out of bearer securities transactions

Article 911 – Concept

1. If a person issues a document by which he/she promises a payment to the holder of the document, then the holder may claim the promised payment, except where he/she does not have the right to do so.

2. The genuineness of the signature on the issued document may depend on the observance of a special form indicated in the document. The signature may be made in any technically possible way.

Article 912 – Defences of the issuer

The issuer of the document may assert against the holder of the security only those defences that relate to the validity of the execution, the document itself or that the issuer has directly against the holder.

Article 913 – Procedure for transfer of rights

1. The right defined in the document shall be transferred according to the rules governing the transfer of movable things. It may also be transferred by a contract concluded with a third party.

2. A person who acquires a document lost in some way shall be deemed to be the legitimate holder, except where he/she acquired the document by intentional misconduct or gross negligence.

Article 914 – Rights of the issuer

1. The issuer may raise objections against the holder on the grounds that the security was not issued by him/her. In addition, he/she may assert against the holder any defences arising out of the document.

2. If the issuer uses technical means to sign a document, he/she may not defend himself/herself against the holder by stating that he/she had no right to use this method, except when the acquirer was aware of counterfeiting or acted by gross negligence.

3. If the document is transferred to the holder, the issuer may not assert against him/her any defences arising out the issuer's direct relationship with the previous holder of the document, except where the subsequent holder acted intentionally to the prejudice of the issuer when acquiring the document.

4. If the defence does not arise out of direct relationship, then it may be asserted only against the holder who acquired title to the document by way of alienation and in doing so acted by intentional misconduct or gross negligence.

Article 915 – Duty of the issuer

1. The issuer shall be obligated to perform his/her duties only if the document is delivered to him/her.

2. The debtor who performs his/her obligations to the holder of the document shall be released from his/her duty, unless he/she acted by intentional misconduct or gross negligence and can prove the holder's bad faith.

3. The debtor who is released from his/her obligations to the holder of the document shall acquire title to the document delivered to him/her.

Article 916 – Re-registration of bearer securities

Only the issuer may re-register bearer securities in the name of a certain person. At the same time, the issuer shall not be obligated to re-register bearer securities.

Article 917 – Replacement of securities unfit for circulation

If a damaged bearer security is no longer fit for circulation, the holder may demand the issue of a new bearer security in return for delivery of the damaged document, as long as the content and essential distinguishing features of the document can still be identified. The relating expenses shall be borne and prepaid by the holder.

Article 918 – Invalidation of securities

1. A lost or destroyed security may be declared invalid by a court unless the document otherwise provides.

2. The issuer shall provide the previous holder, when requested, with information necessary for a court to consider the invalidation of the security and prohibition of payment. The issuer shall also issue the corresponding certificate. The expenses of the issue of the certificate shall be paid in advance by the previous holder.

Article 919 – Issuing new bearer documents

A person who has obtained a declaration of invalidity of a promissory note made out to bearer, regardless of the exercise of the claim arising out of the document, may demand that the issuer issue a new bearer document in the place of the invalid one. The person shall pay the expenses of the issue in advance.

Article 920 – Limitation period on claims

The limitation period on claims arising out of securities shall be thirty years from the maturity date of the obligations defined in the documents.

Article 921 – Issuing promissory notes of small value

If the issuer has issued promissory notes or similar documents of small value, in which the creditor is not indicated, and the circumstances of the case show that the issuer is willing to pay to the holder, the rules of Article 911(1), Articles 913-915 and Article 920 shall apply.

II – Obligations arising out of negotiable securities

Article 922 – Concept

1. A promissory note by which the issuer promises payment to the person named in the note upon presentation of the note may be issued in the form of a negotiable security.

2. The signature may be affixed in any technically possible manner.

Article 923 – Assignment of rights; endorsement types

1. The right defined in the note may be assigned by endorsement and delivery of the note.

2. The endorsement shall be made on the note or on its enclosure. The use of a technical device shall be allowed.

3. The endorsement does not require the indication of the endorsee and may contain only a signature (blank endorsement). The authorised holder may fill in the blank endorsement in his/her name or on behalf of another, issue the blank note or subsequently endorse the note himself/herself to the designated person.

Article 924 – Procedure for using notes acquired by endorsement

If a promissory note made out to order is acquired by endorsement, then Article 914 shall apply accordingly.

Article 925 – Payment in the case of subsequent endorsements

1. The holder of a negotiable security confirmed by subsequent endorsements may demand the promised payment in return for the delivery of the signed document, except when he/she is not entitled to it.

2. Payment to a non-rightful person who has confirmed his/her right through subsequent endorsements shall release the debtor unless the debtor acted intentionally or by gross negligence.

3. A debtor who has performed his/her duty before the endorsee shall become the owner of the document delivered to him/her.

Article 926 – Claims guaranteed in writing

If negotiable securities guarantee in writing not only claims of small value, the rules governing the invalidation and issue of documents substituting bearer promissory notes shall apply accordingly.

Article 927 – Limitation period of claims

The rules governing bearer promissory notes shall apply accordingly to the limitation of claims arising out of promissory notes made out to order.

III – Personal Securities

Article 928 – Concept

1. A document drawn up in the name of a designated person may be issued on the condition that the debtor shall be bound to pay only if the document of the person is delivered to him/her.

2. Unless otherwise determined, the right given in the document shall be assigned under the rules laid down for this right.

3. If the document is lost or destroyed, it shall be declared invalid under a special procedure, unless otherwise stipulated. This rule shall not apply to the loss of documents of small value.

Article 929 – Instruction on the promised payment

If a document made out to a designated person contains an instruction that the promised payment may be made to any bearer, then any transaction, including payment, between the debtor and the holder of the document shall be valid, unless the debtor acted intentionally or by gross negligence.

Chapter Twenty-five

Partnership

Article 930 – Concept

Under a partnership agreement, two or more persons undertake to jointly act towards achieving a common business or other goals in the manner defined by the agreement, without creating a legal person.

Article 931 – Form of a partnership agreement

1. A partnership agreement may be made in writing or orally.

2. If the agreement is made in writing, it shall include:

a) names and addresses of the partners;

b) details on the type and goals of the partnership;

c) rights and duties of the partners;

d) structure and function of management bodies;

e) terms and conditions for distributing revenues and losses between the partners;

f) procedure for withdrawing from the agreement;

g) duration of the partnership;

h) procedure for termination of the agreement and distribution of the remaining assets.

Article 932 – Obligation to make contribution

1. The partners shall make contributions as determined under the agreement. If the amount of contribution is not determined under the agreement, the partners shall make equal contributions.

2. Contributions may be made in the form of property or services.

3. Unless the agreement provides otherwise, the contributions shall be the joint property of the partners. The joint property of the partners shall also include whatever is purchased under a co-ownership right or received as compensation for the destruction, damage or seizure of the joint property.

Article 933 – Inadmissibility of transferring a partner's share to third persons

1. A partner's share in the form of property or right may not be transferred to a third party without the consent of the other partners to the agreement. Consent may be withheld only for a valid reason.

2. The remaining partners to the agreement shall have a pre-emptive right to buy the share transferrable to a third party.

Article 934 – Obligation of joint management

1. Unless the agreement provides otherwise, the partners shall jointly manage the affairs and represent the partnership with third parties. Each transaction shall require the approval of all partners. If under the partnership agreement a majority of votes is sufficient to make decisions, this majority shall be determined according to the total number of partners, not by the amount of contribution.

2. If the partnership agreement entitles one or more partners to conduct business in such a way that each is authorised to act on his/her own, then each may object to the undertaking of a transaction by another partner. In the case of such objection, the transaction shall not be made.

3. If under the partnership agreement one of the partners is vested with the authority to manage the partnership business, in case of doubt he/she shall represent the other partners with third parties and the transactions concluded by such partner shall be valid.

4. A partner may be deprived of the authority to manage the partnership business by a majority of votes and only if he/she commits a gross breach of contractual duties. The partner may refuse to take part in the management of the partnership business. Such person may at any time demand from the board the information necessary for him/her.

5. Unless the agreement provides to the contrary, the rights and duties of managing partners shall be determined according to the rules governing a mandate.

Article 935 – Procedure for distribution of revenues

1. Unless the agreement provides otherwise, revenues shall be distributed among the partners according to their shares.

2. Each partner may demand that all the remaining partners perform their duties under the partnership agreement in good faith.

Article 936 – Non-transferability of partner rights

The claims to which the partners are entitled against each other under the partnership agreement shall not be transferred to other persons.

Article 937 – Joint and several liability of partners

1. The partners shall be jointly and severally liable for debts arising out of partnership activities. The liability with respect to each other shall be determined according to the shares of the partners, unless the agreement provides otherwise.

2. The partners shall not be obligated to disclose confidential information obtained as a result of the partnership.

Article 938 – Termination by a partner

1. If the agreement does not specify the period of the partnership, then each partner may terminate it at any time. The agreement may not be terminated when or if the termination is prejudicial to the partnership.

2. If the period of the partnership is specified by agreement of the partners, the agreement may be terminated if there is a valid reason.

3. The termination by one of the partners shall terminate the partnership. The agreement may provide for the termination by one of the partners without terminating the partnership. In that case, the share of the terminating partner shall be apportioned among the other partners. The terminating partner shall be given monetary compensation for the share. At the same time, an account shall be taken of the transactions still not performed at the time of termination. If at the time of termination the joint assets are too little to cover the joint liabilities, the terminating partner shall pay the remaining partners the amount corresponding to his/her share. The terminating partner's liability to creditors existing at the moment of termination shall remain unchanged.

4. Any agreement excluding or limiting the right of a partner to terminate the agreement shall be void.

Article 939 – Grounds for terminating a partnership

1. The grounds for terminating a partnership shall be:

a) the expiry of the agreed period of the partnership;

b) the decision of the participants;

c) the institution of bankruptcy proceedings relating to the partnership assets;

d) the impossibility of accomplishing the partnership objects.

2. Unless the agreement provides otherwise, the following shall also serve as the grounds for terminating a partnership:

a) the death of one of the partners to the agreement;

b) the opening of bankruptcy proceedings against the assets of one of the partners;

c) dissolution of the agreement.

Article 940 – Procedure for terminating a partnership

1. Upon termination of a partnership, transactions still outstanding shall be completed, an inventory shall be drawn up, and the remaining assets shall be distributed among the partners pro rata to their shares.

2. At the time of distributing the assets, the debts accrued during the partnership shall be paid. If the assets are too little to pay the debts, the partners to the agreement shall be obligated to pay the debts pro rata to their shares.

Chapter Twenty-six

Life Annuity

Article 941 – Concept

A person who undertakes to pay a life annuity (issuer) shall pay it to the recipient of the annuity (annuitant) during the recipient's lifetime, unless the contract provides otherwise. The life annuity may be stipulated in money or in kind (accommodation, food, care or other necessary assistance).

Article 942 – Form of the contract

The lifetime annuity contract shall be in writing. If any real estate is transferred, the contract shall be notarised.

Article 943 – Amount of annuity

The amount of life annuity shall be determined by agreement of the parties.

Article 944 – Annuity payment periods

Annuity payment periods shall be determined depending on the nature and objects of the annuity, by agreement of the parties.

Article 945 – Inadmissibility of alienating transferred property

1 In the annuitant's lifetime the issuer may not transfer, pledge or otherwise encumber the transferred property without the annuitant's written permission. A claim may not be enforced against this property due to the issuer's debts.

2. When the annuitant transfers real estate to the issuer, the annuitant shall have lien on the estate to secure his/her claim.

Law of Georgia No 1826 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 284

Article 946 – Disputes relating to annuity payments

Life annuity payment may be disputed by other persons who were legally entitled to the annuity from the issuer but could not receive it because the issuer pays the life annuity. If the contract is terminated, the estate shall be returned to the annuitant.

Article 947 – Payment of annuity in kind

Under an in-kind annuity contract the parties may agree to substitute money for an in-kind annuity.

Article 948 – Risk of accidental destruction or damage of the transferred property

Accidental destruction or damage of the property transferred to the issuer shall not release the issuer from the obligation to pay the annuity.

Article 949 – Termination of life annuity contracts

1. Both the issuer and the annuitant may terminate the life annuity contract if a breach of contractual obligations makes the relationship between the parties intolerable or other substantial reasons complicate or prevent its continuation.

2. Upon termination of the contract, transferred real estate shall be returned to the annuitant and the expenses incurred before termination of the contract shall not be reimbursed to the annuitant unless the contract provides otherwise.

Article 950 – Effect of the death of the issuer

1. If the issuer dies, the obligation to pay annuities shall pass to his/her heirs who have received the transferred property.

2. If the heir does not assume the obligation, the property shall be returned to the annuitant. In that case, the contract shall be terminated.

Chapter Twenty-seven

Gaming; Betting

Article 951 – Concept

1. No claim shall arise from gaming or betting. This rule shall extend to loans and advances intentionally given for gaming or betting; it shall also apply to stock exchange or other similar transactions concluded for the delivery of goods or stock exchange securities that have the nature of gaming or betting.

[1. No claim shall arise from gaming or betting. This rule shall extend to loans and advances intentionally given for gaming or betting. ***(Shall become effective from 14 January 2020)***]

2. Performance given for gaming or betting may not be returned.

[3. A qualified financial contract shall not be gaming or betting and shall not be subject to this article. Qualified financial contracts shall be regulated by the Law of Georgia on Financial Collaterals, Mutual Setoffs and Derivatives. ***(Shall become effective from 14 January 2020)***]

Law of Georgia No 5674 of 20 December 2019 – website, 31.12.2019

Article 952 – Lottery

Lottery contracts or similar games shall give rise to obligations if they (raffling, casting or drawing of lots) are approved by the State.

Section Two

Statutory Obligations

Chapter One

Co-ownership

Article 953 – Concept

If a number of persons are jointly entitled to a right, then the rules of this chapter shall apply unless the law provides to the contrary.

Article 954 – Equal shares

Unless otherwise specified, part owners shall be entitled to equal shares.

Article 955 – Share in the fruits

1. Each part owner shall be entitled to the portion of the fruit proportionate to his/her share.

2. Each part owner may use the thing held in common in such a way as not to impair the use by the rest of the shareholders.

Article 956 – Administration of a thing held in common

1. The part owners shall jointly administer the thing held in common.

2. Each part owner may undertake measures necessary for maintaining the thing without the consent of the other part owners.

Article 957 – Making decisions when administering things held in common

1. Decisions on the administration and use appropriate for the qualities of the thing held in common may be made by a majority of votes. The majority of votes shall be determined according to the size of the shares.

2. Each part owner may, according to fairness, demand administration corresponding to the interests of all part owners, unless the administration is regulated by agreement or by a majority vote.

3. The right of each part owner to a share of use may not be impaired without his/her consent.

Article 958 – Applying the procedure for administering things held in common to successors in interest

If part owners have laid down a procedure for administration and use of a thing held in common, the rule shall apply to successors in interest as well.

Article 959 – Procedure for administering a thing held in common

Each part owner may administer his/her share but a thing held in common shall be administered only jointly. Unless directly established by the legislation of Georgia, if a share is to be sold, the pre-emptive right to buy the share of the rest of the part owners may be determined by agreement among the part owners.

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Law of Georgia No 4851 of 25 June 2019 – website, 2.7.2019

Article 960 – Expenses for maintaining a thing held in common

Each part owner shall be responsible to the other part owners for expenses relating to the thing held in common pro rata to his/her share.

Article 961 – Cancellation of co-ownership

1. Any part owner may demand cancellation of the co-ownership.

2. If the right to demand cancellation is excluded permanently or for a certain period of time, then cancellation may still be demanded if there is a valid reason to do so.

3. Any agreement excluding or limiting the right to demand cancellation contrary to these rules shall be void.

Article 962 – Agreement on cancellation

If the part owners have excluded the right to demand cancellation of co-ownership for some period of time, then the agreement shall cease to have effect upon the death of a part owner unless otherwise specified.

Article 963 – Cancellation of co-ownership upon division in kind

Co-ownership shall be cancelled upon a division in kind, provided the thing(s) in common may be divided into equivalent parts without devaluation. Equal shares shall be distributed among the part owners by drawing lots.

Article 964 – Cancellation of co-ownership by sale

1. If a division in kind is excluded, then co-ownership shall be cancelled by sale of the thing held in common, of the pledged property or mortgaged plot of land and by distributing the proceeds. For a plot of land, the rules governing compulsory auction shall apply. If the alienation of the thing held in common is inadmissible, then the thing shall be auctioned off among the part owners.

2. If the thing is not sold, then each part owner may demand a repeated auction, but shall be obligated to bear the expenses if the repeated attempt fails.

Article 965 – Joint liability of part owners

1. If part owners are jointly and severally liable for an obligation that they have to discharge pro rata to their shares under Article 600, or if they have undertaken to perform such an obligation, then upon cancellation of the co-ownership, each part owner may demand that the debt is paid out of the thing held in common.

2. If the sale of the thing held in common is necessary to pay a debt, then the sale shall be conducted according to Article 964.

Article 966 – Satisfaction of a claim against a part owner

If a part owner has a claim against another part owner based on the co-ownership, then when the co-ownership is cancelled

he/she may demand that his/her claim be satisfied from the part of the common property attributable to the debtor.

Article 967 – Liability of part owners upon cancellation of co-ownership

If upon cancellation of co-ownership the thing held in common is allocated to one of the part owners, then each of the remaining part owners shall be liable, pro rata to his/her share, in the same manner as a seller is liable for a legal or material defect in a thing.

Article 968 – Limitation period on claims to cancellation of co-ownership

The claim to cancellation of co-ownership shall not be subject to a period of limitations.

Chapter Two

Agency without Specific Authorisation

Article 969 – Agency without specific authorisation in good faith

A person (agent) who conducts the affairs of another person (principal) without instructions or other grounds shall do so in good faith.

Article 970 – Liability for damages

1. If the agency is intended to avert a danger threatening the principal, then the agent shall be liable only for deliberate intent or gross negligence.

2. An agent who has sustained damages while averting a danger actually facing another person or property even though the aversion of the danger was not his/her legal duty, shall be reimbursed for such damages by the person who created the danger or by the person whose goods the manager tried to salvage.

Article 971 – Obligation to notify the principal

The manager shall notify the principal as soon as practicable of his/her assumption of the agency. The agent shall continue the agency until the principal is able to act on his/her own.

Article 972 – Submitting performance reports

The agent shall submit to the principal a performance report and hand over to the principal all that he/she has received as a result of the agency.

Article 973 – Right to reimbursement of expenses

The agent may claim the expenses that were deemed necessary under the circumstances of the case.

Article 974 – Inadmissibility of claiming reimbursement of expenses

1. The agent may not claim reimbursement of the expenses incurred if the assumption of the agency does not correspond to the will or interest of the principal. If the agent should have known about it, then he/she shall be obligated to reimburse the damages caused by the agency.

2. This rule shall not apply if the will of the principal contradicts the provisions of law.

Article 975 – False agency without specific authorisation

The rules of this chapter shall not apply if a person conducts a transaction for another person in the belief that it is his/her own.

Chapter Three

Unjust Enrichment

Article 976 – Grounds for claims against pseudo creditors

1. A person who has transferred something to another person as a result of the performance of an obligation may claim it back from the pseudo creditor (recipient) if:

a) the obligation does not exist, will not arise, or was subsequently terminated due to invalidity or other reasons;

b) a defence has been asserted against the obligation which excludes the assertion of the claim for a long period of time.

2. Return of the property may not be claimed if:

a) the performance complies with moral duties, or

b) the limitation period has elapsed, or

c) the recipient could presume that the performing person was willing to transfer the benefit irrespective of whether or not the conditions of paragraph 1 of this article exist, or

d) the claim for return of property in the case of performing a void debt contract contradicts the protective function of the provisions governing invalidity.

Article 977 – Inadmissibility of claiming back transferred property

1. A person who transfers something to another person not for performance of an obligation but in order for the latter to perform or not to perform some action, may reclaim the transferred thing if the transferee's action does not correspond to the intended result.

2. The claim for return of property shall be excluded if:

a) the occurrence of the result was impossible from the outset and the transferor was aware of it, or

b) the transferor prevented achievement of the result in bad faith.

Article 978 – Claim for return of property transferred under duress or threat

A person who transfers something to another person not for performing an obligation but under duress or threats, may reclaim it, except when the recipient had the legal right to what had been transferred to him/her.

Article 979 – Scope of claims for return of property

1. A claim for return of property shall extend to property acquired, the benefits received as well as to all that the recipient has obtained as a reimbursement for the destruction, damage or deprivation of the received thing.

2. If restitution is impossible due to the condition of the transferred thing or if the recipient cannot return the thing for another reason, then he/she shall reimburse the total value of the thing. The value shall be determined according to the time of the origin of the claim for return of the property.

3. There shall be no reimbursement obligation if the recipient has not been enriched by either the thing or its value, due to the use, transfer, destruction or deterioration of the thing or for any other reason.

4. When the parties to a bilateral contract are to return what they have received from the contract due to invalidity of the contract, but one of the parties is unable to return it for the reasons provided for in paragraph 2 of this article, then that party shall not be liable to return it if it follows from the essence of the legal provision under which the contract was voided.

5. Destruction or deterioration of the object of performance, for which the performer would be liable if the contract were valid, shall always release the recipient from the obligation of restitution.

Article 980 – Procedure for reimbursement of expenses and losses

1. If the recipient incurs expenses or suffers property loss because he/she believes that he/she has acquired the thing permanently, then he/she shall return the thing provided he/she is reimbursed for the expenses and losses. This rule shall not apply if the transferred thing cannot reasonably be considered to have been acquired permanently.

2. The reimbursement obligations under Articles 979 and 980 shall be performed simultaneously. The expenses and risk of return of the property shall be borne by the performer.

Article 981 – Liability to pay damages

1. If the recipient, at the time of receipt, is aware of a defect in the legal basis or if he/she learns it later due to gross negligence, or if the claim for restitution is pending in court, then the recipient shall be liable from the moment he/she became aware of the defect or from the moment the claim is filed in court – under Article 979(1) and (2), Article 980 and the rules set forth below.

2. If the recipient does not receive the benefits that he/she could have received from proper management of the property, then he/she shall be liable to pay damages if he/she is at fault. Interest shall be paid on a monetary debt. Any income received from the thing shall be returned.

3. If the thing transferred for performance is destroyed or deteriorated, the recipient shall be liable to pay damages if he/she is at fault. The recipient may, under the rules governing agency without specific authorisation, claim the expenses that he/she incurred on the object of the performance. No expenses other than necessary ones shall be reimbursed.

4. These rules shall not apply to the liability of a debtor for delay.

Article 982 – Effects of encroachment upon the legal goods of others

1. A person who encroaches on the legal goods of another without the consent of that person by disposing, spending, using, joining, mixing, processing or by other means, shall be obligated to pay the damages so incurred to the authorised person.

