

**Law of Georgia**  
**"on Philanthropy, Charity and Social Partnership"**

**Article 1. Scope of the Law**

This Law defines the legal foundations, principles and forms of carrying out the philanthropy, charity, philanthropic and charitable activities and social partnership.

**Article 2. Objectives of the Law**

The objective of this Law shall be to:

- a) Define legislative foundations that facilitate carrying out the philanthropy and philanthropic activities, as well as charity and charitable activities;
- b) Facilitate the introduction of social partnership and its development in order to carry out the philanthropy and philanthropic activities, charity and charitable activities;
- c) Define the terms for stimulating physical persons and legal entities of private and public law for carrying out the philanthropy and philanthropic activities, charity and charitable activities, and social partnership;
- d) Enhance the social responsibility of physical persons, legal entities of private and public law and the state and local self-government authorities and their involvement in social partnership;
- e) Facilitate the formation of the civil society and a fair social environment accessible to all;
- f) Facilitate public consolidation and the involvement of all of its members in the public processes.

**Article 3. Key Principles of Carrying Out Philanthropy, Charity and Social Partnership**

Carrying out of philanthropy, charity, philanthropic and charitable activities and social partnership shall be based on the following key principles:

- a) Voluntariness;
- b) Mutual assistance;
- c) Mutual cooperation;
- d) Selflessness;
- e) Self-initiativity;
- f) Accountability before the public;
- g) Recognition, respect and protection of human rights, freedoms and dignity;

h) Protection of peace and democratic principles and values.

#### **Article 4. Definition of Terms and Notions**

1. The terms and notions used in this Law shall have the following meaning:

a) **Philanthropy** – Voluntary giving away of a financial or other resource by a legal and/or physical person, as well as volunteerism and patronage in support of philanthropic activities.

b) **Philanthropic activity** – Activities of physical persons, civil society and business organizations aimed at social justice, peace, security, public wellbeing and democratic development.

c) **Charity** – A financial or material assistance rendered for the specific needs of a person or group of persons, as well as volunteerism and patronage for charity purposes.

d) **Charitable activity** – Activities of physical persons, civil society and business organizations aimed at rendering the concrete humanitarian and/or urgent assistance to a person or group of persons.

e) **Social justice** – Economic, social, political and other rights, freedoms and opportunities that are secured and equal for all.

f) **Social partnership** – Bilateral and/or multilateral voluntary cooperation and interaction of subject defined by this Law for achieving the philanthropic and charitable objectives, based on the principles defined by this Law.

g) **Civil society** – Physical persons and civil society organizations, as well as cultural, educational and scientific-research institutions bearing the responsibility of protecting the public interests.

h) **Civil society organization** – A non-entrepreneurial (non-commercial) legal entity established based on the Civil Code of Georgia and/or its branch, creative union, representative office (branch) of a foreign non-entrepreneurial (non-commercial) legal entity and/or international organization registered in Georgia pursuant to the procedure established by law, as well as non-registered unions (including non-registered community groups, partnerships, initiative groups, etc.).

i) **Volunteerism** – Voluntary service of a physical person, civil society and a business organization, rendered by giving away one's own time, experience and knowledge in order to carry out the philanthropy and/or charity.

j) **Corporate philanthropy** – Selfless giving away of grants, donations and/or property by a business organization directly or a foundation established by it for this purpose for facilitating philanthropic activities, or an organized volunteerism (with voluntary participation of employees) by a business organization to carry out philanthropic activities or social partnership.

k) **Corporate charity** – Selfless giving away of grants, donations and/or property by a business organization directly or a foundation established by it for this purpose for facilitating charitable activities, or an organized volunteerism (with voluntary participation of employees) by a business organization to carry out charitable activities or social partnership.

l) **Social entrepreneurship** – Profit-oriented activities of a civil society organization, an essential part of whose property, pursuant to the objectives and tasks declared in the organization’s statute, is spent on the organization’s philanthropic and/or charitable activities.

