

THE PM PLANS NEW REFORMS TO IMPROVE THE BUSINESS CLIMATE IN GEORGIA

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The Prime Minister of Georgia, Giorgi Kvirikashvili, has introduced the four points plan for improving the business climate in Georgia at the 11th Consultative Board Meeting of the International Chamber of Commerce of Georgia on January 28.

The Prime Minister has highlighted the importance of tax reforms as well as noting that Georgia will change its tax administration system to follow the Estonian model in the very near future. The government will also launch a tax inspection reform.

“We will be abolishing the profit tax. We are preparing the relevant legislation which will be discussed by the government in the near future. A couple of months from now only distributed earnings will be taxed. We need to start a significant liberalization of the business environment and a comprehensive tax reform is something that we think is crucial for making these changes,” said Kvirikashvili.

“We are changing the rules of tax inspections. There will be detailed rules for tax inspectors on how to conduct their inspections, and there will be institutional reform of the tax police. Additionally, we will provide opportunities to start-up businesses, especially those by innovative youngsters,” he added.

The second block of reforms is government reform, which the Prime Minister considers very important. The third and equally important block of reforms is regional and infrastructural development.

“The current speed of infra-



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structural development of the country really needs to be accelerated. We believe that we can come up with better solutions to create better infrastructure for the country, of which the first is fast completion of all highway projects and also construction of several new roads to increasing the transit capabilities of this country.”

The fourth block of reforms is to change and improve the education system, and pay more attention to the professional education sector.

The Prime Minister underlined the fact that Georgia has one of the most liberal economies in the region, and has recently launched negotiations with China about free trade which will have a positive effect on the economy as well as improving the country’s image and role in the region.

Kvirikashvili noted that “Georgia has an excellent geographic location, less bureaucracy, and very low taxes, especially after the reforms that I’ve already mentioned, we will have lower taxes for the private sector.”

Fady Asly, Chairman of the ICC Georgia, supports the Prime Minister’s initiative. The ICC Consultative Board is the only

body of its kind in Georgia, consisting of eight ambassadors, the Heads of three major international financial institutions, and the Heads of two major international organizations. It meets quarterly with ICC Executive Board to discuss openly and transparently of major issues affecting the economy in the country. In a statement, Asly demonstrated the ICC’s support for the Prime Minister’s reforms:

“Prime Minister Kvirikashvili is the right person in the right place. We do trust him and will be supporting him totally as he works to make his changes. As a matter of fact, I think that his appointment is the best news I’ve heard in Georgia in the past three years. I remember that we had spoken about issues which concerned the business community and companies that were facing problems. He had always been supportive since he was Minister of the Economy,” said Asly.

The Chairman of the ICC Georgia has been indicating the need for reforms in business and the revenue system many times over the past three years. He has repeatedly made critical statements in the media on the subject, such as the following:

“While the revenue service prevents business activities, investments in the country will be at a low point. Tax administration, revenue service, intimidation - all this must be stopped.”

Asly also addressed these topics in an official letter to former Prime Minister Garibashvili in March of 2015.

“It’s been a year since we asked you to take urgent measures to stop the harassment and blackmailing of businesses which is carried out by the Revenue Service, which is the number one obstacle to the development of business in Georgia. You systematically ignore our messages and emails, and your silence and inaction deteriorates the situation further. Once again, we urge you to stop the harassment and we sincerely hope that you will finally take the necessary steps.”

The following response is from the former minister of Finance Nodar Khaduri:

“I can’t say that businesses in Georgia are under pressure and I can’t remember these statements of Asly when the pressure was really on businesses and on Asly’s business.”

Contrary to Asly’s statement about decreasing investments,

the National Statistics Office of Georgia has published different information. According to their website, investments in the last four years have increased: in 2012, Georgia received 911,6 million USD in foreign investment; in 2013, 941,9 million; in 2014, 1758 million; and in the first three quarters of 2015 1019 million USD worth of investments were made in Georgia.

The External Trade Turnover has also increased, but not significantly. In 2013 it was 10413 million USD; in 2013, 10921 million; in 2014, 11454 million; and according to preliminary data, in 2015 it consisted of 9928 million USD. The current Minister of Economy Dimitri Kumsishvili predicts economic growth after signing the free trade agreement with China. China and Georgia have commissioned a survey by the company PMCG to calculate the economic effects of this agreement. According to the survey, the free trade agreement with China will increase exports by approximately 9%, but it is also expected that Chinese imports will increase by 2%. The free trade agreement will reduce the amount of tax revenue connected to imports by 0.5%.