2. If a disposition is void, the authorised person may claim immediate compensation from the encroacher.

Article 983 – Receipt of performance by unauthorised persons

If an unauthorised person receives the performance intended for a rightful person, he/she shall return the received performance to the rightful person.

Article 984 – Release from liability

1. If the encroacher was not aware of a defect in the entitlement, except where the lack of knowledge was caused by gross negligence, he/she shall be released from liability, provided the signs of enrichment have ceased to exist by the time the claim of restitution is considered in court,.

2. The expenses incurred by the encroacher on the used goods shall not reduce the extent of his/her enrichment.

Law of Georgia No 1902 of 28 December 2002 – LHG I, No 4, 22.1.2003, Art. 20

Article 985 – Right to claim profits

1. If the encroacher intentionally disregards the entitlement of another person, then that person may claim the profit that exceeds the property loss.

2. The encroacher shall present information on the extent of profit that he/she has received from using another person's property.

Article 986 – Paying the debts of another person by mistake

A person who pays, whether intentionally or by mistake, the debts of another person may claim the expenses from the latter.

Article 987 – Incurring expenses on another person's property by mistake

1. A person who incurs, whether intentionally or by mistake, any expenses on another person's property may claim the expenses from that person, if that person was enriched as a result.

2. The existence of enrichment shall be determined from the moment when the thing is returned to the debtor, or if the debtor receives benefit otherwise as a result of the increase in value of the thing.

3. The claim shall be excluded if:

a) the person against who the claim is made is able to demand the recovery of the expenses and recovers the expenses, or

b) the claimant culpably delays notification of the claim for expenses, or

c) the person against who the claim is made disputes the expenses before they are incurred.

Article 988 – Effects of performance by instruction of pseudo creditor

1. A person who under Article 976 transfers something to a third party by a pseudo creditor's instruction may reclaim the performance from the pseudo creditor as if the performance had been rendered to the pseudo creditor. If the pseudo creditor's instruction is suspicious, then the claim may be used only against the third party.

2. A person who under Article 976 transfers something to a new pseudo creditor after the claim has been asserted may reclaim it from the original pseudo creditor as if he/she had transferred something to him/her. If the original pseudo creditor's instruction is suspicious, then the claim may be used only against the new pseudo creditor.

3. Articles 979 and 980 shall accordingly apply to the reimbursement obligation.

Law of Georgia No 1902 of 28 December 2002 – LHG I, No 4, 22.1.2003, Art. 20

Article 989 – Obligation of a third person to return unjustly received things

1. If, in the cases defined under Articles 976 and 988, the recipient required to return the received thing, gratuitously transfers it to a third party, the third party shall also be obligated to return the received thing as if he/she has received something from the creditor without a legal basis if satisfaction from the recipient is impossible.

2. Articles 979-981 shall accordingly apply to the compensation of damage.

Article 990 – Effects of gratuitous administration of things by an unauthorised person

1. If an unauthorised person gratuitously administers a thing and the administration is valid for the rightful person, then the person having received a direct legal benefit as a result of the administration shall be obligated to transfer the received thing to the rightful person.

2. If any fault exists, the requirements of Articles 984 and 985 shall apply accordingly.

Article 991 – Effects of unjust enrichment at the expense of another person

A person who has become unjustly enriched at the expense of another person by methods other than those defined in this chapter shall be obligated to return what he/she has received.

Section Three

Torts

Chapter One

General Provisions

Article 992 – Concept

A person who unlawfully, intentionally or negligently causes damage to another person shall compensate the damage to the injured party.

Article 993 – Effects of disclosure of harmful information

1. A person who intentionally or negligently disseminates or states any facts causing property damage to another person shall be liable to compensate the damage so inflicted if the facts are manifestly wrong.

2. The liability for damages shall not arise for statements that are in the legitimate public interest.

Article 994 – Liability of minors for damages

1. A person who has not reached the age of ten shall not be responsible for the damage he/she has caused to another person.

2. The parents or other persons responsible for supervising a person who has not reached the age of ten shall compensate the damage that the person has inflicted to another by unlawful action. They shall not be responsible if the persons responsible for supervision could not have avoided the damage.

3. A minor over the age of ten shall be responsible for the damage that he/she has caused to another person, except where he/she could not understand the implications of his/her action when committing the injurious act. If the person's property or income is not sufficient to pay the damage, the liability shall also rest with his/her representatives.

Article 995 – Compensation for damages caused by beneficiaries of support

1. The obligation to compensate for damage caused by a beneficiary of support shall be imposed on the beneficiary of support, except when a supporter is assigned to him/her under the court decision to prevent the beneficiary of support from causing damage.

2. If a supporter is assigned to a beneficiary of support under the court decision to prevent him/her from causing damage, the obligation to compensate for the damage caused by the beneficiary of support shall be imposed on the supporter, except when it is impossible to prevent the damage.

3. The obligation to compensate for damage caused by a beneficiary of support shall not be imposed on a supporter in the case provided for in paragraph 2 of this article if the supporter can prove that the beneficiary of support no longer needed support to prevent him/her from causing damage at the time of causing damage.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 996 – Compensation for damages caused in a state of temporary mental disorder

A person causing damage in a state of temporary unconsciousness or temporary mental disorder shall not be liable for the damage. If the person induces such a state in himself/herself with alcoholic beverages or similar means, he/she shall not be released from liability, unless he/she came into this state without fault.

Article 997 – Compensation for damage caused in the line of duty

A person shall be obligated to pay the damages caused to a third party by his/her employee's unlawful act when the employee was on duty. No liability shall arise if the employee acted without fault.

Article 998 – Joint and several liabilities for damage

1. If more than one person has caused damage, they shall be liable as joint tortfeasors.

2. Tortfeasors as well as instigators and accessories, also those consciously benefiting from the damage caused to another person shall be liable for the damage.

Article 999 – Compensation for damages caused by operation of vehicles

1. The owner of a vehicle used for the carriage of passengers or freight shall pay damages to an injured party if the operation of his/her vehicle caused death, injury or disability of an individual or damage to a thing.

2. The obligation to pay compensation under paragraph 1 of this article shall not apply when:

a) transported freight is damaged, except when a passenger carries the freight with himself/herself;

b) the damaged thing was accepted for storage by the possessor of the vehicle.

3. The obligation to pay compensation under paragraph 1 of this article shall not apply if damage is caused by force majeure, except when the damage is caused during the operation of an aircraft.

4. If a person operates a vehicle without the owner's permission, then he/she shall be obligated to compensate for damages instead of the owner. At the same time, the owner shall be obligated to pay compensation for damages if the vehicle was made possible through his/her fault. The first sentence of this paragraph shall not apply if the operator was appointed by the owner to operate the vehicle or if the owner assigned the vehicle to the operator.

Article 1000 – Liability for the risk of injury posed by structures

1. If a structure presents an increased danger because of the power or flammable, explosive, noxious or toxic substances produced, stored in or supplied to the structure, the owner of the structure shall be liable for the damages caused to the victim if the realisation of this danger causes death, bodily injury or disability to an individual or damage to a thing. The same liability shall apply to the owners of inflammable, explosive, noxious or toxic substances when such substances present an increased danger.

2. If a structure or thing presents an increased danger for reasons other than those indicated in paragraph 1 of this article, the owner of the structure or thing shall similarly be liable for damages resulting from the realisation of the danger.

3. The liability for damages specified in paragraphs 1 and 2 of this article shall be excluded if the damage is caused by force majeure, except when the damage is caused by the breakdown of power transmission lines or by malfunction of the facilities supplying oil, gas, water, or oil product.

4. The damage caused by the use of radioactive substances shall be compensated by the user.

Article 1001 – Liability for damages caused while extinguishing fire

The damage caused to other persons while extinguishing a fire and preventing it from spreading to neighbouring apartments and structures shall be compensated by the person responsible for the fire.

Article 1002 – No prior release from liability

The liability for the harm under Articles 999 and 1000 may not be excluded or limited in advance if it relates to the harm inflicted to a person. The same rule shall apply to damage inflicted to a thing, except where the release from or limitation of the liability was agreed upon between the person liable for the damages and a legal entity under public law, a public-law foundation or an enterprise. Any agreements or provisions to the contrary shall be void.

Article 1003 – Liability for damages caused by animals

The owner of an animal shall compensate for damages caused to another person by his/her animal. At the same time, it shall not matter whether or not the animal escaped, was supervised or lost. The liability for damages shall not apply if the owner of the animal took the necessary measures to protect third parties.

Article 1004 – Liability for damage caused by collapse of a building

1. The owner of a building shall compensate for damages resulting from the collapse of a building or by its parts breaking off, except where the damage is not caused by an inadequate maintenance or defect of the building.

2. If the damage is caused by an object thrown out of the building, or objects falling or spilling out of the building, the person occupying the dwelling shall be liable, except where the damage occurs as a result of the operation of force majeure or through the victim's fault.

Article 1005 – Liability of the State (Municipality) for the damage inflicted by state employees and public servants

1. If a state employee or a public servant breaches his/her official duty in relation to other persons intentionally or by gross negligence, then the State (Municipality) or the body by which the employee or the servant is employed shall pay for the damage inflicted. When the damage is caused intentionally or by gross negligence, the state employee or the public servant together with the State (Municipality) shall be jointly and severally liable.

2. The liability for damages shall not arise if the injured person did not try, intentionally or by gross negligence, to avert the damage by lawful activity.

3. The damage inflicted on a rehabilitated person by an illegal conviction, illegal prosecution, illegal detention as a measure of restraint, improper imposition of an administrative penalty in the form of administrative detention, disciplinary detention or corrective labour shall be compensated for by the State irrespective of the fault of the investigation, prosecution or court officials. If the damage is caused intentionally or by gross negligence, these persons and the State shall be jointly and severally liable.

Law of Georgia No 2719 of 9 March 2010 – LHG I, No 12, 24.3.2010, Art. 56

Law of Georgia No 3619 of 24 September 2010 – LHG I, No 51, 29.9.2010, Art. 332

Law of Georgia No 4369 of 27 October 2015 – Website, 11.11.2015

Law of Georgia No 161 of 21 December 2016 – Website, 28.12.2016

Law of Georgia No 947 of 1 June 2017 – Website, 20.6.2017

Article 1006 – Liability for damages in the event of the victim's death

1. If a victim dies, the tortfeasor shall compensate the harm by paying an annuity to the victim's dependants to the extent the victim would have been obligated to provide maintenance.

2. The victim may demand lump-sum compensation instead of the annuity if there is a valid reason for doing so.

Article 1007 – Liability for the harm caused by medical institutions

The harm caused to a person's health during treatment in a medical institution (consequence of surgery or misdiagnosis, etc.) shall be reimbursed on a general basis. The tortfeasor shall be released from liability if he/she proves that he/she is not responsible for the harm.

Article 1008 – Limitation period on claims for damages

The limitation period on claims for damages caused by tort shall be three years from the moment when the victim becomes aware of the damage or of the person liable for damages.

Chapter Two

Product Liability

Law of Georgia No 6151 of 8 May 2012 – Website, 25.5.2012

Article 1009 – Liability of the manufacturer of defective products

1. The manufacturer of a defective product shall be liable for the damages caused by the product irrespective of whether or not he/she was in a contractual relationship with the victim, except when:

a) he/she did not offer the product for sale;

b) it may be presumed from the circumstances of the case that at the time the product was offered for sale it did not have the defect that caused the harm;

c) the manufacturer produced the product neither for sale nor for any other commercial purpose, nor within the scope of his/her professional activity;

d) the product has a defect that complied with the standards that were in force at the time the product was offered for sale;

e) the defect could not be discovered because the state of the scientific and technical knowledge at the time when the product was offered for sale.

2. The liability of the manufacturer of a part of the product shall also be excluded if the defect is caused by the structure of the product whose component this part has become.

3. The manufacturer's liability for damages shall be reduced or disallowed if the damage is caused through the culpable act of the victim or of the person responsible for the victim.

4. The manufacturer's liability shall not be reduced if the damage is caused by the defect of the product and simultaneously by the act of a third party.

Law of Georgia No 6151 of 8 May 2012 – website, 25.5.2012

Article 1010 – Concept of a defective product

1. A product shall be deemed defective if it does not provide the safety that is expected from the product, taking all circumstances into consideration.

2. A product shall not be deemed defective for the sole reason that a better product is subsequently put into circulation.

Law of Georgia No 6151 of 8 May 2012 – website, 25.5.2012

Article 1011 – Concept of a product

1. A product means all movable things and services relating to the thing even if the thing is a part of another movable or immovable thing. For the purposes of this Code, a 'thing' shall not include primary food products or products obtained by hunting. A 'product' also includes any goods put on the market, whether or not intended directly for the end-user, which have been supplied or otherwise made available for commercial or non-commercial purposes.

2. A manufacturer shall be a person who has manufactured a finished product, a principal element or a component part of a product, or any person who by putting their own name, trademark or other distinguishing feature on the product presents himself/herself as its manufacturer.

3. A manufacturer shall also be a person who offers a product for sale, hire or otherwise, for economic purposes, in the course of his/her business in compliance with this Code.

4. If the manufacturer cannot be identified, then each supplier shall be deemed to be the manufacturer, unless he/she informs the injured person, within one month after the presentation of a claim, of the identity of the manufacturer or the person who supplied the product to him/her. This rule shall apply to imported goods when the initial distributor cannot be identified even if the manufacturer's name is known.

Law of Georgia No 5119 of 13 October 2011 – website, 30.10.2011

Law of Georgia No 6151 of 8 May 2012 – website, 25.5.2012

Article 1012 – Burden of proof

In the case of liability for damages caused by a defective product, the burden of proof shall rest with the victim.

Law of Georgia No 6151 of 8 May 2012 – website, 25.5.2012

Article 1013 – Joint and several liabilities of the manufacturers of defective products

If several manufacturers are liable for the same damages, they shall be jointly and severally liable.

Law of Georgia No 6151 of 8 May 2012 – website, 25.5.2012

Article 1014 – Liability for damages caused by injury to health

The liability for damages under Article 1009 shall extend to damage resulting from death, bodily injury or disability.

Law of Georgia No 6151 of 8 May 2012 – website, 25.5.2012

Article 1015 – Limitation period on claims

1. The limitation period on claims under Article 1009 shall be three years from the moment when the victim became aware or ought to have become aware of the damage, defect or the person liable for the damage.

2. Any claim under Article 1009 shall be extinguished ten years after the manufacturer offered the product causing the damages for sale.

Law of Georgia No 6151 of 8 May 2012 – website, 25.5.2012

Article 1016 – No prior release from liability

The manufacturer's liability for defective products may not be excluded or limited in advance. Any agreement to the contrary shall be void.

Law of Georgia No 6151 of 8 May 2012 – website, 25.5.2012

Book Four

Intellectual Property Law

Section One

Copyright Law

Chapter One

General Provisions

Article 1017 – Concept of copyright law

An author's property and personal non-property rights regulated by copyright law, as well as some of the associated rights shall be protected under the Law of Georgia on Copyright and Associated Rights.

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1018 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1019 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1020 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1021 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1022 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1023 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Chapter Two

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Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1024 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1025 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1026 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1027 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1028 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1029 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1030 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1031 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1032 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1033 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1034 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1035 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1036 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1037 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1038 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1039 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1040 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1041 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1042 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1043 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1044 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1045 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1046 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1047 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1048 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1049 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1050 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1051 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1052 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1053 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1054 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1055 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1056 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1057 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1058 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1059 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1060 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1061 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Chapter Three

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Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1062 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1063 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1064 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1065 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Chapter Four

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Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1066 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1067 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1068 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1069 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1070 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1071 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1072 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1073 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1074 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1075 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1076 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Chapter Five

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Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1077 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1078 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1079 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1080 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1081 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1082 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1083 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1084 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1085 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1086 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1087 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1088 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1089 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1090 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1091 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1092 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1093 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1094 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Chapter Six

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Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1095 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Chapter Seven

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Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1096 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1097 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1098 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Chapter Eight

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Article 1099 – (Deleted)

Law of Georgia No 2144 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Section Two

Industrial Property

Article 1100 – Protection of rights in inventions, utility models and industrial designs

1. Rights in inventions, utility models and industrial designs shall be protected by issuing a patent according to the Patent Law of Georgia.

2. The right to acquire a patent shall belong to the author of the invention, utility model or industrial design, or to his/his assignee.

3. The authorship right in inventions, utility models and industrial designs shall be inalienable and indefinite in time.

4. The patentee shall have an exclusive patent right as long as the patent is valid.

Article 1101 – Protection of rights in selection

An exclusive right in a plant or animal species (achievement in selection) shall be protected by issuing a certificate according to the relevant law.

Article 1102 – Protection of exclusive rights in a trademark

Exclusive rights in a trademark shall be protected according to the relevant law, by registering the trademark. The right to obtain a trademark certificate shall belong to the entrepreneur.

Article 1103 – Right to indicate geographical indications and designations of origin

The right to indicate a geographical indication and designation of origin of goods (services) shall be regulated under the relevant law.

Article 1104 – Protection of company names

An exclusive right to a company name shall be protected under this Code, the Law on Entrepreneurs and other legislative acts on industrial property.

Article 1105 – Protection of trade secrets

1. An entrepreneur who possesses a trade secret (know-how) consisting of technological, organisational or commercial information of extraordinary importance, as evidenced by the necessary and adequate measures taken for keeping it secret, shall have an exclusive right to the information.

2. An exclusive right to know-how shall be protected under this Code and other legislative acts on industrial property.

Book Five

Family Law

Section One

Chapter One

Procedure and Conditions for Entering into Marriage

Article 1106 – Concept of marriage

Marriage is a voluntary union of a woman and a man for the purpose of creating a family, which is registered with a territorial office of the Legal Entity under Public Law (LEPL) – Public Service Development Agency of the Ministry of Justice of Georgia ('a territorial office of the Agency').

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 6317 of 25 May 2012 – website 19.6.2012

Article 1107 – Conditions for entering into marriage

Entry into marriage shall require:

a) marriageable age;

b) consent of the persons to be married.

Article 1108 – Marriage age

1. Marriage shall be permitted from the age of 18.

2. The marriage of an adult with limited capacity to contract shall be permitted with a prior written consent of his/her custodian.

3. (Deleted – 16.12.2015, No 4649).

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Law of Georgia No 4649 of 16 December 2015 – website 28.12.2015

Article 1109 – Consent of the persons to be married; engagement

1. No prior consent of the persons to be married (engagement) shall create the obligation to subsequently enter into marriage.

2. Engagement shall not serve as the basis for filing a claim for forced marriage.

3. If the marriage is cancelled, the presents given in connection with the engagement shall be returned to the parties.

Article 1110 – (Deleted)

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1111 – (Deleted)

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1112 – (Deleted)

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1113 – (Deleted)

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1114 – (Deleted)

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1115 – (Deleted)

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1116 – (Deleted)

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1117 – (Deleted)

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1118 – (Deleted)

Law of Georgia No 1393 of 11 July 2009 – LHG I, No 21, 3.8.2009, Art. 111

Article 1119 – (Deleted)

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1120 – Impediments to marriage

1. Marriage shall not be allowed:

a) between the persons at least one of whom is married to a third person;

b) between lineal ascendants and descendants;

c) between biological and non-biological siblings;

d) between an adoptive parent and an adoptee;

e) between the persons, at least one of whom is a beneficiary of support and who have not entered into a marriage contract under Article 1172(2) of this Code.

2. Paragraphs 1(b), (c) and (d) of this article shall apply even if the kinship is extinguished as a result of adoption.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Decision No 2/4/532,533 of the Constitutional Court of Georgia of 8 October 2014 – website, 28.10.2014

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1121 – (Deleted)

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Chapter Two

Termination of Marriage

Article 1122 – Grounds for terminating a marriage

Marriage shall be terminated if:

a) a spouse dies;

b) a spouse is declared dead according to the procedure laid down by law;

c) the spouses divorce.

Article 1122^1 – Termination of marriage upon the death of a spouse or upon declaring a spouse dead

1. Marriage shall be deemed terminated from the date of the death of a spouse.

2. If a court decision declaring a spouse dead does not indicate the exact date of death, the marriage shall be deemed terminated upon entry of the court decision into force.

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1123 – Exclusion of a divorce

1. If there is a dispute between spouses, the divorce shall be obtained through legal proceedings, in other cases, in a civil registration authority.

2. During the pregnancy of the wife and within one year after the birth of a child, the husband has no right to file for divorce without the wife's consent.

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 5672 of 28 December 2007 – LHG I, No 1, 3.1.2008, Art. 4

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1124 – (Deleted)

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 5672 of 28 December 2007 – LHG I, No 1, 3.1.2008, Art. 4

Law of Georgia No 1393 of 11 July 2009 – LHG I, No 21, 3.8.2009, Art. 111

Law of Georgia No 4055 of 15 December 2010 – LHG I, No 76, 29.12.2010, Art. 499

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1125 – (Deleted)

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1126 – (Deleted)

Law of Georgia No 5672 of 28 December 2007 – LHG I, No 1, 3.1.2008, Art. 4

Article 1127 – Judicial hearing of divorce cases

1. A court shall hear divorce cases under adversary proceedings established by the Civil Procedure Code of Georgia.

2. The court shall take measures to reconcile the spouses. It may adjourn the hearing and fix a period of a maximum of six months for reconciliation of the spouses.

3. A divorce shall be granted if the court finds that it is no longer possible for the spouses to live together and preserve the family despite the reconciliation measures taken.

4. When delivering a divorce decision, the court shall, if necessary, take actions to safeguard the interests of the minor children and a disabled spouse.

5. The limitation period under Article 142 of this Code shall not apply to the registration of divorce to be conducted on the basis of a legally effective divorce decision of the court.

Law of Georgia No 2635 of 27 June 2018 – website 6.7.2018

Article 1128 – Making a decision on the place of residence and maintenance of children

1. If the spouses have not agreed on the place of residence of their children and on the funds to be paid for their maintenance after the divorce, the court shall be obligated, when granting the divorce, to determine which parent is to be awarded custody of the child, as well as the amount of the maintenance (alimony) and the parent responsible for its payment.

2. In the cases provided for in this article, if necessary, a guardianship and custodianship authority shall be involved in the proceedings.

Article 1129 – Making a decision on spousal support

At the request of the spouse entitled to maintenance from the other spouse, the court shall, when making a decision on a divorce case, determine the amount of the funds to be paid by the other spouse.

Article 1130 – Making a decision on the partition of matrimonial property

1. At the request of both or one of the spouses, the court shall, when making a decision in a divorce case, consider the partition of the assets constituting the common property of the spouses.