m) **Donation** – A financial resource or property given away voluntarily by a physical person and/or legal entity to support philanthropic or charitable activities.

n) **Grant** – Monetary funds or property transferred gratuitously by a granting entity to a grantee for carrying out philanthropic or charitable activities, based on a respective written agreement.

o) **Sponsorship** – Contributing (through monetary funds, property, results of intellectual work, provision of services and/or other) by physical persons and legal entities to the activities of another physical person and/or a civil society organization with or without the condition to advertise the sponsor’s activities.

p) **Patronage** – Support by a physical person of another physical person through selfless giving away of monetary funds or property, aimed at his/her education and development.

q) **Business organizations** – An entrepreneurial entity established based on the Law of Georgia on “Entrepreneurs” and/or its branch, as well as a representative office (branch) of a foreign entrepreneurial (commercial) legal entity registered in Georgia pursuant to the procedure established by law.

r) **Foundation** – A non-entrepreneurial (non-commercial) legal entity established based on the Civil Code of Georgia and/or its branch, one of the central areas of whose activities is to raise funds as within the country, as well as in the foreign states, and to subsequently issue monetary funds and/or property through grants for the philanthropic and/or charitable purposes.

s) **Community foundation** – A membership-based foundation, key objective of which is to secure the social, economic and democratic development at the local and community levels, and which receives assistance for its philanthropic and/or charitable activities from a community, in whose benefit it mainly operates, and/or from a respective local self-government authority.

2. Unless specially indicated, other terms and notions referred to in this Law shall be used as interpreted by the legislation of Georgia.

## **Article 5. Subjects and Forms of Carrying Out Philanthropy, Philanthropic Activities, Charity and Charitable Activities**

1. Philanthropy and charity as defined by this Law may be carried out by physical persons, foundations and other civil society organization, business organizations, as well as the state and local self-government authorities if they give away the financial and other resources for the philanthropic or charitable activities and/or participate in social partnership.

2. Pursuant to this Law, philanthropic and charitable activities may be carried out by the subjects carrying out philanthropic and charitable activities, as well as physical persons as recognized pursuant to this Law.

3. Philanthropy and/or charity as defined by this Law may be carried out through issuing a grant, donation, volunteerism, sponsorship (without the condition to advertise the sponsor's activities), patronage, use of income generated from social entrepreneurship and other forms prescribed by legislation of Georgia.

4. Philanthropic and/or charitable activities as defined by this Law may be carried out through projects, initiatives, campaigns, advocacy, rendering of assistance and/or other forms prescribed by legislation of Georgia.

5. The stimulating mechanisms stipulated in this Law and other legislative acts of Georgia shall apply to the philanthropy and charity, as well as the philanthropic and charitable activities carried out by a physical person or legal entity.

#### **Article 6. Subjects Carrying Out Social Partnership and the Forms of Carrying Out the Partnership**

1. Persons (participants) carrying out social partnership (hereinafter the "partnership") may be the state and local self-government authorities, physical persons, business organizations, civil society organizations, as well as the organizations and institutions operating in the fields of education, culture, medicine, sports and other areas, regardless of their organizational-legal form.

2. Participant subjects carry out the partnership as defined by this Law for carrying out the philanthropy, philanthropic activities, charity and charitable activities in the areas listed in Article 7 of this Law, and the forms of carrying out the philanthropy, philanthropic activities, charity and charitable activities shall be applied throughout the partnership.

#### **Article 7. Areas of Carrying Out Philanthropic and Charitable Activities**

1. Philanthropy and philanthropic activities as defined by this Law may be carried out in the following areas:

- a) Promotion of protection and realization of human rights;
- b) Promotion of protection and realization of rights of women;
- c) Promotion of protection and realization of rights of children;
- d) Activities aimed at protection of the rights of minorities and overcoming of xenophobia;
- e) Promotion of development of democracy and the civil society;
- f) Promotion of securing awareness-raising and civil education;
- g) Promotion of democratic and institutional reforms and public development;
- h) Securing the eradication of poverty, social mobilization, employment and the social welfare system;
- i) Development of civil initiatives on peace-keeping and conflicts resolution;
- j) Health care and prevention of diseases;