2. If such partition affects the rights of third parties, the dispute over the partition of property may not be settled concurrently

with the divorce case.

Article 1131 – (Deleted)

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1132 – (Deleted)

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1133 – (Deleted)

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1134 – (Deleted)

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1135 – Restoration of marriage in the event of reappearance of a spouse declared dead or missing

1. If a spouse reappears who was declared dead or missing according to the procedure prescribed by law and with whom the marriage was terminated on such grounds, and the court decision declaring the person dead or missing is repealed, a territorial office of the Agency may restore the marriage based on a joint application of the spouses, but if the divorce was granted in a court proceedings, then the court shall repeal the divorce decision based on their application.

2. The marriage may not be restored if the spouse of the person declared dead or missing has already married another person.

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Article 1136 – Right to remarry

Divorced spouses may remarry.

Article 1137 – (Deleted)

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1138 – (Deleted)

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1139 – (Deleted)

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 2719 of 9 March 2010 – LHG I, No 12, 24.3.2010, Art. 56

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1139^1 – (Deleted)

Law of Georgia No 3657 of 1 October 2010 – LHG I, No 53, 11.10.2010, Art. 341

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Chapter Three

Annulment of Marriage

Article 1140 – Basis for annulment of marriage

1. A marriage may be annulled if it was entered into contrary to the provisions of Articles 1107, 1108 and 1120 and if the marriage registration was not intended to create a family (sham marriage).

2. A marriage may be annulled only by a judicial decision.

Article 1141 – Presumption of validity of marriage

If when entering into marriage the spouses were unaware of impediments to their marriage that are the basis for annulment of the marriage, the marriage shall be terminated through court proceedings from the moment of discovering such impediments, but up

to that moment the marriage shall give rise to all the legal implications of a valid marriage.

Article 1142 – Annulment of marriage with a person who has not reached marriageable age

1. Marriage with a person who has not reached marriageable age or with a person who has been granted an exception with respect to minimum age of marriage may be annulled if the interests of the spouse who got married before reaching the marriageable age so require.

2. The right to claim annulment of marriage on this basis may be exercised by an underage spouse, his/her parents or guardian (custodian) as well as by the guardianship and custodianship authority.

3. If by the time of the legal proceedings the underage spouse reaches the age of marriage or is pregnant, then the marriage may be annulled only at the request of this spouse.

Article 1143 – Annulment of marriage due to impediments to marriage

1. A court may annul the marriage registered contrary to the conditions provided for in Article 1120.

2. If impediments to marriage cease to exist by the time of the legal proceedings, the court may declare the marriage valid from the moment when such impediments cease to exist. The right to claim the annulment of marriage on these grounds may be exercised by the spouses and the persons whose rights have been violated as a result of the marriage, as well as by the guardianship and custodianship authorities.

3. In legal proceedings for the annulment of the marriage with a beneficiary of support participation in the proceedings of a supporter that is not a spouse of the beneficiary of support, if any, shall be required; and if necessary, participation of a guardianship and custodianship authority in the proceedings shall also be required.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1144 – Annulment of forced marriage

1. If a spouse was induced to enter into marriage by duress, the spouse (the spouses) may file a claim for the annulment of the marriage.

2. The fact of forced marriage shall be established by a court.

Article 1145 – Annulment of a sham marriage

1. A marriage entered into with no intent to create a family may be annulled.

2. A territorial office of the Agency may file a claim for the annulment of a sham marriage or, if one of the spouses entered into marriage with no intent to create a family, the other spouse may also file such claim.

3. A marriage may not be declared a sham marriage if the registered persons have actually created a family before the commencement of the court proceeding.

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Article 1146 – Moment of annulling a marriage

1. An annulled marriage shall be deemed annulled from the marriage registration day and shall not give rise to marital rights and duties.

2. The proprietary relations of the persons whose marriage has been annulled shall be regulated according to the property provisions of this Code.

3. In delivering a decision of marriage annulment, the court may award the spouse who was not aware and could not have been aware of the bars to marriage (the spouse in good faith) maintenance payments from the other spouse under Articles 1182 and 1186 and apply the provisions of Articles 1158 and 1171 when partitioning property acquired before the marriage annulment.

4. The annulment of a marriage shall not prejudice the rights of children born as a result of that marriage.

Article 1147 – Liability for the damage caused to a spouse in good faith

The spouse in good faith who has suffered property damage as a result of the marriage that has been annulled may claim damages.

Article 1148 – Marriage annulment only by court

No one may claim that a marriage is annulled unless a court annuls the marriage.

Article 1149 – Inadmissibility of annulling a marriage after the death of spouses

Marriage annulment may not be demanded after the death of both spouses.

Article 1150 – Remarriage in the event of an annulled marriage

The persons whose marriage has been annulled may remarry under the general procedure, provided the basis for which the marriage was annulled has ceased to exist.

Chapter Four

Marital Rights and Duties

I – General Provisions

Article 1151 – Significance of marriage registration

Only a marriage registered according to the procedure laid down under the legislation of Georgia shall give rise to marital rights and duties.

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 3657 of 1 October 2010 – LHG I, No 53, 11.10.2010, Art. 341

Article 1152 – Equality of spouses

In domestic relations the spouses shall have equal personal and property rights and shall bear equal responsibilities.

Article 1153 – Prohibition of discrimination

When entering into a marriage and in domestic relations, rights may not be restricted directly or indirectly; no direct or indirect preference may be given on the grounds of origin, social and property status, racial and ethnic background, sex, education, language, attitude to religion, type and nature of activities, place of residence and other circumstances.

II – Personal Rights

Article 1154 – (Deleted)

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1155 – Joint settlement of family affairs

The spouses shall jointly decide issues relating to the children's upbringing and other family affairs.

Article 1156 – Freedom of choice of activity

Each spouse shall be free to choose his or her activity and occupation.

Article 1157 – Freedom of choice of place of residence

Each spouse may choose his or her place of residence at his or her discretion unless doing so contradicts the family interests.

III – Property Rights and Duties Prescribed by Law

Article 1158 – Matrimonial property

1. Any property acquired by the spouses during their marriage shall be treated as their joint property (matrimonial property), unless otherwise determined by the marriage contract.

2. The matrimonial right to such property shall arise even if one of the spouses ran the household, took care of the children or did not have an independent income for any other valid reason.

Article 1159 – Administration of matrimonial property by mutual agreement

The spouses shall have equal rights to the matrimonial property. The spouses shall possess, use and administer the property by mutual agreement.

Article 1160 – Administration of matrimonial property by mutual agreement

1. The matrimonial property shall be administered by agreement of the spouses, regardless of which spouse administers the property.

2. No transaction made by one of the spouses in connection with the administration of the matrimonial property may be declared void upon request of the other spouse on the ground that:

a) he/she had no knowledge of the transaction;

b) he/she disagreed with the transaction.

3. As a co-owner, a spouse may claim the benefit obtained from the administration of the property.

Law of Georgia No 5127 of 29 June 2007 – LHG I, No 27, 17.7.2007, Art. 260

Article 1161 – Separate property of spouses

The following shall be the separate property of each spouse:

a) property that each of them owned before the marriage;

b) property inherited or received as a gift during the marriage.

Article 1162 – Articles of Personal use acquired during marriage

Articles of personal use, except for valuables shall be deemed to be a separate property of the spouse who uses these articles, even if they are acquired during the marriage with the joint funds of the spouses.

Article 1163 – Separate property of a spouse turned into matrimonial property

The property of each spouse may be deemed to be the matrimonial property if it is discovered that the property has significantly increased in value as a result of the expenses incurred during the marriage (redesigning, completion of construction, reconstruction, etc.). This rule shall not apply if the marriage contract provides otherwise.

Article 1164 – Division of matrimonial property

Matrimonial property may be divided upon the request of either spouse, both during the marriage and after it is terminated.

Article 1165 – Fate of the things required for professional activities upon division of matrimonial property

Matrimonial property shall be divided by mutual agreement of the spouses, or, if no such agreement is reached, by a court. The court shall determine which thing belongs to which spouse. Things required for professional activities (musical instruments, medical equipment, a book collection, etc.) shall be transferred to the spouse who needs them for his or her professional activities

even if they were acquired during the marriage with the joint funds of the spouses.

Article 1166 – Compensation in the case of disparity upon division

If matrimonial property is divided in such a way that one of the spouses receives the things the value of which exceeds the share to which the spouse is entitled, the other spouse shall be given corresponding compensation in monetary or other form.

Article 1167 – Division of matrimonial property during marriage

If matrimonial property is divided during the marriage, then the part of the property that is not divided, as well as the property that the spouses will acquire in the future shall be deemed to be matrimonial property, unless otherwise provided by the marriage contract.

Article 1168 – Interests of minor children during the division of matrimonial property

1. Spouses shall have equal shares in the matrimonial property unless they agree otherwise.

2. A court may deviate from the rule of equal shares, taking into account the interests of minor children or the weighty interests of one of the spouses; in particular, the share of one of the spouses may be increased if the minor children reside with him or her, or if he or she is a disabled person, or if the other spouse has spent the matrimonial property to the detriment of the family interests.

3. Based on the above grounds, the court may award each spouse the property that has been acquired by each of them after the marriage was actually terminated or during the time when they lived apart.

Article 1169 – Division of joint debts of spouses

Joint debts of spouses shall be divided between them pro rata to the shares to which each of them is entitled.

Article 1170 – Procedure for the payment of the debt of one of the spouses

1. The payment of the debt of one of the spouses may be recovered from his or her property and/or from his or her share in the matrimonial property which he or she would have received if the property had been divided.

2. The payment of these debts may be recovered from the matrimonial property if the court finds that the benefit received from the debts has been used in the common interest of the whole family.

3. If compensation is to be paid for damages caused by a wrongful act of one of the spouses, then such compensation may be recovered from matrimonial property only if the verdict finds that the property was acquired with the benefit obtained as a result of the wrongful act.

Article 1171 – Limitation period on claims for division of matrimonial property

The limitation period on claims for division of the matrimonial property of divorced spouses shall be three years.

IV – Contractual Property Relations of the Spouses

Article 1172 – Marriage contracts

1. Spouses may enter into a marriage contract that defines their property rights and duties during the marriage as well as during the termination of the marriage.

2. A marriage contract must be concluded before registration of the marriage if either of the spouses is a beneficiary of support. Participation of a guardianship and custodianship authority and of a supporter in the process of concluding a marriage contract shall be required in a part defined by an appropriate court decision.

3. The responsibility for supervising performance by the supporter of his/her duties during the execution of a marriage contract with a beneficiary of support shall be imposed on a guardianship and custodianship authority.

4. A marriage contract with a beneficiary of support shall not restrict his/her property rights more than it is defined by an appropriate court decision.

5. If a marriage contract is concluded between a supporter and a beneficiary of support, a guardianship and custodianship authority shall assign an authorised person of the guardianship and custodianship authority to the beneficiary of support as a temporary supporter during the course of concluding the marriage contract.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1173 – Entering into a marriage contract

1. A marriage contract may be entered into at any time before or after the registration of a marriage.

2. A marriage contract entered into before the registration of the marriage shall take effect upon the registration of the marriage.

Article 1174 – Contract form

A marriage contract shall be made in writing and certified by a notary.

Article 1175 – Marriage contract of persons with limited capacity to contract

A person whose capacity to contract is restricted may enter into a marriage contract before the marriage registration only with the consent of his/her legal representative.

Article 1176 – Content of a marriage contract

1. A marriage contract may be made for property already available as well as for property to be acquired in the future.

2. Under a marriage contract the spouses may change the rules laid down by law for matrimonial property.

3. The spouses may combine all their assets so as to include in them the property acquired during the marriage (matrimonial property) or they may refuse such combination in whole or in part and determine the shared or separate ownership of the property by each spouse.

Article 1177 – Rules for bearing family expenses

The spouses may determine in the marriage contract the conditions for their participation in income, the rules for bearing family expenses by each of them, and the property to be transferred to each spouse in the event of termination of the marriage.

Article 1178 – Limitation of rights and duties defined by a marriage contract

The rights and duties defined in a marriage contract may be limited for a certain period of time or may be contingent upon the occurrence of this or that condition.

Article 1179 – Duties that may not to be changed under a marriage contract

1. A marriage contract may not change the duty of reciprocal maintenance of the spouses, parental rights and duties towards children, child support obligations and the right to file an action in court in the event of a dispute.

2. The contract may not include any conditions that put one of the spouses in hardship.

Article 1180 – Termination of marriage contracts

1. A marriage contract may be changed or terminated at any time by mutual agreement of the spouses.

2. Unilateral repudiation of a marriage contract shall not be allowed.

3. A marriage contract shall be terminated upon divorce.

Article 1181 – Changing the conditions of a marriage contract by a court

Based on the application of the interested spouse, if there are valid reasons, a court may change the conditions of a marriage contract that put one of the spouses in an extremely unfavourable position.

Chapter Five

Duty of Reciprocal Maintenance of Spouses

Article 1182 – Person entitled to maintenance

The spouses shall be obligated to provide material support to each other. If such support is refused and/or if there is no agreement between the spouses on providing maintenance, the following persons shall be entitled to maintenance through legal proceedings:

a) a disabled spouse who is in need of material support;

b) a wife during pregnancy and for three years after the birth of a child.

Article 1183 – Right of a disabled spouse to maintenance

A disabled spouse who is in need of support from the other spouse shall retain the right to maintenance after divorce, if he or she became disabled before the divorce, or within a period of one year after the date of divorce.

Article 1184 – Release from the duty of maintenance by a court

A court may release a spouse from the duty of maintenance or change the duty for a certain period of time, if the spouses were married for a short period of time, or if the spouse seeking material support committed an indecent act against the spouse who pays the maintenance, or if the disability of the spouse seeking material support was caused by abuse of alcohol or narcotic drugs or by his or her commission of an intentional offence.

Article 1185 – Determining the amount of maintenance

1. The amount of maintenance to be paid to a spouse shall be determined as an amount of money payable on a monthly basis, by taking account of the material and family condition of the spouses.

2. If the material or family condition of one of the spouses changes, either spouse may file in a court a claim for changing the amount of maintenance.

Article 1186 – Extinguishing the right to maintenance

The right to receive maintenance from a spouse shall be extinguished if the grounds defined in Articles 1182 and 1183 cease to exist, or if the spouse receiving maintenance remarries.

Section Two

Relations between Parents, Children and Other Relatives

Chapter One

Filiation

Article 1187 – Grounds giving rise to the rights and duties of parents and children

The reciprocal rights and duties of parents and their children are based on the act of birth of the children that is confirmed according the procedure laid down by law.

Article 1188 – Filiation in the event of the father's death

In the event of the death of the father, a child shall be deemed to have been born to the married parents if he/she is born no later than ten months from the death of the father.

Article 1189 – Proof of filiation between children and married parents

The filiation between a child and the married parents shall be confirmed by a joint statement of the spouses or by the statement of one of the spouses and by the certificates of the child's birth and the parents' marriage.

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1190 – Filiation between children and unwed parents

1. Filiation between a child and unwed parents shall be determined by a joint statement of the parents and the certificate of the child's birth.

2. If the parents' joint statement is not available or if it cannot be submitted, paternity may be determined by a court based on the application of one of the parents, the guardian (custodian) of the child or the person who provides maintenance for the child, as well as on the application of the child after the child attains the age of majority.

3. The court shall determine paternity according to the results of a biological (genetic) or anthropological tests conducted for determining the paternity of a child.

4. If it is not possible to determine paternity under paragraph 3 of this article, the court shall take into account whether the mother and the person applying for determination of paternity (the person indicated in the application) cohabited and jointly kept a household before the birth of the child or whether they jointly raised and/or maintained the child, or any other evidentiary documents and/or facts fully confirming the acknowledgement of paternity by the person indicated in the application.

5. (Deleted – 20.12.2011, No 5568).

6. The birth of a child to unwed parents may also be determined by a civil registration authority according to the procedure laid down by law, when establishing legally significant facts of a person's birth at a certain time and under certain circumstances.

7. A person who has reasonable cause to believe that he is the father of a child may contest the record on the child's father kept with a civil registration authority within one year from the time he became aware or ought to have become aware of the record.

8. A court may dismiss the application for determination of paternity if such determination is contrary to the child's interests.

9. Upon establishment of paternity under the rules laid down in this article, the children shall have the same rights and duties in relation to the parents and their relatives as the children born to married parents.

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 3657 of 1 October 2010 – LHG I, No 53, 11.10.2010, Art. 341

Law of Georgia No 5445 of 9 December 2011 – website 20.12.2011

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1191 – (Deleted)

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1191^1 – Single parent

1. A single parent shall be a person having the status of single mother or single father under this article.

2. A single mother shall be a person who has an illegitimate child of under the age of 18, if no record of the father of the child has been entered into the birth record of the child. A single mother shall also be a person who has an adoptive child of under the age of 18 and who was not in registered marriage at the time of adopting the child.

3. A single father shall be a person who has an illegitimate child of under the age of 18, if no record of the mother of the child has been entered into the birth record of the child. A single father shall also be a person who has an adoptive child of under the age of 18 and who was not in registered marriage at the time of adopting the child.

4. The grounds for revocation of single parent status shall be the circumstance where the record of the second parent of the child has been entered into the birth record of the child, or when a child (adoptive child) reaches the age of 18, and in other circumstances under the legislation of Georgia that rule out the possibility of having single parent status.

5. The guarantees for social and legal protection of a single parent shall be determined under the legislation of Georgia.

6. The procedure for establishing the status of single parent and maintaining records of appropriate persons shall be established by a joint order of the Minister of Justice of Georgia and the Minister of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia.

Law of Georgia No 2892 of 11 December 2014 – website 23.12.2014

Law of Georgia No 3422 of 1 April 2015 – website 7.4.2015

Law of Georgia No 1819 of 22 December 2017 – website 11.1.2018

Law of Georgia No 3076 of 5 July 2018 – website 11.7.2018

Article 1191^2 – Multi-child parent

1. A multi-child parent shall be a person having four or more children and/or adopted children.

2. The procedure for the provision of social security to a multi-child parent having four or more children and/or adopted children under 18 years of age shall be defined by the legislation of Georgia.

3. The procedure for the establishment and revocation of the status of multi-child parent and for the maintenance of records of appropriate persons shall be defined by an ordinance of the Government of Georgia.

Law of Georgia No 2606 of 27 June 2018 – website 6.7.2018

Article 1192 – (Deleted)

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1193 – (Deleted)

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Article 1193^1 – Declaring a child as abandoned

The procedure for declaring a child as abandoned shall be defined under the Law of Georgia on Adoption and Foster Care.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 2382 of 18 December 2009 – LHG I, No 50, 31.12.2009, Art. 399

Law of Georgia No 6494 of 19 June 2012 – website 2.7.2012

Article 1194 – Determining the first name of a child

1. The parents shall give their child a first name by mutual agreement.

2. (Deleted – 19.6.2012, No 6494).

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 6494 of 19 June 2012 – website 2.7.2012

Article 1195 – Determining the surname of a child

A child's surname shall be determined according to the surname of the parents. If the parents have no common surname, then the child shall be given the surname of the mother or the father, or a combined surname by agreement of the parents.

2. (Deleted – 19.6.2012, No 6494).

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 6494 of 19 June 2012 – website 2.7.2012

Article 1196 – Changing a child's surname

1. Termination of marriage between the parents shall not change the surname of the child.

2. The parents who received the custody of a minor child after the marriage termination or annulment may, in the interests of the child, apply to the court for giving their surname to the child. If the child is over the age of ten, the change of family name shall also require his/her consent.

[2. The parent who received the custody of a minor child after the marriage termination or annulment may, in the interests of the child, apply to the court for giving his/her surname to the child. If the child is under 10 years of age, his/her desire shall be taken into account depending on his/her maturity. If the child is 10 years of age or over, the change of surname shall also require his/her consent. ***(Shall become effective from 1 September 2020)***]

Law of Georgia No 5013 of 20 September 2019 – website, 27.9.2019

Law of Georgia No 5913 of 21 May 2020 – website, 25.5.2020

Chapter Two

Rights and Duties of Parents with Respect to Children

Article 1197 – Equal rights of parents with respect to children

Parents shall have equal rights and duties with respect to their children. A child shall have the right to live and grow up in a family.

Article 1198 – Duties of parents with respect to children

1. Parents shall be entitled and obligated to raise their children, take care of their physical, mental, spiritual and social development, and bring them up as decent members of society, taking account of the best interests of the children.

1^1. Parents/legal representatives of minors must not use such child-rearing methods that may cause physical and/or mental suffering of minors.

2. Parents shall have the duty to maintain their children.

3. Parents may determine with whom and where their child is to live.

4. Parents shall be obligated to protect the rights and interests of their minor children, including managing and using the children's property.

5. Parents shall be entitled and obligated to interact with their children, and determine the rights of third persons with respect to interacting with their children.

6. Parents shall be legal representatives of their minor children and shall act for the protection of their rights and interests in relation to third persons, including in a court.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 2703 of 17 October 2014 – website, 31.10.2014

Article 1198^1 – A minor's right to protection

1. A minor shall have the right to be protected from parents/legal representatives that abuse the minor's rights. When a minor's rights and legitimate interests are breached, including when both or one of the parents fails to fulfil or improperly fulfils the duties related to the upbringing and education of the child, or abuses a parental right, the minor may independently apply to guardianship and custodianship authorities or, in the cases provided by the Hague Convention of 19 October 1996 on Jurisdiction, Applicable Law, Recognition, Enforcement and Co-operation in Respect of Parental Responsibility and Measures for the Protection of Children, to the Central Authority, and from the age of 14, to a court.

[1. A minor shall have the right to be protected from his/her parent/legal representative that abuses the minor's rights. When a minor's rights and legitimate interests are breached, including when both or one of the parents fails to fulfil or improperly fulfils the duties related to the upbringing and education of the child, or abuses a parental right, the minor may independently apply to guardianship and custodianship authorities or, in the cases provided by the Hague Convention of 19 October 1996 on Jurisdiction, Applicable Law, Recognition, Enforcement and Co-operation in Respect of Parental Responsibility and Measures for the Protection of Children, to the Central Authority and to a court. ***(Shall become effective from 1 September 2020)***]

2. Natural and legal persons who become aware of a breach of a minor's rights and legitimate interests shall be obligated to report the fact to guardianship and custodianship authorities according to the actual residence of the minor. Upon receipt of such report, guardianship and custodianship authorities shall be obligated to take measures defined by the legislation of Georgia or, in the cases provided by the Hague Convention of 19 October 1996 on Jurisdiction, Applicable Law, Recognition, Enforcement and Co-operation in Respect of Parental Responsibility and Measures for the Protection of Children, apply to the Central Authority.

2^1. Failure to comply with an obligation by the entity involved in the child protection referral procedures as provided by the legislation of Georgia and by other entity working on children issues to identify the facts of child abuse and to furnish information about child abuse to appropriate governmental agency shall give rise to liability as determined by the legislation of Georgia.

3. The Central Authority defined by the Hague Convention of 19 October 1996 on Jurisdiction, Applicable Law, Recognition, Enforcement and Co-operation in Respect of Parental Responsibility and Measures for the Protection of Children, shall be a structural unit of the Ministry of Justice of Georgia.

Law of Georgia No 2446 of 20 June 2003 – LHG I, No 20, 11.7.2003, Art. 138

Law of Georgia No 2110 of 19 March 2014 – website, 1.4.2014

Law of Georgia No 2703 of 17 October 2014 – website, 31.10.2014

Law of Georgia No 5013 of 20 September 2019 – website, 27.9.2019

Law of Georgia No 5913 of 21 May 2020 – website, 25.5.2020

Article 1199 – Safeguarding the interests of a child

Parental rights shall not be exercised in such a way as to prejudice the child's interests.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1200 – Upbringing of children by mutual agreement of parents

1. Parents shall decide all matters relating to the upbringing of children by mutual agreement.

2. If parents are in disagreement, a court shall settle the disagreement with the participation of the parents. In that case, the right of a parent to be a representative of the child in a legal dispute shall be suspended. A guardianship and custodianship authority shall appoint a child's representative who is to represent the child's interests in court proceedings.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1201 – The place of residence of a minor in the case of divorce of the parents

1. If parents live apart due to divorce or for any other reason, they shall agree on who will have the right to decide with whom the minor child is to live.

2. If parents disagree, the dispute over the custody of the minor shall be resolved by a court, taking account of the child's interests. In that case, the right of a parent to be a representative of the child in a legal dispute shall be suspended. A guardianship and custodianship authority shall appoint a child's representative who is to represent the child's interests in court proceedings.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1202 – Rights and duties of divorced or separated parents with respect to their children

1. Parents shall have equal rights and duties with respect to their children regardless of the fact that they are divorced or live apart.

2. The parent who has the custody of the child may not limit the rights and duties of the other parent.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1203 – Rights and duties of grandparents with respect to grandchildren

Grandparents may interact with their minor grandchildren even if they are not directly involved in the upbringing of their grandchildren. If parents or a guardian/custodian deny the grandparents the right to interact with their grandchildren, a court may obligate the parents or the guardian/custodian to allow the grandparents to interact with their grandchildren to the extent determined by the court, provided the court finds that doing so would not prevent the normal upbringing of the children and

would not have any undue influence on them.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1204 – Right to demand the return of a minor child

Parents may demand the return of a minor child from the person who holds the child without any legal basis.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1205 – Limiting the rights and duties of parents

1. The rights and duties of a parent may be limited only by a court decision unless otherwise determined by this Code.

2. A court may limit one or several rights and duties of a parent independently from the other rights and duties of the parent.

3. If both parents of a child have been restricted in their rights and obligations under this Code, the child shall be placed under guardianship or custody.

4. When the rights of a parent are restricted, he/she shall still be obligated to support the child according to the maintenance provisions of this Code.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 2382 of 18 December 2009 – LHG I, No 50, 31.12.2009, Art. 399

Article 1205^1 – Suspending the rights and duties of parents

1. A court may suspend the right of parents to be the representatives of their child during court proceedings, pending the resolution of a dispute according to Articles 1200 and 1021 of this Code.

2. (Deleted).

3. If a child is found whose identity or the identity or location of its parent(s) is unknown, the rights and duties of its parent(s) shall be deemed suspended without a court decision until:

a) the identity of the child or its parent(s) is established and until it returns to its family;

b) the identity of the child's parent(s) avoiding the performance of parental duties and rights is established and the court limits his/her (their) parental rights and duties or declares the child abandoned. In that case, together with declaring the child abandoned, the court shall deliver a decision on the deprivation of parental rights;

c) the child is declared abandoned.

4. (Deleted).

5. Parental rights and duties shall be deemed suspended if a parent(s) abandons a child by their action or omission, when the child is placed under 24-hour public custody. In that case, the suspension of parental rights and duties shall be valid as long as the grounds for suspension exist.

6. In the event of domestic violence, as a result of which a parent is subject to a restraining or protective order, or upon a decision on separation of the child from the parent is taken by a social worker, the parent's representative right and/or right to determine with whom and where the child is to live shall be deemed suspended until the restraining or protective order or upon a decision on separation of the child from the parent taken by a social worker expires. Appealing a decision on separation of a child from the

parent shall not suspend its enforcement.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 2382 of 18 December 2009 – LHG I, No 50, 31.12.2009, Art. 399

Law of Georgia No 6494 of 19 June 2012 – website, 2.7.2012

Law of Georgia No 5449 of 22 June 2016 – website, 12.7.2016

Article 1206 – Deprivation of parental rights and duties

1. The deprivation of parental rights and duties shall be the last resort, the decision on which is delivered by a court on the initiative of a guardianship and custodianship authority or on the initiative of a child who has attained the age of 14, unless otherwise provided for in this article.

[1. The deprivation of parental rights and duties shall be the last resort. The decision depriving parental rights and duties shall be delivered by a court on the initiative of a guardianship and custodianship authority or of the child, unless otherwise provided for in this article. ***(Shall become effective from 1 September 2020)***]

2. A parent who systematically avoids parental duties and abuses parental rights – mistreats his/her child, has a negative influence on him/her by an immoral behaviour, or who is a chronic alcoholic or a drug addict, or who has involved the child in an antisocial activity (including begging, vagrancy), shall be deprived of all parental rights and duties.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 2382 of 18 December 2009 – LHG I, No 50, 31.12.2009, Art. 399

Law of Georgia No 748 of 4 May 2017 – website, 24.5.2017

Law of Georgia No 5013 of 20 September 2019 – website, 27.9.2019

Law of Georgia No 5913 of 21 May 2020 – website, 25.5.2020

Article 1207 – Rights of the child of a person who has been deprived of parental rights and duties

A person who has been deprived of parental rights and duties shall forfeit all kinship-based rights in relation to the child with respect to whom he/she has been deprived of parental rights and duties. A child whose parent has been deprived of parental rights and duties shall retain property rights arising from kinship to the parent, including the right of inheritance.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1208 – (Deleted)

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

1209 – Reinstatement of parental rights and duties

1. Parental rights and duties may be reinstated only by legal proceedings initiated by the child, one of the parents or a guardianship and custodianship authority.

2. Parental rights and duties may be reinstated only if it is discovered that the reason for limiting or depriving a parental right has

ceased to exist.

3. When reinstating a person's parental rights and duties, the court shall also take into account the desire of the child, provided he/she has attained the age of 10.

[3. When reinstating a person's parental rights and duties, the court shall also take into account the desire of the child. ***(Shall become effective from 1 September 2020)***]

4. Parental rights and duties may not be reinstated in relation to a child who has been adopted by another person, except where the adoption is declared void.

5. Parental rights and duties shall be reinstated automatically after the expiry of the suspension period, unless otherwise determined by this Code.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 5013 of 20 September 2019 – website, 27.9.2019

Law of Georgia No 5913 of 21 May 2020 – website, 25.5.2020

Article 1210 – (Deleted)

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 2382 of 18 December 2009 – LHG I, No 50, 31.12.2009, Art. 399

Article 1211 – Transfer of parental rights and duties

1. The parents may transfer the right to administer the child's assets, with respect to a particular asset, to a property guardian under a document certified by a notary or, if the notary is unavailable, by the local self-government body.

2. The right to administer a child's assets may be transferred to a property guardian by a will.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Chapter Three

Maintenance Duties of Parents and Children

Article 1212 – Duty to maintain children

Parents shall be obligated to maintain their minor children as well as their disabled children who need support.

Article 1213 – Determination of the amount of maintenance by the parents

Parents shall determine by mutual agreement the amount of maintenance payments for the minor children or adult disabled children.

Article 1214 – Determination of the amount of maintenance by a court

If parents fail to agree on the amount of maintenance, the dispute shall be resolved by a court. The court shall determine the amount of maintenance on the grounds of a reasonable, fair assessment of the child's needs for normal maintenance and upbringing. In determining the amount of maintenance, the court shall take into account the actual material status of the parents and the child.

Article 1215 – Duty to share additional expenses

A parent who pays maintenance to his/her minor children may be obligated to share the additional expenses caused by special circumstances (child's serious illness, injury, etc.).

Article 1216 – Expenses for maintaining children placed in guardianship or custody

Parents may be ordered to bear expenses for maintaining a child placed in guardianship or custody according to this Code or a court decision.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1217 – A court ruling ordering the payment of child maintenance funds

If the defendant is registered with a territorial office of the Agency as the parent of a child under Articles 1191 and 1192 of this Code, the court may order the payment of child maintenance funds before discussing the merits of the case.

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Article 1218 – Duties of children to their parents

1. Children shall be obligated to take care of and help their parents.

2. Adult able-bodied children shall be obligated to maintain disabled parents who need support.

3. Children may be released from the duty to maintain their parents if the court rules that parents avoided performing their parental duties.

4. A parent who has been deprived of parental rights shall forfeit the right to claim maintenance from children.

Article 1219 – Participation of children in maintaining disabled parents

1. The court shall determine each child's participation in maintaining a disabled parent who is in need of support, in the form of a monthly payment, taking account of the material and family status of the parents and the children.

2. In determining the payment, the court shall take into account the duty of all the adult children of the parents regardless of whether the claim is filed against all, some or one of the children.

Article 1220 – Participation of children in additional expenses

Unless otherwise agreed, the children paying maintenance to their disabled parents may be ordered to share additional expenses caused by special circumstances (parent's serious illness, injury, etc.).

Article 1221 – Claim for reduction of maintenance

1. A parent who pays maintenance to his/her minor child may file a claim for reduction of the amount of maintenance determined by the court.

2. If the material and family status of the parent who is making fixed maintenance payments changes, the court may reduce or increase the amount of maintenance at the request of an interested person.

Article 1222 – Change in the amount of maintenance due to a change in material and family status

If the material or family status of parents changes after a court has fixed the amount payable by the parents to their adult disabled children or by the children to their disabled parents who are in need of support, the court may change the fixed amount of maintenance based on the claim of either of them.

Chapter Four

Maintenance Duties of other Family Members

Article 1223 – Reciprocal duty of support between siblings

Siblings who have sufficient funds shall be obligated to maintain their minor sisters and/or brothers who are in need of support and unable to receive maintenance from their parents. They shall have the same duty with respect to the adult disabled sisters and/or brothers who need support but are unable to receive maintenance from their parents, spouse or children.

Article 1224 – Maintenance duties of grandchildren with respect to grandparents

Grandchildren who have sufficient funds shall be obligated to maintain their disabled grandparents who need support and who are unable to receive maintenance from their children or from each other.

Article 1225 – Maintenance duties of grandparents with respect to their grandchildren

Grandparents who have sufficient funds shall be obligated to maintain their minor grandchildren who need support and who are unable to receive maintenance from their parents. They shall have the same duty before the adult disabled grandchildren who need support but are unable to receive maintenance from their parents, spouse or children.

Article 1226 – Maintenance duties of stepparents

Stepparents who have sufficient funds shall be obligated to maintain their minor and/or disabled stepchild who needs support if the stepchild is in their custody for upbringing or maintenance and has no parents or is unable to receive maintenance from them.

Article 1227 – Maintenance duty of stepchildren

1. Stepchildren who have sufficient funds shall be obligated to maintain their disabled stepparents who need support if the stepparents had been rearing or maintaining them.

2. A court may release a stepchild from the duty to maintain his/her disabled stepfather and/or stepmother if they reared or maintained him/her for less than five years or if they did not perform properly the duty of raising the stepchild.

Article 1228 – (Deleted)

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1229 – Maintenance duties with respect to de-facto foster parents

A person who was under permanent upbringing or maintenance shall be obligated to provide maintenance to his/her de-facto foster parent if the foster parent is disabled, in need of support but unable to receive it from his/her children or spouse.

Article 1230 – Procedure for determining the amount of maintenance

1. A court shall determine the amount of maintenance payable, in each particular case, to the persons referred to in this chapter, in the form of a monthly payment, in consideration of the material and family status of the maintenance payer and the payee.

2. If more than one person is concurrently obligated to maintain the family, the court shall determine, in consideration of their material and family status, the amount of the share of each of them in this duty. At the same time, the court shall take into account all maintenance payers regardless of whether maintenance is claimed from all of them or only from one or some of them.

Article 1231 – Changing the amount of maintenance

If the material or family status of the maintenance payer or the payee changes, a court may change the previously determined amount of maintenance, based on the claim of one of them, after the amount of the maintenance payable to the persons referred to in this chapter has been determined in a legal proceeding.

Chapter Five

Procedure for Payment and Enforced Payment of Maintenance

Article 1232 – Voluntary payment of maintenance

1. A person who has the duty to pay maintenance shall pay it voluntarily and personally according to the place where he/she receives his/her income.

2. The voluntary payment of maintenance shall not exclude the maintenance payee's right to file a claim in a court at any time for enforced payment.

Article 1233 – Duty of the administration of the employing organisation with respect to maintenance payments

1. Each month, the administration of the employing organisation shall deduct, based on a written application or writ of execution, maintenance from the maintenance payer's salary (pension, allowance, etc.) and pay or transfer it to the person indicated in the application or writ of execution not later than three days after the salary (pension, allowance, etc.) payment day.

2. The written application of the person who is willing to pay maintenance voluntarily shall be presented to the administration of the employing organisation according to the applicant's place of work or the place where he/she receives a pension or allowance.

Article 1234 – Claim for enforced payment of maintenance

1. A person entitled to claim maintenance may, at any time before the forfeiture of this right and according to the procedures laid down by law, file a claim in a court for enforced payment of maintenance, regardless of the time elapsed from the time when the right to claim maintenance arose.

2. Maintenance shall be awarded only for a future period after the moment a claim is filed in court. Past maintenance payments may be recovered for a period of up to three years, provided the court finds that measures had been taken to receive payment before the claim was filed but the maintenance was not received because the obligor avoided payment.

Article 1235 – Recovering arrears in maintenance payments

1. Maintenance payments accrued in the past may be recovered by a writ of execution for a period of up to three years before submission of the writ of execution for payment.

2. If maintenance could not be withheld under the writ of execution submitted for payment because of a search for the obligor, arrears in maintenance payments shall be recovered for the entire period that has elapsed, regardless of whether the limitation period has expired and/or whether the maintenance payee has come of age or not.

Article 1236 – Determining the amount of arrears in maintenance payments

1. The amount of arrears in maintenance payments shall be determined according to the actual salary (income) earned by the obligor during the period in which the payments were not collected.

2. If the obligor was unemployed during that period and if he/she does not present documents evidencing his/her salary (income), the arrears shall be determined according to the salary (income) he/she was earning at the time when he/she was ordered to pay the arrears.

Article 1237 – Release from maintenance payment

1. Release from maintenance payment may be granted or arrears in maintenance payments may be reduced only by a court decision.

2. The court may release the maintenance payer from maintenance payment in full or in part if it finds that the non-payment of the maintenance was caused by the person's illness or any other valid reason.

Article 1238 – Termination of maintenance obligation

The maintenance obligation arising from the agreement of the parties may be terminated by the death of one of the parties, expiry of the agreement or for some other reason provided for in the agreement.

Chapter Six

Adoption

Article 1239 – Concept

1. Adoption shall be permitted only for the welfare and in the interests of a minor child, provided it is expected that a parent-child relationship will develop between the adoptive parent and the adopted child.

2. An adult person may be adopted if a de facto parent-child relationship has already existed between the adoptive parent and the prospective adoptee, the adoption is not contrary to the interests of the adoptive parent or the prospective adoptee, and the adoption is morally justified.

Article 1240 – Confirming adoption upon the death of a foster parent

If a foster parent dies, the fact of adoption may be confirmed by a court proceeding only if the minor was treated as a child of the family, also if the adoptive parent filed in a court an application for adoption during his/her lifetime.

Article 1241 – Inadmissibility of adoption of a child after his/her death

Adoption shall not be permitted if a child has died.

Article 1242 – Making a decision on adoption

Based on an adoptive parent's application, a decision on adoption shall be made by a court according to the place of residence of the adoptive parent or the prospective adoptee, after the guardianship and custodianship authority provides its report.

Article 1243 – Inadmissibility of adoption through an agent

1. Adoption may not be made subject to a condition or to a stipulation as to time or through an agent.

2. The restrictions under paragraph 1 of this article shall not extend to the adoptive parent's right to be represented by an advocate in a court proceeding.

3. The restrictions under paragraph 1 of this article shall not extend to the adoptive parent's right to seek and obtain assistance of accredited agencies during adoption procedures according to the treaties and international agreements of Georgia.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1244 – Registration of decisions on adoption

1. Any territorial office of the Agency shall register a decision on adoption, according to the desire of the applicant.

1^1. The civil status act specified in paragraph 1 of this article may be registered abroad by a Georgian diplomatic mission or consular agency abroad.

2. A court shall be obligated to notify a territorial office of the Agency of its decision within five working days after the entry of

the decision into force.

3. Adoption shall be valid from the day the court decision enters into force.

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.7.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.1.2006, Art. 20

Law of Georgia No 2382 of 18 December 2009 – LHG I, No 50, 31.12.2009, Art. 399

Law of Georgia No 3657 of 1 October 2010 – LHG I, No 53, 11.10.2010, Art. 341

Law of Georgia No 4055 of 15 December 2010 – LHG I, No 76, 29.12.2010, Art. 499

Article 1245 – Adoptive parents

An adoptive parent may be a person who meets the requirements established by the Law of Georgia on Adoption and Foster Care, and is registered in the Register of Children for Adoption and Adoptive Parents.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 6494 of 19 June 2012 – website, 2.7.2012

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1246 – Adoption by spouses

1. Spouses may adopt a child together. No two persons other than spouses may adopt a child.

2. One of the spouses may adopt his/her child born out of wedlock or the child of his/her spouse.

Article 1247 – Consent of a spouse during adoption

If one of the spouses adopts a child, the consent of the other spouse shall be required. Such consent shall not be required if the marriage relationship of the spouses has been factually terminated for more than a year, or if the place of residence of the other spouse is unknown.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1248 – Adoption by one of the spouses

If spouses jointly adopt a child or if one of them adopts a child of the other spouse, the child shall assume the legal status of a child of both of the spouses.

Article 1249 – (Deleted)

Law of Georgia No 748 of 4 May 2017 – website, 24.5.2017

Article 1250 – Age of an adoptive parent

1. The age difference between an adoptive parent and a prospective adoptive child shall not be less than 16 years. When there is a valid reason, the court can change this age difference.

2. The maximum age difference between an adoptive parent and a prospective adoptive child under 10 years of age shall not be more than 49 years (the upper age limit). In an exceptional case, the maximum age difference between an adoptive parent and a prospective adoptive child from 7 to 10 years of age can be more than 49 years if it complies with the interests of the child. The upper age limit shall not apply to married adoptive parents when one of them meets the requirements determined by this paragraph.

3. The age restrictions imposed by paragraphs 1 and 2 of this article shall not apply when a person with a preferential right of adoption adopts a child.

Law of Georgia No 748 of 4 May 2017 – website, 24.5.2017

Article 1251 – Parental consent to a child's placement for adoption

The procedure for a parent to give consent to his/her child's placement for adoption shall be determined under the Law of Georgia on Adoption and Foster Care.

Law of Georgia No 3082 of 26 August 2003 – LHG I, No 29, 18.9.2003, Art. 224

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 2382 of 18 December 2009 – LHG I, No 50, 31.12.2009, Art. 399

Article 1252 – (Deleted)

Law of Georgia No 2078 of 9 June 1999 2007 – LHG I, No 24(31), 26.6.199, Art. 112

Law of Georgia No 3082 of 26 August 2003 – LHG I, No 29, 18.9.2003, Art. 224

Law of Georgia No 2382 of 18 December 2009 – LHG I, No 50, 31.12.2009, Art. 399

Article 1253 – (Deleted)

Law of Georgia No 2078 of 9 June 1999 – LHG I, No 24(31), 26.6.1999, Art. 112

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 2382 of 18 December 2009 – LHG I, No 50, 31.12.2009, Art. 399

Article 1254 – Children subject to adoption

A child shall be subject to adoption if:

a) a court has declared his/her parent (parents) missing;

b) he/she has no parents;

c) he/she has been declared as an abandoned child;

d) his/her parent(s) has (have) been deprived of parental rights;

e) all his/her legal representatives have expressed consent, according to the procedures laid down by law, to his/her placement for adoption.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 2382 of 18 December 2009 – LHG I, No 50, 31.12.2009, Art. 399

Law of Georgia No 6494 of 19 June 2012 – website, 2.7.2012

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Law of Georgia No 748 of 4 May 2017 – website, 24.5.2017

Article 1255 – Adopting a child who has attained the age of 10

1. A child who has attained the age of 10 shall not be adopted without his/her consent.

2. The child's consent shall be determined after hearing the child at an adoption hearing in court.

3. If, before the application for adoption is filed, a child has lived in the adoptive parent's family and has regarded the adoptive parent as his/her own parent, the adoption may be granted, as an exception, without the prospective adoptee's consent.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 2382 of 18 December 2009 – LHG I, No 50, 31.12.2009, Art. 399

Law of Georgia No 6494 of 19 June 2012 – website, 2.7.2012

[Article 1255 – Child's consent to being adopted

1. When a child under 10 years of age is adopted, his/her desire shall be taken into account depending on his/her maturity.

2. A child who is 10 years of age or over shall not be adopted without his/her consent.

3. The child's consent to being adopted shall be determined after hearing the child at an adoption hearing in court.

4. If, before the application for adoption is filed, a child has lived in the adoptive parent's family and has regarded the adoptive parent as his/her own parent, the adoption shall be possible, as an exception, without the prospective adoptee's consent to being adopted. ***(Shall become effective from 1 September 2020)***]

Law of Georgia No 5013 of 20 September 2019 – website, 27.9.2019

Law of Georgia No 5913 of 21 May 2020 – website, 25.5.2020

Article 1256 – Denial of adoption

Before the court delivers a decision, a parent (the parents), the adoptive parent and the child who has attained the age of 10 may withdraw his/her consent to the adoption according to the Law of Georgia on Adoption and Foster Care.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 2382 of 18 December 2009 – LHG I, No 50, 31.12.2009, Art. 399

Article 1257 – (Deleted)

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Law of Georgia No 748 of 4 May 2017 – website, 24.5.2017

Article 1258 – (Deleted)

Law of Georgia No 5568 of 20 December 2011 – website 28.12.2011

Law of Georgia No 748 of 4 May 2017 – website, 24.5.2017

Article 1259 – Kinship relations of adoptees

An adoptee and his/her descendants in relation to the adoptive parent and his/her relatives, and the adoptive parent and his/her relatives in relation to the adoptee and his/her descendants shall be equivalent to blood relatives in terms of personal and property rights and duties.