- k) Promotion of treatment of and rehabilitation from drug addiction;
- l) Rehabilitation and resocialization of persons within the detention facilities and prisons;
- m) Social and legal protection and rehabilitation of persons with disabilities;
- n) Protection and rehabilitation of internally displaced persons (IDPs), refugees and asylum-seekers;
- o) Protection and rehabilitation-reintegration of persons affected by trade in humans (trafficking);
- p) Anti-violence, tolerance, introduction of non-violent consciousness;
- q) Social and legal protection and rehabilitation of persons (victims) affected by domestic violence;
- r) Environmental protection and ecological safety, food safety, as well as protection of the customers' rights;
- s) Culture, education, science, art and sports;
- t) Protection of cultural heritage (fixation, conservation and restoration);
- u) Preparation of draft legal acts, implementation of lobbyist activities, and monitoring of fulfillment of international and domestic legal acts;
- v) Change-improvement of a social system in cases when an existing system fails to secure social justice;
- w) Support of philanthropic activities of religious organizations;
- x) Other areas of social relations prescribed by law.

2. Charity and charitable activities as defined by this Law may be carried out:

a) By rendering assistance to physical persons in need of social protection, medical aid, as well as the poor physical persons, including: persons with disabilities, elderly, orphan children, victims of violence, those left without a breadwinner, internally displaced persons (IDPs), refugees and asylum-seekers, the sick, families with many children and their members, victims of the wars, armed conflicts, accidents, natural calamities, catastrophes, epidemics and/or epizooties;

b) By rendering assistance to organizations caring after or serving the children, elderly and persons with disabilities, including: children's homes, pupils' hostels, boarding schools, pre-school and other children institutions, homes for the elderly, community canteens, medical institutions, rehabilitation centers;

c) To support charitable activities of religious organizations;

d) In other areas of social relations prescribed by law.

3. Local self-government authorities shall be authorized to additionally define the areas of philanthropy and charity, as well as philanthropic and charitable activities and the forms of participation of respective local self-government agencies in carrying out of partnership under a legal act of the local self-government representative body (Sakrebulo – local council).

**Article 8. Rights and Obligations of Subjects Participating in Partnership**

1. To participate in the partnership, through its authorized bodies the state/local self-government shall:

a) Secure legislative foundations, legal policy and approaches that facilitate carrying out the social partnership, philanthropic and charitable activities;

b) Facilitate and create adequate conditions for the effective implementation of the objective of social partnership and the philanthropic and charitable activities;

c) Be authorized to fund (co-fund) projects pursuant to the procedure established by law and/or to provide logistical and/or counseling support to such projects to achieve the objectives of social partnership, philanthropic and charitable activities;

d) Be authorized to maintain, develop and institutionalize the results achieved by the philanthropic and/or charitable activities of the civil society by providing the state funding;

e) Discharge other powers prescribed by law for carrying out the objectives of social partnership, philanthropy and charity.

2. To participate in the partnership, physical persons and the civil society organizations shall:

a) Cooperate with other subjects participating in the partnership and with each other;

b) Promote the introduction and development of a social partnership system, and the awareness-raising on social partnership;

c) Discharge other powers prescribed by law for carrying out the social partnership, philanthropy, charity and philanthropic and charitable activities.

3. To participate in the partnership, business organizations shall:

a) Participate in social partnership for carrying out philanthropy and charity, and carry out the corporate philanthropy and corporate charity;

b) Be authorized to give away the financial-material resources, as well as to provide volunteering support to physical persons, civil society and other organizations regardless of their organizational-legal form, in order to support their philanthropic and charitable activities;

c) Be authorized to develop and implement their own philanthropic and/or charitable policies and strategies;

d) Discharge other powers prescribed by law for achieving the objectives of partnership, philanthropy and charity.