Article 1260 – Relations of adoptees with biological parents

1. An adoptee shall forfeit his/her personal and property rights and shall be released from duties to his/her biological parents and blood relatives.

2. (Deleted – 4.5.2017, No 748).

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 748 of 4 May 2017 – website, 24.5.2017

Article 1261 – Effects of adoption

1. Upon adoption, the adoptive parent shall assume the same rights and duties as those specified in this Code for biological parents.

2. An adoptive parent's parental rights may be suspended, restricted or deprived if it is discovered that he/she has routinely avoided the duty of a child's upbringing or abused parental rights or for any other reason under this Code.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1262 – (Deleted)

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1263 – (Deleted)

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 748 of 4 May 2017 – website, 24.5.2017

Article 1264 – (Deleted)

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 748 of 4 May 2017 – website, 24.5.2017

Article 1265 – (Deleted)

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 748 of 4 May 2017 – website, 24.5.2017

Article 1266 – (Deleted)

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1267 – (Deleted)

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1268 – (Deleted)

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1269 – (Deleted)

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1270 – (Deleted)

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1271 – (Deleted)

Law of Georgia No 179 of 24 June 2004 – LHG I, No 19, 15.07.2004, Art. 79

Law of Georgia No 2626 of 28 December 2005 – LHG I, No 3, 16.01.2006, Art. 20

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1272 – Grounds for annulling adoption

1. Adoption may be annulled if:

a) the decision on adoption is based on false documents;

b) the adoption is a sham;

c) (deleted – 20.3.2015, No 3339);

d) the adoptive parent had been deprived of or restricted in his/her parental rights for avoiding or abuse of parental rights and duties;

e) adoption occurred without the parents' or the guardian's consent where such agreement was required, if it is discovered that the child's return to his/her biological parents or to the guardian is in the child's interests.

2. Adoption may be annulled only if it is in the adoptee's interests.

3. When annulling the adoption, the court shall find out whether the adoptee who has reached the age of 10 agrees to it or not.

4. Adoption may be annulled at the request of a person whose right has been prejudiced by adoption, also at the request of the guardianship and custodianship authority.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Law of Georgia No 748 of 4 May 2017 – website, 24.5.2017

Article 1273 – Moment of annulment of adoption

1. An adoption shall be deemed annulled from the moment the decision on adoption is made.

2. As a result of the annulment of adoption the child's personal and property rights and duties with respect to his/her biological parents and blood relatives shall be restored.

3. If an adoption is annulled, by a court decision the child shall be placed in the custody of its parents or, if that is not in the child's interests, in the custody of a guardianship and custodianship authority.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 748 of 4 May 2017 – website, 24.5.2017

Article 1274 – Involvement of a guardianship and custodianship authority in the adoption annulment hearing

In all cases a guardianship and custodianship authority shall take part in the adoption annulment proceedings.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 748 of 4 May 2017 – website, 24.5.2017

Section Three

Guardianship, Custodianship, and Support

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Chapter One

General Provisions

Article 1275 – Concepts of guardianship, custodianship and support

1. Guardianship and custodianship shall be established for upbringing a minor and protecting the personal and property rights, and interests of the minor who is left without parental care because his/her parents have died, have been deprived of parental rights, or their parental rights have been suspended or restricted, or they have been declared missing, or because the child has been declared abandoned.

2. Guardianship and custodianship shall also be established for protecting the personal and property rights, and interests of an adult who is unable to exercise his/her rights and to perform his/her duties independently because of his/her health condition.

3. Support shall be established for a beneficiary of support.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1276 – Guardianship

Guardianship shall be established for a child who has not reached the age of seven.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1277 – Custodianship

1. Custodianship shall be established with respect to a minor from the age of seven to the age of eighteen. Custodianship shall also established with respect to an adult person capable of contracting, at that person's request, if he/she is unable to independently exercise his/her rights and perform his/her duties because of his/her health condition.

2. Article 16 shall apply accordingly.

Article 1277^1 – Support

A supporter shall be assigned to a beneficiary of support.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1278 – Guardianship and custodianship authorities

1. The central and local guardianship and custodianship authorities shall be the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia and/or an authorised agency (organisation) within its system, as well as their territorial bodies.

2. The rules of operation for central and local guardianship and custodianship authorities shall be defined under this Code and by the order of the Minister of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia.

[2. The rules of operation for central and local guardianship and custodianship authorities shall be defined under this Code, the Law of Georgia on Social Work and the order of the Minister of Labour, Health and Social Affairs of Georgia. ***(Shall become effective from 1 January 2021)***]

3. A guardianship and custodianship authority is obliged to protect and strengthen beneficiaries of support, and help supporters perform their duties to assist beneficiaries of support in making a choice and a decision.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Law of Georgia No 2520 of 13 June 2018 – website, 29.6.2018

Law of Georgia No 3076 of 5 July 2018 – website 11.7.2018

Article 1279 – Establishing guardianship and custodianship for children

Guardianship and custodianship may be established over a child when:

a) a court notifies a guardianship and custodianship authority of restriction or deprivation of the parental rights and duties of both parents of the child;

b) the parental rights and duties have been suspended;

c) both parents of the child have died;

d) the guardian appointed for the child has died or has been deprived of his/her functions;

e) the court has declared the child abandoned;

f) the parent has been declared missing.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1280 – Assigning a supporter(s)

1. The court that has delivered a decision on declaring a person as a beneficiary of support shall, under the same decision, assign a supporter (supporters); define the limits of support, and the rights and duties of the supporter (supporters). The decision shall, not later than three days after it comes into legal force, be forwarded to a guardianship and custodianship authority according to the place of residence of the beneficiary of support.

2. A family member, a relative, or a friend of a person, or an expert that meets the requirements established under this Code may

be assigned to be the supporter.

3. When selecting a supporter, the court takes into account his/her personal qualities, the ability of a supporter to perform a duty imposed on him/her, the relationship between a supporter and a beneficiary of support, and the interests and the will of a beneficiary of support, and, if a beneficiary of support is a minor, the recommendation of his/her parent as well.

4. A person may be assigned to be the supporter only with his/her consent.

5. If a supporter cannot be selected among the persons referred to in paragraph 2 of this article, the court shall assign an authorised person of a guardianship and custodianship authority to be the supporter; and if a beneficiary of support is put in a specialised facility, the court shall assign a representative of the facility to be the supporter.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1281 – Appointing a guardian or custodian

1. Guardianship and custodianship authorities shall appoint a guardian or a custodian for discharging the duties of a guardian or a custodian.

2. A guardian or a custodian may be appointed only with their consent.

3. A custodian for an adult person capable of contracting but unable to independently protect his/her rights and perform his/her duties due to his/her health condition may be selected only with the consent of the ward.

4. A guardian or a custodian may be appointed according to the instructions given by the deceased parents based on the document (will) certified by a notary or, if the notary is unavailable, by the local self-government authority.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1282 – Procedure for appointing a guardian or a custodian

1. A guardian or a custodian shall be appointed not later than one month after the guardianship and custodianship authority becomes aware of the necessity of establishing a guardianship or custodianship.

2. A guardian or a custodian shall be selected by taking into account his/her personal qualities, the ability to perform assigned duties, the reciprocal relationship existing between him/her and the ward, the interests of the ward, as well as the parent's or testator's wishes.

3. Until a guardian or a custodian is appointed, the guardianship or custodianship authority shall have the respective legal obligations of a guardian or a custodian with respect to the ward.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1283 – Persons who may not be appointed as guardians, custodians, or supporters

The following persons may not be appointed as guardians, custodians, or supporters:

a) persons who have not reached the age of eighteen;

b) persons who have been recognised as beneficiaries of support;

c) persons who have been deprived of, or restricted in their parental rights for avoiding the performance of parental rights and duties;

d) persons who have been relieved of the duty of a guardian, custodian, or supporter for failing to properly perform it.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1284 – (Deleted)

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1285 – (Deleted)

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1286 – Appointing a property guardian

1. A property guardian may be appointed, if necessary, to protect the property rights and interests of a child, if so requested by:

a) the parents;

b) a testator who transfers his/her property to the child and designates a person, other than the parents, who is to become the guardian of the property;

c) the guardian or custodian.

2. If the property is located far from the place of residence of the guardian or custodian or it is necessary to appoint a guardian of the property, the guardianship and custodianship authority may appoint a guardian/custodian of the property in addition to the guardian/custodian of the ward.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Chapter Two

Rights and Obligations of Guardians and Custodians

Article 1287 – Rights of guardians and custodians

Guardians and custodians may claim by judicial process, the return of children under guardianship and custodianship from anyone who is holding the child without a legal basis.

Article 1288 – Providing guardianship and custodianship free of charge

The duties of a guardian and a custodian shall be performed free of charge.

Article 1289 – Duties of guardians, custodians and supporters

1. A guardian/custodian shall care for the maintenance of the ward, create the necessary living conditions for him/her, provide

care and medical treatment to him/her, and protect his/her rights and interests.

2. A supporter shall monitor the medical care provided to a beneficiary of support, identify his/her wishes/choices, and assist him/her in taking an appropriate decision, which means to communicate the information necessary for making a decision to the beneficiary of support in an understandable form. The supporter further shall, within the time limit set by a guardianship and custodianship authority and which must not exceed six months, provide the authority with information regarding the performance of duties assigned to him/her under the court decision. The supporter shall include in the information the specifics of his/her provision of support.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1290 – Representative rights of guardians and custodians

A guardian and a custodian designated by a guardianship and custodianship authority and appointed as a legal representative of a ward need not have any special authorisation to represent the ward's rights and interests before third persons, including in courts. *(**The normative content with regard to the representation by a guardian of a person recognised as legally incapable by the court of the rights and interests of a ward in the relationship with third persons, including in a court, shall be invalidated) –* Decision No 2/4/532,533 of the Constitutional Court of Georgia of 8 October 2014 – website, 28.10.2014

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Decision No 2/4/532,533 of the Constitutional Court of Georgia of 8 October 2014 – website, 28.10.2014

Article 1291 – Duty to live together with a minor ward

1. A guardian and a custodian shall be obligated to live together with a minor ward. In individual cases, a custodian and a ward may live apart with the permission of the guardianship and custodianship authority, provided the authority concludes that their separate residence will not adversely affect the ward's upbringing and the protection of his/her rights and interests.

2. A guardian and a custodian shall be obligated to notify the guardianship and custodianship authority of a change of residence.

3. The duty specified in paragraph 1 of this article shall not apply to the custodian of a legally capable adult, and to the supporter of an adult, unless otherwise determined under court decision.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1292 – Duties of supporters in case of lack or change of the grounds for establishing support

A supporter shall immediately submit a petition to the court to change the scope of support or cancel the support if the ground which was the basis for establishing support for a beneficiary of support ceases to exist or has been changed, except when the beneficiary of support or the guardianship and custodianship authority has already applied to the court.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1293 – Consent of guardians and custodians; participation of supporters in conclusion of transactions

1. A guardian shall be the legal representative of a ward, and shall enter into the necessary transactions in the name and interests of the ward.

2. A minor from the age of seven to the age of eighteen shall enter into a transaction that he/she is not entitled by law to enter

independently with the consent of his/her custodian.

3. A supporter shall assist a beneficiary of support when he/she concludes a transaction to fully comprehend conditions and legal consequences of the transaction if it is defined under a court decision.

4. If the court in exceptional cases finds that it is objectively impossible for a supporter to declare the intent of a beneficiary of support for more than one month, and that the prohibition of making a decision instead of the beneficiary of support can significantly prejudice him/her, the court shall empower the supporter to conclude necessary transactions on behalf of the beneficiary of support and based on his/her interests.

Correction of mistake – The Parliament Gazette No 37-38, 10.9.1997, p. 21

Decision No 2/4/532,533 of the Constitutional Court of Georgia of 8 October 2014 – website, 28.10.2014

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1294 – Limiting the rights of guardians and custodians

Without the prior consent of a guardianship and custodianship authority, a guardian may not enter into transactions on behalf of the ward and a custodian may not agree, on behalf of the ward, to enter into transactions concerning alienation, pledging, renting out for more than ten years, gratuitous lending of property; issuance of other debt instruments or bills of exchange, waiver of rights to which the ward is entitled, entry as a partner into a business entity, borrowing, division of property or transactions that may result in the reduction of property.

Article 1295 – Procedure for alienating perishable property

Perishable goods or those intended for sale by their nature may be sold without the permission of a guardianship and custodianship authority.

Article 1296 – Inadmissibility of making a gift on behalf of a ward

No gift contract may be entered into on behalf of a ward.

Article 1297 – Inadmissibility of representation by guardians and custodians

A guardian and a custodian, their spouses and close relatives may not enter into transactions with a ward or act as representatives of the ward in transactions or legal proceedings between the ward and the spouses or close relatives of a guardian or a custodian.

Article 1298 – Appealing the actions of guardians and custodians

An interested person, including the ward, may appeal the actions of the guardian or custodian with the guardianship and custodianship authority according to the place of residence of the ward.

Article 1299 – Relieving guardians and custodians of their duties

1. A guardianship and custodianship authority shall relieve guardians and custodians of their duties if the parental rights of the parents of the child are fully reinstated or the child is placed in adoption.

2. Guardians and custodians may also be relieved of their duties at their personal request, provided the guardianship and custodianship authority establishes that the request is based on a valid reason (illness, change in material status, failure to get along with the ward, etc.).

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1300 – Consequences of improper performance of duties

1. If guardians or custodians improperly perform their duties, a guardianship and custodianship authority shall remove or relieve them of their duties.

2. If a guardian (custodian) uses guardianship (custodianship) for mercenary ends or leaves a ward without supervision or necessary assistance, he/she shall be held liable according to established procedures.

3. If a supporter unduly performs a duty imposed on him/her, a guardianship and custodianship authority shall respond according to Article 1305^5 of this Code.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1301 – Relieving custodians/supporters of their duties as requested/required by wards/beneficiaries of support

1. The custodian of an adult may be relieved of his/her duty at the request of the ward. In that case, a guardianship and custodianship authority may assign another person to the ward as a custodian in agreement with the ward.

2. If a beneficiary of support wants to have a supporter relieved of his/her duty, he/she shall submit an appropriate request to court. In this case, the court shall suspend the powers of the supporter before delivering the decision and impose the performance of his/her duties on a specially authorised person of a guardianship and custodianship authority (to whom the statutory rights and duties of the supporter apply).

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1302 – Grounds for termination of guardianship

1. Guardianship shall be terminated if:

a) a ward dies;

b) a minor ward reaches the age of seven;

c) parental rights and duties have been restored to the parent of a minor ward who has not reached the age of seven;

d) (deleted – 20.3.2015, No 3339).

2. In the case provided for in paragraph 1 of this article, guardianship shall be terminated by decision of the guardianship and custodianship authority.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1303 – Termination of guardianship by reason of reaching the age of custodianship

If a minor ward reaches the age of seven, the guardianship shall be terminated and the guardian shall become a custodian without any special decision of the guardianship and custodianship authority.

Article 1304 – Grounds for termination of custodianship

1. Custodianship shall be terminated if:

a) the ward dies;

b) the minor ward comes of age;

c) the minor ward marries;

d) with respect to other wards – if the reason for which the custodianship was appointed ceases to exist.

2. In the case provided for in paragraph 1 of this article, the custodianship shall be terminated by decision of the guardianship and custodianship authority.

Article 1304^1 – Grounds for terminating support

1. The support shall be terminated if:

a) the beneficiary of support dies;

b) the reason for which the support was established ceases to exist.

2. In the case provided for under paragraph 1(a) of this article, the support shall be terminated by decision of the guardianship and custodianship authority; and in the case provided for under paragraph 1(b) of this article, it shall be terminated by the court decision.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1305 – Appealing the matters of guardianship and custodianship in court

Any interested person may appeal in court the decision of a guardianship and custodianship authority on the appointment, removal or relief of a guardian (custodian), as well as any other matters related to guardianship and custodianship.

Chapter Three

Supervision of Activities of Guardians, Custodians, and supporters

Law of Georgia No 4870 of 21 June 2011 – website, 6.7.2011

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

1305^1 – Supervising activities of guardians, custodians, and supporters

1. A guardianship and custodianship authority shall supervise the activity of a guardian/custodian according to the place of residence of a ward.

2. A guardianship and custodianship authority shall supervise the activity of a supporter according to the place of residence of a beneficiary of support. The supervision aims to monitor the performance by the supporter of duties defined for them under court decision and the legislation of Georgia, to assess the development of skills of a beneficiary of support, and to respond appropriately.

3. A guardianship and custodianship authority shall, by way of scheduled check, verify compliance of actions carried out by a supporter with the scope determined under court decision. The scheduled check is carried out as frequently as it is provided for in Article 1305^2(a) and (b) of this Code, by verifying any information received regarding the failure by the supporter to perform his/her duties and through actual supervision.

4. A guardianship and custodianship authority shall supervise the performance of his/her duties by a supporter during the implementation of a marriage contract concluded with a beneficiary of support.

5. The procedure and conditions for supervising the activity of guardians, custodians and supporters shall be defined by this Code and the respective subordinate acts.

Law of Georgia No 4870 of 21 June 2011 – website, 6.7.2011

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

1305^2 – Frequency of exercising supervision over the performance of their duties by guardians, custodians and supporters

A guardianship and custodianship authority shall exercise supervision over the performance of their duties by guardians, custodians and supporters:

a) once in six months;

b) as frequently as defined by the court;

c) on its own initiative, in case of reciprocal necessity, when there is information as to the need for the involvement of a guardianship and custodianship authority.

Law of Georgia No 4870 of 21 June 2011 – website, 6.7.2011

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

1305^3 – Actual supervision of the activity of supporters

1. A guardianship and custodianship authority shall, on the basis of information provided for in Article 1289(2) of this Code, if necessary, on its own initiative, carry out an actual supervision of the activity of a supporter.

2. The form and extent of an actual supervision of the activity of a supporter are defined by the appropriate subordinate acts.

Law of Georgia No 4870 of 21 June 2011 – website, 6.7.2011

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

1305^4 – Report of the supervision results

1. The results of the supervision exercised by a guardianship and custodianship authority shall be included in the report of the supervision results ('the Report').

2. The Report may be either positive, or negative.

3. The Report shall be positive if, as a result of exercising any form of supervision, the guardianship and custodianship authority ascertains that a guardian/custodian/supporter performs in good faith the duties defined for him/her under court decision and/or the legislation of Georgia.

4. The Report shall be negative if, as a result of exercising any form of supervision, the guardianship and custodianship authority ascertains that a guardian/custodian/supporter does not/cannot perform in good faith the duties defined for him/her under court decision and/or the legislation of Georgia, or if certain deficiencies are observed when providing support and a response as determined by Article 1305^5 of this Code is required.

5. Information on the Report shall be entered into the database referred to in Article 1305^6 of this Code.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

1305^5 – Response of a guardianship and custodianship authority to the failure to perform/unduly performance by guardians/custodians/supporters of duties defined for them under court decision and/or the legislation of Georgia

If a guardianship and custodianship authority ascertains that a guardian/custodian/supporter fails to perform/unduly perform the duties defined for him/her under court decision and/or the legislation of Georgia, or violates the rights and legal interests of the ward/beneficiary of support, the guardianship and custodianship authority shall prepare a negative report and act as follows:

a) if the performance of actions of a guardian/custodian/supporter is not sufficient for imposing administrative or criminal liability:

a.a) it helps a guardian/custodian/supporter through a social worker to better understand and perform his/her duties;

a.b) it relieves a guardian/custodian of his/her duties;

a.c) it submits a request to court to relieve a supporter of his/her duties. In this case, the court shall suspend the powers of the supporter before delivering the decision and impose the performance of his/her duties on a specially authorised person of the guardianship and custodianship authority (to whom the statutory rights and duties of the supporter apply);

b) based on the performance of actions of a guardian/custodian/supporter, it acts in accordance with the rules established by the Code of Administrative Offences of Georgia and the criminal legislation of Georgia.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

1305^6 – Database related to the supervision over guardians/custodians/supporters

1. A database shall be created to include the results of supervision over guardians/custodians/supporters.

2. The following shall be entered into the database:

a) information on establishing guardianship/custodianship;

b) information on the court decision to establish support;

c) personal data of wards/beneficiaries of support and of guardians/custodians/supporters;

d) information on relieving guardians/custodians/supporters of their duties, and imposing the liability on them;

e) information on terminating guardianship/custodianship/support;

f) information on exercising property rights by beneficiaries of support;

g) information on breaching marriage contracts concluded with beneficiary of supports;

h) information on beneficiaries of support put in inpatient facilities;

i) a short description of the supervision results;

j) other information related to wards/beneficiaries of support that are, by decision of a guardianship and custodianship authority, important for exercising supervision of the activity of guardians/custodians/supporters.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Chapter Four

Rights of Return of and Access to Wrongfully Removed or Wrongfully Retained Children

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1305[7] – Definition of terms used in this chapter

For the purposes of this chapter, the terms used in the Chapter have the following meaning:

a) Convention – the Hague Convention of 25 October 1980 on the Civil Aspects of International Child Abduction;

b) Central Authority – a structural unit of the Ministry of Justice of Georgia;

c) child – a person under the age of 16;

d) applicant – a person or an authority filing in court a petition/claim for the exercise of rights of return of or access to a wrongfully removed or wrongfully retained child;

e) custody rights – include the rights relating to the care of the child and the right to determine the child's place of residence. For the purposes of this chapter, a person or a body shall be deemed to be providing guardianship if the child habitually resided in Georgia or in any Contracting State of the Convention before being wrongfully removed or wrongfully retained and if the person or the body provided guardianship jointly or alone, according to the laws of Georgia or of the Contracting State of the Convention where the child habitually lived before such removal or retention;

f) rights of access to the child – include the right to take a child for a limited period of time to a place other than the child's habitual residence;

g) wrongful removal or retention of a child – breach of the rights of guardianship attributed to a person or a body, either jointly or alone, under the law of the State in which the child was habitually resident immediately before the wrongful removal or retention; and where those rights were actually exercised at the time of removal or retention, either jointly or alone, or would have been so exercised if the child was not wrongfully removed or retained.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1305[8] – Exercising the rights of return of and access to wrongfully removed or wrongfully retained children

1. A person or a body claiming under the legislation of Georgia a guardianship right to a child who has been wrongfully removed from Georgia to any Contracting State of the Convention or wrongfully retained in the territory of any Contracting State of the Convention, may request the Central Authority to transmit to the competent authority of the State where the child has been wrongfully removed or wrongfully retained their application for the return of the child.