## **Article 9. Financial Matters Related to Partnership, Philanthropic and Charitable Activities**

1. Sources of funding the partnership, philanthropic and charitable activities may be the following:

a) Target funds allocated from the state budget of Georgia and the local self-government budget;

b) Target funds issued by a business organization;

c) Grants issued by donor organizations pursuant to the Law of Georgia on the “Grants”;

- d) Incomes generated from social entrepreneurship;
  - e) Incomes and property raised from gifts, membership fees and donations;
  - f) Sums paid by an income tax-payer from the rate of an income tax to the subject carrying out the philanthropy, philanthropic activities, charity and charitable activities pursuant to the procedure established by this Law and the legislation of Georgia;
  - g) Other revenues allowed by the legislation of Georgia.
2. A participant subject of the partnership shall be authorized to give away the financial and/or other resources for the philanthropic and charitable activities related to the partnership to another participant subject of the partnership directly and/or to give away the financial resources based on the public competition.
3. A subject giving away the financial resources to the partnership-related projects shall be authorized to monitor the targeted expenditure of financial resources given away by it pursuant to the procedure established by legislation of Georgia.

#### **Article 10. Mechanisms Stimulating the Participants of the Partnership**

1. To stimulate the participants of the partnership, develop the philanthropic and charitable activities, and ensure the sustainability of the partnership system, this Law, the Tax Code of Georgia and the legislation of Georgia shall set forth the mechanisms stimulating the participants of the partnership.
2. Mechanisms stimulating the participants of the partnership imply the application of tax benefits to their activities pursuant to the procedure established by legislation, promotion of informing the public about these activities, and the application of other mechanisms prescribed by legislation.
3. Profit of subjects carrying out the philanthropic and charitable activities, apart from the profit generated from economic activities, shall be exempt from the profit tax.
4. Transfer of funds received as a result of charitable and/or philanthropic activities to the physical persons for the purposes of charity and/or philanthropy shall be exempt from the income tax.
5. A monetary sum issued by a philanthropic organization to a physical person once for starting up a small business, not exceeding the amount of 5,000 GEL, shall be exempt from the income tax.
6. An income tax-payer shall be authorized to pay from the rate of an income tax (from 20%) 1% of taxable income to a subject carrying out the philanthropy, philanthropic activities, charity and charitable activities recognized pursuant to this Law.
7. Sums issued to the charitable and/or philanthropic organizations and/or expenses borne for the purposes of charity and/or philanthropy shall be fully deducted from the income generated from economic activities by an entity carrying out social entrepreneurship.
8. Documentarily proved expenses borne for the purposes of carrying out the charitable and/or philanthropic activities shall be fully deducted from the income generated from economic activities by the subjects carrying out charitable and/or philanthropic activities.

9. A double amount issued by a business organization for the purposes of philanthropic and/or charitable activities shall be deducted from a joint income, but not exceeding 10 percent of the sum remaining after the deductions prescribed by the Tax Code of Georgia from the joint income.

10. Transfer of property in the ownership (on the balance) of a physical person, civil society and/or business organization for the purposes of philanthropic and/or charitable activities shall be exempt from respective taxes prescribed by legislation of Georgia.

11. Transfer of allocated (vacated) space and respective inventory for the purpose of carrying out (implementing) philanthropic and/or charity measures shall be exempt from taxes prescribed by legislation of Georgia.

12. Telephone service related to the donations received through telephone communications for the purposes of philanthropic and/or charitable activities shall be exempt from respective taxes and levies prescribed by legislation of Georgia.

13. Business trip expenses issued to volunteers for carrying out the philanthropic and/or charitable activities shall be taxed pursuant to the procedure established by legislation of Georgia for the taxation of business trip expenses paid to a hired person.

#### **Article 11. Recognition (Granting of Status) of Foundations and Subjects Carrying Out Philanthropic and Charitable Activities**

1. To regulate the activities and ensure the publicity of subjects carrying out philanthropic and charitable activities, including the subjects carrying out the philanthropy and charity that are involved in social partnership, as well as foundations, pursuant to this Law, the listed subjects shall be recognized – granted a status (hereinafter the “recognition”).