2. A person or a body claiming under the legislation of Georgia that it has the right to access a child who is wrongfully staying in the territory of a Contracting State of the Convention may request the Central Authority to transmit to the competent authority of

the State where the child is wrongfully staying their application for securing the exercise of the rights of access.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1305[9] – Exercising the rights of return of and access to children who are in the territory of Georgia

A person or a body claiming a guardianship right to a child who has wrongfully entered the territory of Georgia from a Contracting State of the Convention or is wrongfully staying in Georgia, may file with the Central Authority or a court an application/claim for exercising the right to return or access the child.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Book Six

Law of Succession

Chapter One

General Provisions

Article 1306 – Concept

1. The property of a decedent (an intestate or a testator) shall devolve on other persons (heirs) on intestacy or under a will, or on both grounds.

2. Intestacy– devolution of the decedent's estate to the persons specified by law – shall operate if the decedent has died without a will, or if the will disposes of a part of the estate, or if the will is declared void in full or in part.

Article 1307 – Heirs

The following persons may be heirs:

a) in the case of intestacy – the persons who are alive at the moment of the decedent's death, as well as the decedent's children born alive after his/her death;

b) in the case of testamentary succession – the persons who are alive at the moment of the decedent's death, as well as those conceived during the decedent's lifetime and born after his death, regardless of whether or not they are his/her children, also legal persons.

Article 1308 – Legal person as an heir

In the case of a testamentary succession, a legal person that has been created by the time the estate is opened shall be invited to receive the estate.

Article 1309 – Child born out of wedlock as the heir of the father

A child born out of wedlock shall be deemed to be the father's heir if paternity has been established under the procedures laid down by law. If the child does not survive the father, then his or her children may claim a share of the estate to which their father was entitled.

Article 1310 – Unworthy heir

A person may be neither an heir on intestacy nor a testamentary heir if he/she intentionally obstructed the decedent in the exercise of his/her last wish, and by doing so promoted the invitation of himself/herself or persons close to him/her as heirs, or the enlargement of their share in the estate, or if he/she committed a premeditated crime or any other immoral action against the testator's last wish expressed in the will, provided these circumstances are confirmed by a court (unworthy heir).

Article 1311 – Parents who may not be heirs

The parents who were deprived of their parental rights and whose rights have not been reinstated by the day an estate is opened, may not be legal heirs of their child. Nor may persons be legal heirs if they have maliciously neglected their duty to maintain the decedent, provided these circumstances are confirmed by a court.

Article 1312 – Disinheritance by a court

A circumstance that constitutes the basis for disinheriting an unworthy heir shall be established by a court based on the claim of the person who will be affected materially by the disinheritance of the unworthy heir.

Article 1313 – Forgiving an unworthy heir

A person guilty of committing the actions that result in disinheritance, may nevertheless be admitted as an heir if the testator forgives him/her and explicitly states the decision in his/her will. The forgiveness may not be withdrawn.

Article 1314 – Succession per stirpes

Forfeiture of the right of succession shall not prevent the relatives' succession per stirpes.

Article 1315 – Right of succession to another decedent's estate

Disinheritance shall not prevent the disinherited person from being an heir to another decedent's estate.

Article 1316 – Duty of a person declared as an unworthy heir

If a court declares a person to be an unworthy heir after he/she has received the estate, then he/she shall be obligated to return everything that he/she has inherited, including the fruits and income derived from it.

Article 1317 – Limitation period on a claim to declare an heir unworthy

A claim for declaring an heir unworthy shall be filed by the interested persons within five years from the moment when the heir

took possession of the estate.

Article 1318 – Disinherited person's share in the estate

1. A disinherited person's share in the estate shall devolve on the rest of the heirs who have been called as successors and be divided into equal shares among them.

2. The rule provided for in paragraph 1 of this article shall not apply if the disinherited person has designated an heir.

Article 1319 – Opening of estate

The estate shall be opened upon a person's death or when he/she is declared dead by a court.

Article 1320 – Time of opening of estate

The day of the death of the decedent or the day on which a court's decision declaring the person dead enters into force shall be deemed to be the time of the opening of the estate.

Article 1321 – Inheritance of persons who died on the dame day

If the persons who have the right of succession die on the same day one after another, the estate shall be opened independently after each other.

Article 1322 – Opening of estate after a person has been declared dead

The outcome provided for in Article 1321 shall occur also if a court declares the persons dead as a result of their disappearance under the same circumstances; regardless of the effective date of the decision declaring them dead.

Article 1323 – Opening of estate in households

The estate of the common property of a household shall open after the death of the last member of the household.

Article 1323 – (Deleted)

Law of Georgia No 4851 of 25 June 2019 – website, 2.7.2019

Article 1324 – Place of opening of estate

1. The place of residence of the decedent or, if it is unknown, the location of the estate shall be deemed to be the place of opening of the estate.

2. If the estate is located at different places, then the location of the real estate or of its valuable part or, if there is no real estate, the location of movable property or its principal part shall be deemed to be the place of opening of the estate.

Article 1325 – The place of opening the estate of persons residing abroad

The place of opening the estate of a citizen of Georgia who temporarily resided abroad and died there shall be the place where he/she had resided in Georgia before he/she travelled abroad or, if that place is unknown, then the location of the estate or its principal part shall be the place of opening the estate.

Article 1326 – Opening of the estate of persons permanently residing abroad

The foreign country where a person permanently resided shall be deemed to be the place of the opening of the estate after the death that person.

Article 1327 – Opening the estate abroad

A citizen of Georgia residing in Georgia shall receive an estate in a foreign state according to the legislation of that state.

Article 1328 – Estate

1. An estate shall include the aggregate of both property rights (assets of the estate) and liabilities (liabilities of the estate) of a decedent as of the moment of his/her death.

2. The estate shall include any share in the common property to which the decedent was entitled or, if the property cannot be divided in kind, then the value of this share.

Article 1329 – Future property

A testator may include in his/his will the property not yet owned by him/her as of the moment of making the will, provided he/she will have owned such property by the time the estate opens.

Article 1330 – Inadmissibility of devolving the rights and duties of personal nature by inheritance

An estate shall not include the property rights or duties that are of a personal nature and may belong only to the decedent, or statutory or contractual rights and duties that are effective only during the lifetime of the creditor and the debtor and cease to exist by their death.

Article 1331 – Protection of a decedent's non-property rights

The heirs may exercise and protect the decedent's non-property rights not included in the estate according to the procedures provided by law.

Article 1332 – Property not included in the estate

1. Ancestral books (or records), family chronicles, memorial and other cult objects and the grave shall not be included in the estate. These objects shall be transferred to the heir according to the established custom. These objects may be received also by an

heir who has renounced the estate.

2. The documents relating to the person of the decedent, his/her family or the entire estate shall remain as common property.

Article 1333 – Effects of increase in the real restate stated in a will

If after making a will the testator increases the real estate stated in the will by acquiring property which, although affixed to the devised real estate, shall not be included in the estate unless there is a new instruction about the property acquired after the making of the will.

Article 1334 – Co-heirs

If there are several heirs, the estate, until it is divided among them, shall belong to all the coheirs as coparcenary. The necessary expenses related to the care and the last medical treatment of the decedent, the funeral, the preservation and administration of the estate, the payment of wages and the execution of the will may be paid from such estate. These claims shall be satisfied out of the value of the estate ahead of all other claims, including claims secured by a mortgage or other lien.

Article 1335 – Right to claim things back from the estate

1. If a testator wrongfully bequeaths a thing to an heir, the owner of the thing may claim it back under the general procedures.

2. If the decedent's estate covertly includes the property of another person, such part of the estate shall necessarily be identified and transferred to the relevant person.

Chapter Two

Intestacy

Article 1336 – Heirs on intestacy

In the event of intestacy, the following persons shall inherit in equal shares:

I. First degree heirs – the decedent's children, a child of the decedent born after his/her death, the decedent's spouse and parents (adoptive parents).

An adoptee and his/her descendants, as the successors of the adoptive parent or his/her relations, shall be regarded as equivalent to the adoptive parent's children and their descendants. An adoptee shall no longer be deemed to be an heir on intestacy of his/her parents and other biological relatives of an ascending line or after the death of siblings.

Grandchildren, great grandchildren and great-great grandchildren shall be deemed to heirs on intestacy if, at the time of opening the estate, their parent who ought to have been the heir of the decedent is no longer alive, and shall equally inherit the share to which their deceased parent would have been entitled in a succession on intestacy.

Grandchildren, great grandchildren and great-great grandchildren cannot become heirs if their parents renounced the estate. As the heirs of an adoptee and of his/her descendants, adoptive parents and their relatives shall be regarded as equivalent to the adoptee's parents and other biological relatives. The adoptee's parents, other biological relatives in the ascending line and siblings cease to be entitled to succession on intestacy after the death of the adoptee or of his/her descendants.

II. Second degree heirs – the decedent's siblings. The decedent's nieces and nephews and their children shall be deemed to be heirs on intestacy if, at the time of the opening of the estate, their parent who would have been the decedent's heir is no longer alive.

They shall inherit equal shares of the estate, to which their deceased parents would have been entitled in a succession on intestacy.

III. Third degree heirs – the grandparents, the great grandparents on mother's side and on father's side. The great grandparents shall be deemed to be the heirs on intestacy if the grandparents are no longer alive at the time of opening of the estate.

IV. Fourth degree heirs – uncles and aunts.

V. Fifth degree heirs – first cousins or, if they no longer exist, then their children.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1337 – Order of priority in a succession on intestacy

As long as a relative of a preceding degree survives, a relative of the subsequent degree shall not be entitled to inherit.

Article 1338 – Rights of disabled persons in a succession

The disabled persons who were the decedent's dependents and are unable to support themselves on their own may claim maintenance from the estate if the will does not mention them. The amount to be paid as maintenance may be reduced in consideration of the extent of the assets of the estate.

Article 1339 – Right of the surviving spouse to a share of the matrimonial property

The surviving spouse's right of inheritance shall not apply to the part of the estate to which he/she is entitled from the matrimonial property.

Article 1340 – Status of divorced spouses in an inheritance

A divorced spouse may not be an heir after the death of the other spouse.

Article 1341 – Disinheritance in the case of divorce

A spouse may be deprived of the right of succession on intestacy by a court decision if it is confirmed that the marriage with the decedent had been effectively terminated for not less than three years prior to the opening of the estate and the spouses had lived apart.

Article 1342 – Forfeiture of the right of inheritance because of the annulment of marriage

The surviving spouse shall forfeit the right of inheritance if there had been grounds for annulling the marriage and the decedent had filed a legal action to that effect.

Article 1343 – Transfer of heirless estate to the State

1. If neither heirs on intestacy nor testamentary heirs exist or if not a single heir has accepted the estate or if all the heirs have been disinherited, the heirless estate shall transfer to the State; but if the decedent had been maintained by an old people's home, a disabled person's home, medical or foster care facility or by other social care facilities, the estate shall pass to that institution.

2. An heirless estate in the form of shares or interest in a business entity or a cooperative shall be transferred to them, unless otherwise provided by law.

Law of Georgia No 2239 of 9 December 2005 – LHG I, No 54, 20.12.2005, Art. 360

Chapter Three

Testamentary Succession

Article 1344 – Concept

A natural person, for the occasion of his/her death, may will his/her property or a part of it to one or more heirs or to others.

Article 1345 – Person who may be a testator

An adult person capable of contracting who at the time of making his/her will is able to reasonably judge his/her actions and clearly express his/her wishes may be a testator.

Article 1346 – Making a will personally

A testator shall make a will personally. A will shall not be made through an agent.

Article 1347 – Joint will

A will shall contain the dispositions of one testator. A will may not made by two or more persons jointly. Only spouses may jointly make a mutual will that may be revoked at the request of one of the spouses but only while both spouses are still alive.

Article 1348 – Determination of shares by a testator

1. A testator may determine in the will each testamentary heir's share in the estate, or indicate specific property to be transferred to each heir. If the will contains no such specification, then the estate shall be equally divided among the heirs.

2. If there are several testamentary heirs but the will specifies only one of testamentary heir's share without specifying the shares of the remaining heirs, then the remaining heirs shall receive the remainder of the estate in equal shares.

Article 1349 – Distribution of estate among testamentary heirs

If a will designates several testamentary heirs and the property specified for one of the heirs encompasses the entire estate, then all the testamentary heirs shall get equal shares.

Article 1350 – Inheriting the estate not covered by a will

If the share of testamentary heirs does not encompass the entire estate, then the estate not covered by the will shall be governed by intestacy provisions, which shall also apply to the heirs on intestacy to whom a part of the estate was left in the will, unless the will provides otherwise.

Article 1351 – Proportionate increase in the shares of testamentary heirs

If the heirs named in the will of the testator are to be the only heirs, then their portions shall be increased proportionately, if each of them inherits a portion of the inheritance and the portions of the heirs do not exhaust the entire estate.

Article 1352 – Inadmissibility of a third person's involvement in determination of shares

When making a will, a testator may not assign another person to determine who should receive a share from the estate and in what amount.

Article 1353 – Impossibility of precise identification of heirs

If a testator has designated a testamentary heir in a way that applies to more than one person and if it cannot be determined which of them was meant by testator, then all those persons shall be regarded as heirs entitled to equal shares.

Article 1354 – Deprivation of the right to testamentary succession

1. In his/her will a testator may disinherit one, some or all of his/her heirs on intestacy, and shall not be obligated to indicate a reason for it.

2. A person deprived of the right of inheritance by a direct testamentary disposition may not be an heir on intestacy to the share of the estate not covered by the will, even if the testamentary heirs renounce the estate.

Article 1355 – Retaining the right of succession

Heirs on intestacy not mentioned in the will shall retain the right of succession to the part of the estate not disposed of by the will; they shall also receive the property covered by the will, provided the testamentary heirs are no longer alive or have all renounced the estate by the time the estate is opened.

Article 1356 – No intestate succession

If a will distributed the entire estate among testamentary heirs but at the time of the opening of the estate one of the heirs is no longer alive, then intestate succession shall not arise, and the share of the deceased heir shall be divided equally among the remaining heirs.

Chapter Four

Form of a Will

Article 1357 – Notarial form

1. A will shall be drawn up in writing. At the same time, a written will may be made in a notarial form or without it.

2. A notarial form requires that the will be drawn up and signed by the testator and certified by a notary or, where a notary is unavailable, by a local self-government body.

Article 1358 – Notarial will

1. A will may be recorded by a notary in the words of the testator in the presence of two witnesses. Generally accepted technical facilities may be used to record a will.

2. The testator shall read the will recorded in his/her words by the notary and shall sign it in the presence of the notary and the witnesses.

Article 1359 – Persons equivalent to a notary

The following persons shall be regarded as equivalent to a notary for authenticating a will:

a) a head physician, a director, his/her deputy in medical affairs, or doctor on duty in an infirmary, hospital or other medical institution or sanatorium, the director or head physician of an old people's home or disabled persons home, provided the testator undergoes treatment or lives in such institution;

b) the head of a search, geographical or other similar expedition, if the testator is in such expedition;

c) the captain of a ship or pilot-in-command of an aircraft, if the testator is on board a ship or aircraft;

d) the commander (head) of a military unit, formation, establishment or school, if no notary is available where the military units are stationed and if the testator is a military or a civilian serving in the military unit or a family member of such military or civilian;

e) the director of a penitentiary institution, if the testator is in the penitentiary institution.

Law of Georgia No 2719 of 9 March 2010 – LHG I, No 12, 24.3.2010, Art. 56

Law of Georgia No 3532 of 1 May 2015 – website, 18.01.2015

Article 1360 – Will signed by another person

If a testator is unable for any reason to sign the will himself/herself, another person may sign the will at his/her request. At the same time, the reason, for which the testator was unable to sign the will, shall be indicated.

Article 1361 – Will of a deaf-and-dumb or blind person

1. If a testator is deaf and dumb or illiterate deaf and dumb, he/her shall make a testamentary disposition before a notary in the presence of two witnesses and in the presence of a person who is able to explain to him/her the essence of the matter and confirm with his/her own signature that the content of the will corresponds to the testator's wishes.

2. A testator who is blind or illiterate shall make a testamentary disposition before a notary in the presence of three witnesses and a special record shall be made about it and read to the testator.

3. The recorder and the reader may also be witnesses but the recorder shall not be the reader.

4. The record shall indicate who made the record and who read it to the testator. The record shall be signed by the witnesses and authenticated by the notary.

Article 1362 – Witnesses to a will

Persons that may not be witnesses to a will are: minors, testamentary heirs or their lineal ascendants and descendants, siblings, or a spouse, or a person charged with testamentary burden (legatee) may not be witnesses to a will.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1363 – Confidentiality of a will

The notary, or another person who authenticated the will, the witness or the persons who signed the will in the place of the testator may not disclose, prior to the opening of the estate, any detail on the content, execution, change or revocation of the will.

Article 1364 – Holographic will

A testator may make his/her will in his/her own handwriting and sign it.

Article 1365 – Will deposited with a notary

1. A testator may hand over his/her holographic will in a sealed envelope to a notary (or other competent official) in the presence of three witnesses, which shall be confirmed with signatures made on the envelope.

2. The safekeeping of such will shall be secured by officially depositing it with a notary (or other competent official).

Article 1366 – Wills drawn up by using technical means

The text of a will may be produced by using generally accepted technical means but shall be signed by the testator. In that case, the will shall be drawn up and signed by the testator in the presence of two witnesses who shall attest that the will has been drawn up by using technical means in their presence. A witness shall attest to the will immediately after the testator has signed it, by making the appropriate notes on the will and indicating their names, surnames and places of residence in the presence of the testator and both witnesses.

Article 1367 – Closed will

1. If a testator so wishes, the witnesses shall attest to the will without reading its content (closed will). In that case, the witnesses shall be present when the will is drawn up.

2. When attesting to a closed will, the witnesses shall indicate that the testator drew it up personally in their presence but they themselves did not read the content of the will.

Article 1368 – Date of drawing up a will

A will shall indicate the date on which it was drawn up. The absence of the date shall result in the annulment of the will only if the doubt cannot be extinguished as to the testator's capacity to contract at the time of making, amending or revoking the will, or

where several wills exist.

Article 1369 – Disclosure of the content of a will to interested persons

After the death of the testator, the notary shall set a date and read the content of the will to the interested persons, and appropriate minutes shall be made. If the envelope containing the will was sealed, a note on the integrity of the seal shall be made.

Chapter Five

Appointing a Substitute Heir

Article 1370 – Substitute heirs

1. A testator may name in his/her will another heir (substitute heir) for the case where the heir designated by him/her predeceases the opening of the estate, renounces the estate or is disinherited.

2. A testamentary heir may not renounce the estate in favour of the person designated as an heir of the person who is not an heir to the estate.

3. Any person who can be an heir under Articles 1307-1309 may be a substitute heir.

Chapter Six

Compulsory Share

Article 1371 – Concept

Regardless of the content of a will, the children, parents and spouse of a testator shall be entitled to compulsory portion that shall be one half of the portion to which each of them would have been entitled by inheritance on intestacy (compulsory share).

Article 1372 – A moment when the right to claim compulsory share arises

The right to demand a compulsory share shall arise from the moment when the estate is opened. The right shall be inheritable.

Article 1373 – Calculating the amount of a compulsory share

The total amount of a compulsory share shall be calculated on the basis of the entire estate, including any property intended for performance of the testamentary burden or of an action that is in the public interest.

Article 1374 – Determining the compulsory share of each heir

The compulsory share of each heir shall be determined by taking into account all heirs on intestacy that would have been invited to receive the estate if there had been no will. Testamentary heirs shall not be taken into account.

Article 1375 – Counting received property towards the compulsory share

A person entitled to a compulsory share shall be obligated to deduct everything that he/she received from the testator during the testator's lifetime, with the instruction to deduct the received property from his/her compulsory share.

Article 1376 – Effects of renouncing the legacy

Where a legacy has been bequeathed to a person who is entitled to a compulsory share, he/she may claim the compulsory share if he/she renounces the legacy; and if he/she does not renounce the legacy, he/she shall forfeit the right to the compulsory share up to the value of the legacy.

Article 1377 – Allocation of a compulsory share from the assets not covered by a will

If a will does not cover the entire estate, then a compulsory share shall be allocated in the first place out of the assets not covered by the will and, if they are not sufficient, shall be supplemented with the assets covered by the will.

Article 1378 – Augmentation of a compulsory share at the expense of gifts

If the testator made a gift to a third person, then a person entitled to a compulsory share may claim, as an augmentation of his/her compulsory share, the amount by which the compulsory share would increase if the gifted thing were added to the estate. If by the time the estate is opened ten years has elapsed since the gift was given, the gifted thing shall not be taken into account.

Article 1379 – Right to claim adjustment of a compulsory share

If the assets left by will to a person entitled to a compulsory share are less than one-half of the share that he/she would have received in the inheritance on intestacy, he/she may claim the portion by which his/her share received under the will is less than one-half of the share that he/she would have received in the inheritance on intestacy.

Article 1380 – Renunciation of a compulsory share

1. An heir entitled to a compulsory share may renounce it but this shall not increase the compulsory shares of the other co-heirs. His/her share shall accrue to the testamentary heirs.

2. A compulsory share shall be accepted or renounced within the time limits set for acceptance or renunciation of estate.

Article 1381 – Deprivation of the right to forced shares

1. The right to a compulsory share may be deprived if there are reasons for disinheritance in general.

2. The testator may deprive an heir of the right to a compulsory share by applying to a court during his/her lifetime.

3. The court decision on depriving the right to a compulsory share shall enter into force from the moment the estate is opened. The same result shall apply when the decedent had applied to a court while he/she was still alive but the court decision was made after his/her death.

Article 1382 – Transfer of a compulsory share to testamentary heirs

The share of the heir who has been deprived of the right to a compulsory share shall pass to the testamentary heirs.

Chapter Seven

Testamentary Burden (Legacy)

Article 1383 – Concept

A testator may charge an heir to perform an obligation in favour of one or more persons at the expense of the estate (testamentary burden – legacy).

Article 1384 – Object of a legacy

The object of a legacy may be the transfer of things from the estate to the recipient of the legacy (legatee) into his/her ownership, use or other real rights; purchase of such property that is not included in the estate and its transfer to the legatee, performance of specific work or delivery of services to him/her, etc.

Article 1385 – Use of a dwelling on the basis of a legacy

A testator may charge the heir to whom a residential house, apartment or other dwelling devolves, to transfer the right of life tenancy in the dwelling or its part to a person who lived together with the testator for not less than one year prior to the opening of the estate. The life tenancy shall remain valid in the case of subsequent transfer of title to the dwelling.

Article 1386 – Inalienability of the right of life tenancy

1. The right of life tenancy in a dwelling shall be inalienable and shall not devolve on the legatee's heirs.

2. The right of life tenancy in a dwelling shall not serve as the basis for the legatee's family members to reside in the dwelling, unless otherwise provided for in the will.

Article 1387 – Scope of performance of a legacy

An heir charged with a legacy shall perform it to the extent of the actual value of the devised estate, minus the part of the testator's debts to be paid by the heir.

Article 1388 – Legacy performed by other heirs

If an heir charged with a legacy predeceases the opening of the estate or renounces the estate, then the obligation to perform the legacy shall devolve on other heirs who received his/her share, unless otherwise provided for in the will.

Article 1389 – Termination of the performance of a legacy

If an heir charged with a legacy dies, the obligation to perform the legacy shall be terminated if it cannot be performed without his/her participation.

Article 1390 – Performance of a legacy proportionately to a share in the estate

If several heirs are charged with performing a legacy, each of them shall perform the legacy proportionately to his/her share in the estate, unless otherwise provided for in the will.

Article 1391 – Time limits for performing a legacy

A legatee may claim the performance of a legacy within a limitation period of three years that shall be computed from the day the estate is opened.

Article 1392 – Legacy when receiving a compulsory share

If a testamentary heir who is charged with performing a legacy is also entitled to a compulsory share, he/she shall perform the legacy only to the extent of that part of the estate left to him/her in excess of the amount of the compulsory share.

Article 1393 – Liability of a legatee

A legatee shall not be liable for the testator's debts.

Article 1394 – Renunciation of a legacy

A legatee may renounce the legacy. In that case, the corresponding part of the estate shall accrue to that heir who will be charged with performing the legacy.

Article 1395 – Release from the obligation to perform a legacy

If a legatee renounces the legacy, the heir charged with performing the legacy shall be released from the obligation to perform it.

Article 1396 – Devolution of a legacy to heirs

If a legatee dies after the opening of the estate and fails to consent to the acceptance of a legacy, then the right to receive the legacy shall devolve to his/her heirs and they shall receive the legacy in his/her place.

Article 1397 – Legacy in the public interests

1. A testator may charge the heir to perform an action in the public interest that may be both property and non-property in nature.

2. If the action involves property, then the legacy provisions shall apply.

3. If the heir charged under a will to perform an action in the public interest dies, the obligation shall devolve to other heirs who accepted the estate.

4. The executor of a will or, if there is no executor, each heir, as well as any interested public and religious organisation, foundation, state and local self-government body may demand in a court that the heir perform the action with which he/she was charged.

Chapter Eight

Changing and Revoking Wills

Article 1398 – Methods of changing a will

A testator may change or revoke a will at any time by:

a) drawing up a new will that explicitly revokes the former will or its part that contradicts the new will;

b) filing an application with a notary office;

c) destroying all the counterparts of the will or by instructing the notary to destroy all counterparts of the will.

Article 1399 – Inadmissibility of restoring revoked wills

A will revoked by a subsequent will may not be restored even if the subsequent will is later revoked by filing an application.

Article 1400 – Several wills

If a testator has made several wills but they complement and do not fully substitute each other, then all the wills shall remain valid. A prior will shall remain valid to the extent its dispositions are not changed by a subsequent will.

Article 1401 – Priority of a notarial will

1. If a person has made several wills, one of which is made in a notarial form but the others are not, priority shall be given to the notarial will.

2. A notarial will may not be revoked by a will of another form.

Article 1402 – Grounds for invalidating a will

A will shall be invalidated if:

a) the person in whose favour the will has been made predeceases the testator;

b) the devised property is lost during the lifetime of the testator or transferred by him/her;

c) a sole heir has renounced the estate.

Article 1403 – Invalidity of a will

1. A will shall be deemed void if the same circumstances exist that result in the invalidity of transactions in general.

2. Testamentary dispositions that contravene law or public interest, as well as unclear or mutually contradictory dispositions, shall be void.

3. A court may declare a will void if it was made in violation of the rules laid down by law or made by a person in such circumstances where he/she was unable to comprehend the implications of his/her actions and to manage his/her actions.

Article 1404 – Invalidity of individual testamentary dispositions

1. A testamentary disposition naming a person to inherit the thing that is not in the estate shall be void.

2. A testamentary disposition devising to anyone a sum of money that is not in the estate shall be void.

3. A testamentary disposition stipulating that an heir shall acquire the estate for a specified period or later, not from the day of the testator's death, or indicating a person on whom the estate is to devolve after the heir's death shall be void.

Article 1405 – Invalidity of a testamentary disposition due to the impossibility of its performance

A testamentary disposition that the heir cannot execute due his/her health condition or any other good cause may be rendered void based on the heir's claim.

Article 1406 – Effects of invalidity of one of the testamentary dispositions

If one out of several testamentary dispositions is void or invalidated and the testator has not made another disposition, then the other testamentary dispositions shall remain valid.

Article 1407 – Receiving estate in the event of the invalidity of a will

If a will is declared void, the heir deprived of the right to inherit by the will may accept the estate on general grounds.

Article 1408 – Contesting the validity of a will

Legal heirs and other interested persons may contest the validity of a will based on circumstances that cause the invalidity of a transaction.

Article 1409 – Time limits for filing claims

1. A claim for declaring a will void shall be filed within two years from the day the estate is opened.

2. This limitation period shall not apply to the owner's claim in the cases where the testator has wrongfully devised another person's property as his/her own.

Chapter Nine

Execution of Wills

Article 1410 – Executors of a will

If a will does not indicate an executor, it shall be executed by the testamentary heirs. By mutual agreement, they may entrust the execution of the will to one of the heirs or to another person.

Article 1411 – Appointment of the executor of a will

In order to precisely execute his/her testamentary dispositions, a testator may name in the will one or several executors of the will from among the testamentary heirs, as well as another person who is not an heir. In the latter case the executor's consent shall be required, which shall be expressed either by making a note about it in the will or by a statement attached to the will.

Article 1412 – Refusal to execute a will

The executor of a will may refuse at any time to perform the duty assigned on him/her by the testator, by notifying the testamentary heirs in advance.

Article 1413 – Appointment of an executor by a third person

A testator may entrust the appointment of an executor of a will to a third person who shall appoint the executor of the will immediately upon the opening of the estate and notify the heirs. He/she may refuse to perform this assignment and shall immediately notify the heirs.

Article 1414 – Execution of a will in full or in part

The executor of a will may be charged with executing the entire will or its individual dispositions.

Article 1415 – Preservation and administration of estate

The executor of a will shall be obligated to preserve and administer the estate from the moment the estate is opened; he/she may perform any actions necessary to execute the will. The heirs may not dispose of the estate subject to the administration of the executor.

Article 1416 – Preservation and administration of an estate by several executors

If there are several executors of a will, some unilateral action shall be allowed only to preserve the estate. In other cases, agreement among them shall be required.

Article 1417 – Reimbursement of the expenses of execution

1. The executor of a will shall perform the duty gratuitously but may also receive fee if so provided for in the will.

2. The executor shall be entitled to reimbursement from the estate of necessary expenses that he/she has incurred for the preservation and administration of the estate.

3. An executor who is not an heir may not incur any expenses from the estate except as provided for in Article 1427.

Article 1418 – Executor's report

After executing a will, the executor shall be obligated to present a performance report to the heirs at their request. The executor shall perform his/her functions until all of the heirs receive the estate.

Article 1419 – Dismissal of an executor

If an executor defaults on his/her duty, an interested person may apply to a court to dismiss the executor.

Article 1420 – Liability of an executor

If an executor deviates, whether intentionally or by gross negligence, from his/her testamentary duties, thereby inflicting damages on the heirs, he/she shall be liable for the damages.

Chapter Ten

Acceptance and Renunciation of Estate

Article 1421 – Acceptance of inheritance

1. An estate shall be accepted by an heir, whether it is an heir on intestacy or a testamentary heir.

2. The heir shall be deemed to have accepted the estate when he/she files a declaration of acceptance with a notary office or when he/she comes into actual possession or administration of the estate, which proves beyond a doubt that he/she has accepted the estate.

3. If an heir comes into a de-facto possession of a portion of the estate, he/she shall be deemed to have accepted the estate in full, irrespective of its nature and location.

4. If one of the heirs renounces a share of the estate in favour of another heir, such act shall be deemed to be the acceptance of the estate.

Law of Georgia No 2284 of 4 December 2009 – LHG I, No 45, 21.12.2009, No 329

Article 1422 – Acceptance of an estate by legally incapable persons, persons with limited legal capacity and beneficiaries of support

1. Legally incapable persons and persons with limited legal capacity shall accept an estate through their legal representatives.

2. A beneficiary of support shall accept an estate with the assistance of a supporter if the support was established for the

beneficiary of support under a court decision to exercise the property rights.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1423 – Acceptance of an estate through an agent

An heir may accept the estate in person or through an agent.

Article 1424 – Timeframe for accepting an estate

An estate shall be accepted within six months after the day that the estate is opened.

Article 1425 – Special period for accepting an estate

If the right to receive an estate accrues where other heirs renounce their inheritance, the inheritance shall be accepted within the remaining period of time set for the acceptance of an inheritance or, if the period is less than three months, it shall be extended up to three months.

Article 1426 – Extension of time to accept an estate

1. A court may extend the time for accepting an estate if the causes for delay are considered valid. After the lapse of the period, the estate may be accepted even without applying to a court if all the heirs accepting the estate agree.

2. In the case provided for in paragraph 1 of this article, the heir who fails to accept the inheritance within the specified period shall receive in kind the remaining part of the estate to which he/she was entitled, but which was taken by other heirs or was transferred to the State; he/she shall also receive the value of the rest of the property to which he/she was entitled.

Law of Georgia No 2239 of 9 December 2005 – LHG I, No 54, 20.12.2005, No 360

Article 1427 – Inadmissibility of disposing of the estate

An heir who comes into possession or starts administration of an estate without waiting for other heirs to appear, may not dispose of the estate until the lapse of six months after the day of opening the estate or until he/she obtains an inheritance certificate, except for expenses necessary for the care and medical treatment of the decedent incurred during his/her illness, the decedent's funeral, the maintenance of the dependents of the decedent, the payment of wages, and the preservation and administration of the estate.

Article 1428 – Right to the income earned before a claim is filed

If an heir on intestacy who was unaware of the existence of a will came into possession of an estate and a testamentary heir was unaware of the voidance of the will, or if heirs on intestacy or testamentary heirs were unaware of the existence of other legally closer heirs on intestacy or of another will, then they shall retain the income that they derived from the estate before a claim was filed; they may also claim the entire capital that they invested in the estate.

Article 1429 – Effects of selling individual objects from the estate

If the objects included in the estate are sold before a claim is filed, the sale shall be deemed valid and remain in force, and the proceeds of the sale of the objects shall be transferred to the real heir.

Article 1430 – Transmission of inheritance

If an heir dies after the opening of an estate but before accepting his/her inheritance, then the right to his/her share of the estate shall devolve on his/her heirs (transmission of inheritance). The heirs of the deceased heir shall accept the estate within the remaining time of the period set for acceptance of the estate. If this period is less than three months, it shall be extended up to three months.

Article 1431 – Effects of non-acceptance of an estate through transmission of inheritance

1. Non-acceptance of an estate through transmission of inheritance shall not deprive an heir of the right to accept the estate, to which the deceased heir was entitled.

2. If a person entitled to the estate refuses to accept the property by transmission of an inheritance, the property shall accrue to the heirs who had been called to accept the estate together with the deceased heirs.

Article 1432 – Inventory of an estate

An heir may demand that the estate be inventoried, for which he/she shall be given a period of two months, which shall be counted towards the total period set for acceptance of the estate.

Article 1433 – Origination of title to an estate

An accepted estate shall be deemed to be the property of the heir from the day of the opening of the estate.

Article 1434 – Timeframe for renouncing an estate

An heir may renounce the estate inheritance within three months after the day when he/she became aware or ought to have become aware of the fact that he/she had been called to accept the inheritance. If there is a valid reason, a court may extend this period, but for not more than two months. The renunciation of the inheritance shall be documented at a notary's office.

Article 1435 – Inadmissibility of accepting part of the estate

1. An estate may not be accepted or renounced partially, and subject to a condition or stipulation as to time.

2. If an heir renounces part of the estate or stipulates any condition, he/she shall be deemed to have renounced the estate.

Article 1436 – Renunciation of agricultural land by an heir

An heir who is not engaged in agriculture may renounce agricultural land, machinery, tools and livestock but this shall not amount to renunciation of the inheritance in general.

Article 1437 – Acceptance of several shares from an estate

If for various reasons an heir is entitled to several shares from an estate, he/she may accept one share and renounce others or renounce all of the shares.

Article 1438 – Renunciation of part of the estate

An heir may renounce the part of an estate to which he/she is entitled by accrual, regardless of the remaining part of the estate.

Article 1439 – Renunciation in favour of other persons

An heir may renounce his/her inheritance in favour of other heirs on intestacy or testamentary heirs. The estate may not be renounced in favour of persons who have been declared unworthy heirs or have been disinherited by an explicit testamentary disposition. Other heirs may appeal such renunciation in court.

Article 1440 – Accrual where an estate is renounced

If an heir renounces an estate without stating in whose favour he/she makes such renunciation, then his/she share shall accrue to the share of the heirs on intestacy called to the estate as heirs or, if the entire estate was distributed by will, then it shall accrue to the share of the testamentary heirs, and shall be distributed among them proportionately to their shares, unless otherwise provided for in the will.

Article 1441 – Renunciation of the estate by a sole heir

If the heir who renounced the estate is a sole heir in his/her grade of heirs, the estate shall devolve to the next grade of heirs.

Article 1442 – Renunciation in favour of several heirs

If an heir renounces an estate in favour of several heirs, he/she may specify a share for each of them. In the absence of such specification, his/her share shall be apportioned equally among the heirs in whose favour the estate was renounced.

Article 1443 – Renunciation of an estate in favour of a grandchild

The estate may be renounced in favour of a grandchild if the parent who ought to have been the heir of the decedent is no longer alive at the time of the opening of the estate or if the grandchild is a testamentary heir.

Article 1444 – No renunciation of the estate by the State

The State may not renounce an estate devolved to it.

Law of Georgia No 2239 of 9 December 2005 – LHG I, No 54, 20.12.2005, No 360

Article 1445 – Inadmissibility of renouncing an estate after filing an application with a notary's office

The estate may not be renounced after an heir has filed with a notary's office an application for accepting the estate or for a certificate of inheritance.

Law of Georgia No 2284 of 4 December 2009 – LHG I, No 45, 21.12.2009, No 329

Article 1446 – Irreversibility of renunciation of the estate

1. An heir's declaration of renunciation of estate shall be irreversible.

2. If an heir is a legally incapable person, or a person with limited legal capacity, or a beneficiary of support, the estate may be renounced with a court's permission.

Law of Georgia No 3339 of 20 March 2015 – website, 31.3.2015

Article 1447 – Renunciation in the case of de-facto possession of the estate

An heir who came into a de facto possession of an estate or started its administration may renounce the estate within the period of time set for the acceptance of the estate by filing a declaration of renunciation with a notary's office.

Article 1448 – Devolution of the renunciation right by succession

1. The right to renounce an estate shall devolve by succession.

2. If an heir dies before the lapse of the period of time set for the renunciation of the estate, then this period shall not end until the lapse of time remaining after the death.

3. Each of several heirs of a deceased heir may renounce only his/her share of the estate.

Article 1449 – Renunciation of estate through an agent

The estate may be renounced through an agent if the mandate (power of attorney) specifically provides the right to renounce.

Article 1450 – Period for contesting the acceptance of estate

The acceptance or renunciation of an estate may be contested within two months after the day when an interested person obtained knowledge of the existence of the appropriate basis to do so.

Article 1451 – Time of occurrence of the legal effects of the acceptance of an estate

The legal effects of the acceptance or renunciation of an estate shall occur from the moment of the opening of the estate.

Chapter Eleven

Partitioning of an Estate

Article 1452 – Concept

An estate shall be partitioned by agreement of the heirs accepting the estate, according to the shares to which they are entitled by intestate or testamentary succession.

Article 1453 – Determination of the estate partitioning procedure by the testator

A testator may determine in his/her will the procedure for partitioning the estate; in particular, he/she may entrust the partitioning of the estate to a third person. The third person's decision shall not be binding upon the heirs if it is manifestly inequitable. In that case, the partitioning shall be made by a court.

Article 1454 – Allocation of a share from estate in kind

Each heir may demand that his/her share be allocated in kind from both immovable and movable assets unless such separation is impossible or prohibited by law.

Article 1455 – Counting advancements towards an heir's share

When partitioning the estate, the value of any advancement received by an heir from the decedent during the preceding five years up to the moment of opening the estate shall be counted towards the heir's share.

Article 1456 – Sale of the estate by agreement of co-heirs

By agreement of the co-heirs, the entire estate may be sold and the proceeds may be distributed among the heirs according to their shares in the estate.

Article 1457 – Devolution of an estate to one co-heir

By agreement of the co-heirs, the entire estate may devolve on one of the co-heirs who, in turn, shall be obligated to pay corresponding compensation to the other co-heirs.

Article 1458 – Suspension of the partitioning of an estate

The coheirs may agree to suspend the partitioning of an estate for a certain period of time.

Article 1459 – Shared ownership in indivisible property

Unless otherwise determined by agreement of all the heirs accepting the estate, the asset the division of which would disrupt or limit its economic function shall not be divided and shall become the common property of the heirs according to their shares.

Article 1460 – Partitioning of agricultural land among heirs

1. If the owner devised the plot of agricultural land with a family household on it to several testamentary heirs or if no will was made and there are several heirs on intestacy, then the plot of agricultural land and the family household on it may be partitioned among the heirs, if the plot of land allocated to each heir as a result of such partitioning ensures the existence of a viable household.

2. Partitioning shall be allowed only if the heirs intend to manage the farm themselves. If none of the heirs is willing to manage the household, then the agricultural land and the household on it may be sold by agreement and the heirs shall receive their shares in money.

Law of Georgia No 4851 of 25 June 2019 – website, 2.7.2019

Article 1461 – Inadmissibility of partitioning agricultural land

If agricultural land cannot be partitioned, then the land shall be allotted to the heir who has lived with the decedent and managed the family household. In the absence of such an heir, the land shall be allotted to the heir who is able and willing to manage the household.

Law of Georgia No 4851 of 25 June 2019 – website, 2.7.2019

Article 1462 – Compensation for a share

An heir who does not receive a plot of land shall receive the corresponding share from other property or, if such other property is not sufficient, a corresponding compensation according to established procedures.

Article 1463 – (Deleted)

Law of Georgia No 4851 of 25 June 2019 – website, 2.7.2019

Article 1464 – Joint ownership of a family household

By agreement of the co-heirs, the land and the family household on it may remain their common property.

Law of Georgia No 4851 of 25 June 2019 – website, 2.7.2019

Article 1465 – Right of conceived heirs in the partitioning of the estate

1. If an heir has been conceived, the estate may be partitioned only after the heir is born.

2. If the conceived heir is born alive, the other heirs may partition the estate only by setting apart the share, to which the heir is entitled. The new-born's representatives shall be invited to take part in the partitioning to safeguard his/her interests.

Article 1466 – Placing the liability for debt claims on one of the heirs

By agreement of the co-heirs, the liability for debts may be placed in full on one of the heirs in exchange for giving him/her an accordingly increased share in the estate.

Article 1467 – Obligation to secure the receipt of a share

Each co-heir shall be obligated to make sure that the other co-heirs receive their respective shares. When a co-heir acquires the right of claim as a result of partitioning, the other co-heirs shall be obligated to support the solvency of the debtor according to their shares of the estate at the moment of partitioning or, if such obligation has not yet fallen due, at the moment the obligation is performed.

Article 1468 – Proportionate reduction of shares

If the sum of the shares defined by a will is discovered to exceed the entire estate, the share of each heir shall be reduced proportionately.

Article 1469 – Settlement of disputes over the partitioning of estate

If any disagreement arises among the co-heirs over the partitioning of the estate, the dispute shall be heard by a court, which, in partitioning the estate, shall take into account the nature of the property to be apportioned, the occupation of each heir and other specific circumstances.

Article 1470 – Right to dispose of a share

1. Each heir may dispose of his/her share in the estate. A contract under which one of the co-heirs disposes of his/her share shall be certified by a notary.

2. A co-heir may not dispose of individual things from his/her share.

3. (Deleted).

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Article 1471 – (Deleted)

Law of Georgia No 4744 of 11 May 2007 – LHG I, No 18, 22.5.2007, Art. 158

Article 1472 – Satisfaction of creditors when alienating a share

If a share is alienated, the liability to satisfy the claims of the decedent's creditors shall devolve on the acquirer proportionately to the amount of the share acquired.

Article 1473 – Adjustment of advancements

The heirs called to accept the estate shall be obligated to have whatever they received from the decedent during his/her lifetime as an advancement adjusted in the partitioning among the heirs, unless the decedent directed otherwise.

Article 1474 – Duty to adjust advancements if a descendant does not inherit

If a descendant who would be obliged to adjust advancements as an heir ceases to be an heir before or after the opening of the estate, the advancements made to him/her shall be adjusted by the heir who takes his/her place.

Article 1475 – Duty to adjust advancements in the case of special contributions

A descendant (relative of a descending line) who, as a result of his/her work in the household, occupation or business of the deceased, of substantial financial contributions or in another way has to a particular degree contributed to the preservation or increase of the property of the decedent, may, during the partitioning, demand adjustment between the descendants who inherit as heirs on intestacy together with him/her who are claiming the estate.

Article 1476 – Inadmissibility of demanding adjustment

No adjustment may be claimed, if appropriate payment was made or agreed for the descendant's services, or if based on the services provided, the descendant may assert a claim on other legal grounds.

Article 1477 – Demand for equitable partitioning

1. Based on the services provided and the value of the estate adjustment shall be made equitably.

2. In partitioning the estate, the amount of adjustment shall be deducted from the total value of the estate and added to the share of the co-heir who is entitled to claim adjustment.

Article 1478 – Duty to search for heirs

If the location of some of the heirs is unknown, the other heirs shall be obligated to take reasonable measures to locate and invite them to accept the inheritance.

Article 1479 – Effects of non-appearance of an heir

1. If an heir who has been invited to accept the estate, and who is absent but whose location has been determined, does not renounce the estate within three months, then the other heirs shall be obligated to give him/her a notice of their intention to partition the estate.

2. If such heir, within three months after receiving the notification, fails to inform the rest of the heirs on his/her willingness to participate in the agreement on partitioning the estate, then the rest of the heirs may partition the estate by mutual agreement and set apart the share of the absent heir.