2. Recognition shall imply the entry of data on respective subjects in the integrated public registry. The Revenue Service of the Ministry of Finances of Georgia shall recognize the subjects and administer the respective registry.

3. To receive recognition, a respective subject shall file an application with the Revenue Service of the Ministry of Finances of Georgia. The application may be submitted as electronically, as well as in writing.

4. The application shall include the following data on a respective organization:

a) Name, organizational-legal form, identification number, legal address and contact information;

b) Statutory objectives and the key areas of activity;

c) Person/s having representative and/or managerial authority, their data and the contact information.

5. The following shall be attached to the application:

a) A copy of the organization’s statute;

b) A copy of the document confirming the state and/or tax registration;

c) A copy of ID of a person having representative authority;



d) An activity report of the last year, which shall describe the implemented activities and the achieved results;

e) A financial report of the last year and an independent audit report (in case such exists).

6. Based on the submission of application and documents referred to in this article, a respective subject shall be entered into an integrated registry, by which it shall be recognized as a subject carrying out the philanthropic and/or charitable activities.

7. A subject entered in the integrated registry shall be obligated to submit until April 1<sup>st</sup> of each year to the respective tax authority the following:

a) An activity report of the last year, which shall describe the philanthropic and/or charitable activities and the achieved results;

b) A financial report on the incomes received for the purposes of philanthropic and/or charity activities, sources and borne expenses, and an independent audit report (in case such exists).

8. Recognition of a subject shall be revoked and a respective subject shall be deleted from the registry:

a) Based on the subject's application;

b) If a respective subject fails to submit to the registry a report on its philanthropic and/or charity activities for the two consecutive years;

c) If a respective subject violates the requirements of legislation of Georgia and/or a false and inaccurate information and data have been submitted for the reporting purposes;

d) In case the state registration of a respective subject is annulled;

e) In other cases prescribed by legislation of Georgia.

9. The Revenue Service of the Ministry of Finances of Georgia shall administer the integrated registry. The information and data on a subject referred to in Paragraphs 4, 5 and 7 of this article shall be entered into the registry.

10. In case of a change of any datum entered in the integrated registry of subjects, a respective subject shall be obligated to notify electronically or in writing the Revenue Service of the Ministry of Finances of Georgia about the relevant change immediately after the change occurs.

11. The integrated registry, as well as the reports submitted by respective subjects (including a generalized financial report) shall be public and available to all interested parties.

12. Distributing the profit and assets of a recognized subject of the civil society among the organization's members, founders, and the board and curator body members shall be prohibited. After the liquidation of such a subject its property shall be transferred by the decision of an authorized body or person to a recognized subject with similar objectives, and if such does not exist – to another recognized subject. Property remaining after the liquidation of a legal entity of public law established by the means of the state property, which enjoyed the status of a recognized subject, shall be transferred to the state ownership.

13. The Ministry of Finances of Georgia shall electronically administer the integrated registry and reports submitted by the respective subjects and shall post such reports on the Ministry's official web page.

## **Article 12. Transitional and Final Provisions**

Measures to be undertaken in relation to enactment of this Law:

1. Within six months from enactment of this Law, the Ministry of Finances of Georgia shall approve the form of the registry of subjects carrying out philanthropic and charitable activities and the procedure for its administration and publicity, and shall implement relevant organizational measures required for operating the integrated registry.

2. Within six months from enactment of this Law, the Ministry of Finances of Georgia shall determine the procedure and terms for payment by an income tax-payer of 1% of taxable income from the rate of an income tax to a subject carrying out the philanthropy, philanthropic activities, charity and charitable activities, and shall implement organizational-legal measures required for carrying out such payment procedures.

### **Article 13. Enactment of the Law**

1. This Law, except Articles 10 and 11, shall be enacted on the 15<sup>th</sup> day from its publication.

2. Articles 10 and 11 of this Law shall be enacted since 1 January 2014.

President of Georgia