3. If the absent heir cannot be located within six months after the opening of the estate, and there is no information on his/her renunciation of the estate, the rest of the heirs may partition the property according to the procedure laid down by paragraph 2 of this article.

Article 1480 – Preferential right of inheritance

Heirs who have a title to the assets jointly with the decedent shall have a preferential right to inherit the assets of the joint property.

Article 1481 – Preferential right to receive a residential house

In partitioning the estate, the heir who had lived together with the decedent for not less than one year before the opening of the estate shall have a preferential right to receive the residential house, apartment or other lodgings as well as the articles of domestic use from the estate.

Article 1482 – Taking into account the property interests of heirs

In exercising the preferential right, the property interests of other heirs participating in the partitioning of the estate shall be taken into account. If the property is not sufficient to give them the shares to which they are entitled, then the heirs exercising the preferential right shall pay them a corresponding property or monetary compensation.

Article 1483 – Deferment of compensation

At the request of the heirs exercising the preferential right, a court may defer, for a period of not more than ten years, the payment of the compensation, taking into account the amount of the compensation.

Chapter Twelve

Satisfaction of Creditors by Heirs

Article 1484 – Liability of heirs to creditors

1. The heirs shall satisfy the interests of the decedent's creditors in full but to the extent of the accepted asset proportionately to the share of each heir.

2. If the decedent was a joint and several debtor for the debts devolved on his/her heirs, then the heirs shall be liable jointly and severally.

3. The heirs receiving a compulsory share shall also be liable for the debts of the decedent.

Article 1485 – Burden of proof

The burden of proof that the debts of the decedent exceed the estate shall rest with the heir, except when the estate has been inventoried by a notary.

Article 1486 – Liability for debts placed on heirs

A testator may place the liability for the entire debt or a part of it on one or more heirs.

Article 1487 – Obligation to notify creditors of the opening of the estate

If the heirs are aware of the existence of the decedent's debts, they shall be obligated to notify the decedent's creditors of the opening of the estate.

Article 1488 – Time limits for creditors to present their claims

1. The decedent's creditors shall present their claims to the heirs who received the estate within six months after the day when they obtained knowledge of the opening of the estate, irrespective of whether or not the claims are due.

2. If the decedent's creditors had no knowledge of the opening of the estate, they shall present their claims to the heirs within one year after the claims fall due.

3. Failure to comply with these rules shall result in the forfeiture of the creditor's claim.

Article 1489 – Application of a general period of limitation

1. The limitation period for presentation of creditors' claims shall not apply to the claims based on expenses incurred for the care and medical treatment of the decedent's last illness, the payment of wages, the funeral, the preservation and administration of the estate, or to the claims of third persons for recognition of their title to the estate and recovery of the property belonging to them.

2. General period of limitation shall apply to the claims referred to in paragraph 1 of this article.

Article 1490 – Postponement of performance

If a creditor's claim is presented before it falls due, then the heir may postpone the performance until it falls due. Upon maturity, the creditor may demand the performance within the general limitation period.

Article 1491 – Priority of decedent's creditors

The decedent's creditors shall be given preference over the heir's creditors in satisfaction of their claims.

Article 1492 – Liability of the State to creditors

If an heirless estate is transferred to the State, the State shall be liable for the decedent's debts as an heir with the corresponding part of the heirless estate.

Law of Georgia No 2239 of 9 December 2005 – LHG I, No 54, 20.12.2005, Art. 360

Article 1493 – Effects of the acceptance of an estate by a creditor

If the testator leaves the estate to a creditor by will, this may not be deemed a set-off against the creditor's claim.

Article 1494 – Procedure for satisfaction of creditors

The heirs shall satisfy the creditors' claims by a lump-sum payment unless otherwise stipulated by their agreement.

Chapter Thirteen

Preservation of an Estate

Article 1495 – Concept

In order to safeguard the interests of absent heirs, legatees and the public, on the initiative of the interested persons, of the executor of the will or on his/her own initiative, a notary shall take the necessary measures to preserve the estate and shall do so until all the heirs receive their inheritance or until the period for acceptance of the estate expires.

Law of Georgia No 2284 of 4 December 2009 – LHG I, No 45, 21.12.2009, Art. 329

Article 1496 – Duty of a notary office to preserve the estate

If the estate or its part is not located at the place of the opening of the estate, the notary's office shall instruct a notary's office at the place of the location of the property to take measures for its preservation.

Article 1497 – Inventorying an estate

To preserve an estate, a notary's office shall take an inventory of the estate and assign it for safekeeping to an heir or another person; at the same time it shall take measures to locate the heirs who are not present at the place of the opening of the estate.

Article 1498 – Appointment of an administrator of the estate

If an estate requires administration or if the decedent's creditors have filed a claim, the notary's office shall appoint an administrator of the estate. An administrator shall not be appointed if at least one of the heirs has accepted the estate or if an executor of the will has been appointed.

Chapter Fourteen

Certificate of Inheritance

Article 1499 – Concept

1. The persons invited as heirs may petition for a certificate of inheritance from the notary's office.

2. Where so provided by law, it shall be obligatory to obtain a certificate of inheritance.

Law of Georgia No 2284 of 4 December 2009 – LHG I, No 45, 21.12.2009, Art. 329

Article 1500 – Period for issuing a certificate of inheritance

A certificate of inheritance shall be issued to the heirs at any time after the lapse of six months after the day of the opening of the estate. The certificate of inheritance may be issued before the lapse of the six-months if the notary's office has a document evidencing that there are no heirs other than those applying for the certificate.

Article 1501 – Consent to entry into a certificate of inheritance

The heirs not accepting an estate within the time prescribed by law may be entered into the certificate of inheritance with the consent of all the heirs who have accepted the estate. The consent shall be declared in writing before the certificate of inheritance is issued.

Article 1502 – Issuing a certificate of inheritance to the heirs of an heir

If an heir who has been invited to accept the estate dies after the opening of the estate without accepting it within the prescribed time, his/her heirs may obtain a certificate of inheritance on the estate remaining after the death of the original decedent.

Article 1503 – Issuing a certificate of inheritance to co-heirs

A certificate of inheritance may be issued for the entire estate as well as for part of it. The certificate shall be issued to all heirs jointly or to each of them separately, as they wish. A certificate of inheritance issued on one heir's portion of the estate shall not deprive the other heirs of the right to obtain a certificate of inheritance for the remaining portion of the estate.

Transitional and Final Provisions of the Civil Code

Article 1504 – Entry of the Civil Code of Georgia into force

The Civil Code of Georgia shall enter into force from 25 November 1997.

Article 1505 – List of the invalidated laws

From 25 November 1997, the following shall be deemed invalid:

1. Law of the Georgian SSR of 26 December 1964 on the Approval of the Civil Law Code of the Georgian SSR (Gazette of the Supreme Soviet of the Georgian SSR, 1964, No 36, Art. 662);

2. Law of the Georgian SSR of 18 June 1970 on the Approval of the Marriage and Family Code of the Georgian SSR (Gazette of the Supreme Soviet of the Georgian SSR, 1970, No 6, Art. 96);

3. Law of the Georgian SSR of 4 June 1983 on the Approval of the Housing Code of the Georgian SSR (Gazette of the Supreme Soviet of the Georgian SSR, 1983, No 6, Art. 199);

4. Law of the Republic of Georgia on the Right of Ownership of 15 July 1993 (Gazette of the Parliament of Georgia, 1993, No 9-12, Art. 169);

5. Resolution of the Parliament of Georgia of 15 July 1993 regarding the Law of the Republic of Georgia on the Right of Ownership (Gazette of the Parliament of Georgia, 1993, No 9-12, Art. 170);

6. Law of the Republic of Georgia on Lease of 24 May 1994 (Gazette of the Parliament of Georgia, 1994, No 18, Art. 382);

7. Resolution of the Parliament of Georgia of 24 May 1994 on the Law of the Republic of Georgia on Lease (Gazette of the Parliament of Georgia, 1994, No 18, Art. 383);

8. Law of the Republic of Georgia on Public Associations of Citizens of 19 June 1994 (Gazette of the Parliament of Georgia, 1994,

No 19, Art. 401);

9. Resolution of the Parliament of Georgia of 14 June 1994 on the Law of the Republic of Georgia on Public Associations of Citizens (Gazette of the Parliament of Georgia, 1994, No 19, Art. 402);

10. Law of the Republic of Georgia on Pledges of 30 June 1994 (Gazette of the Parliament of Georgia, 1994, No 19, Art. 423);

11. Resolution of the Parliament of Georgia of 30 June 1994 on the Law of the Republic of Georgia on Pledges (Gazette of the Parliament of Georgia, 1994, No 19, Art. 424);

12. Law of Georgia on Lease of Agricultural Land of 28 June 1996 (Gazette of the Parliament, 1996, No 19-20);

13. Articles 32-54 of the Law of Georgia on Insurance of 2 May 1997 (Gazette of the Parliament, Legislative Annex, 1997, No 21-22);

14. Article 7 of the Law of Georgia on Agricultural Land Ownership of 22 March 1996 (Gazette of the Parliament, 1996, No 007).

Article 1506 – Invalidated subordinate normative acts

1. All subordinate normative acts incompatible with the Civil Code of Georgia shall be deemed invalid.

2. The normative acts issued before the entry into force of the Civil Code by the President of Georgia, the Government of Georgia or other bodies authorised under the Law of Georgia on Normative Acts shall be deemed invalid if they otherwise regulate the relations governed by the Civil Code.

Article 1507 – Operation of the Civil Code in time

1. The Civil Code shall apply only to the relations arising after the enactment of this Code.

2. With respect to relations that arose before the entry into force of the Civil Code, the norms of this Code shall apply to the rights and duties arising from 25 November 1997.

3. The relations that arose on the grounds of the normative acts invalidated due to the entry into force of this Code shall be regulated by these normative acts, except when the participants in the relations are willing to regulate the relations between them according to this Code or if the Civil Code lays down new rules for immovable things.

4. The acquisitive prescription defined in Articles 165-168 of this Code shall be computed from 23 July 1993 – from the entry into force of the Law of the Republic of Georgia on the Right of Ownership.

Article 1507^1 – Guardianship and custodianship authorities in the transitional period

1. Functions of the guardianship and custodianship authority defined in Article 1278(1) of this Code shall be discharged by the Ministry of Education and Science of Georgia until 1 January 2009 instead of the Ministry of Labour, Health and Social Affairs of Georgia and/or the authorised institutions (organisations) within its system; the functions of the local guardianship and custodianship authority shall be discharged by, the territorial body of the Ministry of Education and Science of Georgia – the Education Resource Centre, also by the territorial bodies of the respective Ministries of Education of the Autonomous Republics of Abkhazia and Ajara.

2. The procedure specified in Article 1278(2) of this Code shall be laid down by the Ministry of Education and Science of Georgia until 1 January 2009. The Ministry of Education and Science of Georgia shall ensure its approval by not later than 15 June 2008.

Law of Georgia No 5624 of 18 December 2007 – LHG I, No 48, 27.12.2007, Art. 414

Article 1507[2] – Application of the right to obtain the status of single parent to relationships originated before entry into force of Article 1191[1] of this Code

The right to obtain the status of single parent under Article 1191[1] of this Code shall also apply to relationships that originated between the period from 18 April 1996 to 1 January 2011, in particular to the cases when a child born to a mother in unregistered marriage was granted the mother's family name to be the father's family name and the father's name was entered as the mother indicated.

Law of Georgia No 2892 of 11 December 2014 – website, 23.12.2014

Law of Georgia No 3422 of 1 April 2015 – website 7.4.2015

Article 1507[3] – Granting consent during transition period for the marriage of an underage person that has reached 17 years

1. The marriage of an underage person that has reached 17 years shall be permissible at his/her own will and only with the consent of court when there is such a valid reason as the birth of a child.

2. This article shall lose effect from 1 January 2017.

Law of Georgia No 4649 of 16 December 2015 – website 28.12.2015

Article 1508 – (Deleted)

Law of Georgia No 2114 of 22 June 1999 – LHG I, No 26(33), 5.7.1999, Art. 134

Article 1508[1] – Status of persons declared legally incapable

1. The guardian of a person declared legally incapable by court before 1 April 2015 must apply to a court for declaring the ward as a beneficiary of support and for conducting his/her individual examination within four years as from 1 April 2015. Until that time the guardian shall, without hindrance, continue to perform his/her duties.

2. If a person declared legally incapable by court before 1 April 2015 is put in an inpatient psychiatric facility, the facility must apply to a court for declaring the ward as a beneficiary of support and for conducting his/her individual examination within two years as from 1 April 2015.

3. If a person declared legally incapable by court before 1 April 2015 is put in a specialised facility, the facility must apply to a court for declaring the ward as a beneficiary of support and for conducting his/her individual examination within four years as from 1 April 2015.

Law of Georgia No 3339 of 20 March 2015 – website 31.3.2015

Article 1508[2] – Legal regulation during the transition period in relation to persons declared legally incapable by court before 1 April 2015, and their guardians

1. A person declared legally incapable by court before 1 April 2015 shall be deemed legally incapable until his/her individual examination, taking into account the content of regulations applicable before 1 April 2015.

2. Declaration of intent by a person declared legally incapable by court before 1 April 2015 shall be void if made before his/her individual examination.

3. If a claim has been brought by a person declared legally incapable by court before 1 April 2015 that has no legal representative, and/or the claim is directed against this person, then the period of limitation shall be deemed suspended until his/her individual examination is conducted.

4. If a person declared legally incapable by court before 1 April 2015 causes damage to another person by a wrongful act, the obligation to compensate for the damage shall not be imposed on the legally incapable person until his/her individual examination is conducted. If a person has an obligation to supervise the legally incapable person that has caused the damage, this person must compensate for the damage, except when the damage cannot be prevented.

5. If either of the spouses adopts a child, the consent of the other spouse shall be required. Such consent shall not be required when the other spouse is a person declared legally incapable by court before 1 April 2015 until his/her individual examination is conducted.

6. The guardian of a person declared legally incapable by court before 1 April 2015 must, in case the ward has recovered, immediately submit a request to court for recognising the ward as a beneficiary of support.

7. If the guardian of a person declared legally incapable by court before 1 April 2015 unduly performs the duty imposed on him/her, the guardianship and custodianship authority shall relieve the guardian of his/her duty and apply to a court for recognising the ward as a beneficiary of support.

8. If, when exercising guardianship, the guardian of a person declared legally incapable by court before 1 April 2015 acts out of self-interest, or leaves the ward without supervision and necessary assistance, he/she shall be held liable under the procedure established by law.

9. The guardianship established for a person declared legally incapable by court before 1 April 2015 shall be terminated if:

a) if the ward dies;

b) the court delivers a decision to recognise the ward as a beneficiary of support.

10. A person declared legally incapable by court before 1 April 2015 may not be a witness to a will until his/her individual examination is conducted.

11. A person declared legally incapable by court before 1 April 2015 shall accept an estate through his/her legal representative until his/her individual examination is conducted.

12. If the heir is a person declared legally incapable by court before 1 April 2015, an estate may be renounced with the permission of court until his/her individual examination is conducted.

Law of Georgia No 3339 of 20 March 2015 – website 31.3.2015

Article 1508^3 – Obligations of a guardianship and custodianship authority during the transition period

A guardianship and custodianship authority shall:

a) within one year as from 1 April 2015, ensure that the database of persons declared legally incapable is updated and is in compliance with this Code;

b) within six months after the database of persons declared legally incapable is updated, ensure that information on duties determined under Article 1508^1 of this Code is communicated to guardians and psychiatric facilities and that they are informed of the possibility of imposing administrative liability for non-performance of the duties;

c) within two years as from 1 April 2017, apply to a court for declaring a legally incapable person who is in an inpatient facility as a beneficiary of support and for his/her individual examination; further, within one year as from 1 April 2019, it shall apply to a court for declaring a legally incapable person who is not in an inpatient facility as a beneficiary of support and for his/her individual examination unless the guardian, the legally incapable person himself/herself, or the respective facility applies to a court for the above purpose.

Law of Georgia No 3339 of 20 March 2015 – website 31.3.2015

Article 1509 – Legal entities under private and public law

1. The following shall be regarded as legal entities under public law defined by the Civil Code:

a) the State;

b) self-government units;

c) legal persons created by the State on the basis of legislation or an administrative act, which are not established in an organisational-legal form defined by the Civil Code or by the Law on Entrepreneurs;

d) state institutions and state foundations that are not created under the Civil Code or the Law on Entrepreneurs;

e) non-governmental organisations created on the basis of legislation for accomplishment of public objectives (political parties, etc.);

f) the Legal Entity under Public Law (LEPL) – Georgian Apostolic Autocephalous Orthodox Church recognised under the Constitutional Concordat of Georgia;

g) religious associations provided for in Article 1509^1 of this Code.

2. The following shall be regarded as legal entities under private law:

a) non-entrepreneurial (non-commercial) legal entities;

b) (deleted);

c) general partnerships;

d) limited partnerships;

e) limited liability companies;

f) joint-stock companies;

g) cooperatives.

Law of Georgia No 1807 of 19 February 1999 – LHG I, No 6(13), 4.3.1999, Art. 24

Law of Georgia No 1233 of 6 April 2005 – LHG I, No 18, 27.4.2005, Art. 110

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 18, 22.12.2006, Art. 336

Law of Georgia No 5034 of 5 July 2011 – website, 6.7.2011

Article 1509^1 – Procedure for registration of religious associations

1. Religious associations may be registered as legal entities under public law.

2. Paragraph 1 of this article shall not limit the right of religious associations to be registered as non-entrepreneurial (non-commercial) legal entities provided for in this Code, also to conduct the business as non-registered unions provided for in this Code.

3. The Legal Entity under Public Law (LEPL) – National Agency of Public Registry within the Ministry of Justice of Georgia shall conduct the registration of religious associations.

4. The Legal Entity under Public Law (LEPL) – National Agency of Public Registry within the Ministry of Justice of Georgia may register as a legal entity under public law a religious denomination having a historical link with Georgia or a religious denomination recognised as a religion by the legislation of the member states of the Council of Europe.

5. The Law of Georgia on Legal Entities under Public Law shall not apply to a religious association registered as a legal entity under public law.

6. The procedures prescribed for the registration of non-entrepreneurial (non-commercial) legal entities shall apply to the registration of the religious associations provided for in this article and their rights shall be defined by Chapter Two of Section One of this Code.

Law of Georgia No 5034 of 5 July 2011 – website, 6.7.2011

Article 1510 – (Deleted)

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Article 1511 – (Deleted)

Law of Georgia No 1860 of 19 March 1999 – LHG I, No 10(17), 1.4.1999, Art. 32

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 48, 22.12.2006, Art. 336

Article 1511^1 – (Deleted)

Law of Georgia No 1051 of 25 February 2005 – LHG I, No 9, 17.3.2005, Art. 59

Law of Georgia No 3967 of 14 December 2006 – LHG I, No 18, 22.12.2006, Art. 336

Article 1512 – Apartment owners associations

Starting from 25 November 1997, housing-construction cooperatives as legal entities shall be deemed abolished. The apartment owners associations under Articles 208-232 of this Code shall be deemed their legal successors. At the same time, the liabilities of the State with respect to the housing-construction cooperatives created earlier shall remain in effect.

Article 1513 – Ownership of homestead

Starting from the entry into force of the Civil Code, plots of land lawfully used by natural persons and on which individual houses are situated, shall be deemed to be owned by these persons and shall be subject to the rules prescribed by the Civil Code for immovable things.

Article 1513^1 – Opening of the estate of common property in a household

1. If title to a household is not registered in the Public Registry, the estate of common property in a household shall be opened after the death of the last member of the household, provided that all the members of the household indicated in the archival records of the Household Book are dead as of 1 August 2019.

2. If title to a household is not registered in the Public Registry, in the event of the death after 1 August 2019 of the member of the household indicated in the archival records of the Household Book, the estate of his/her share of the property shall be opened, regardless of whether he/she was the last member of the household.

3. After the registration of title to a household in the Public Registry, the property in question is the common property of the members of the household and is subject to general rules established for co-ownership.

Law of Georgia No 4851 of 25 June 2019 – website, 2.7.2019

Article 1514 – Registration of immovable things in the transitional period

Until the office of the Public Registry is formed, plots of land shall be transferred on the basis of the land-allotment deeds held in technical inventory bureaus or local government bodies. At the same time, starting from 25 November 1997, every new acquisition of a plot of land shall be registered with the service of the ledger of estates (Public Registry) within the system of the land registration service. The State Department of Land Management of Georgia shall ensure the creation of an appropriate service, the preparation of tabular register forms for the Public Registry and the settlement of all organisational issues relating to the registration of the owners of immovable things that arise from the entry into force of the Civil Code.

Article 1515 – Ensuring the openness of registration details

Until the uniform office of the Public Registry is formed, technical inventory bureaus shall discharge the functions assigned to the office under the Civil Code. The Ministry of Urbanization and Construction of Georgia and the State Department of Land Management shall ensure the openness and accessibility of the data of the Public Registry for any interested person.

Article 1516 – Teaching of the Civil Code

Before 25 November 1997, the Ministry of Justice of Georgia shall ensure:

a) settlement of all organisational issues within the Ministry necessary for the registration of foundations;

b) publication in the mass media of the registration details on the legal persons provided for by the Civil Code;

c) teaching of the Civil Code to the personnel of law enforcement agencies, other bodies of the executive authorities and judicial bodies.

Article 1517 – Ensuring the introduction of banking service contracts

The National Bank of Georgia shall:

a) undertake the necessary measures for introduction of the banking service contracts defined in this Code so that commercial banks ensure the opening of bank accounts and uninterrupted payments for organisational entities that are not legal persons, namely, for apartment owners associations, non-registered unions and partnerships;

b) ensure the removal of restrictions on the opening of settlement accounts and other types of accounts by natural persons so as to enable every natural or legal person to open the desired accounts and freely enter into the banking service contracts provided for in this Code.

Article 1518 – Conclusion of contracts for utility services

Before 25 November 1997, the appropriate governmental and state-subordinated establishments shall ensure the conclusion of

service contracts with apartment owners and other consumers for gas, water, and electricity supply and telephone services.

Article 1519 – Ensuring the uniformity of terms

The terms used in the Civil Code shall be used uniformly in all other legal acts.

Article 1520 – Organisational issues of introduction of the Civil Code

Before 25 November 1997, the President of Georgia shall ensure:

a) settlement, through the Council of Justice, of the organisational issues required for courts to register unions;

b) introduction of the Civil Code as a mandatory academic subject in all types of higher schools of law.

President of Georgia **Eduard Shevardnadze**

Tbilisi

26 June 1997

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