GEORGIAN TAX POLICY AND INTERNATIONAL EXPERIENCE

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Summary. The tax system and the country’s tax policy are one of the strong guarantees of Georgia’s economic and financial security. Taxes and the country’s tax policy are an organic part of the state’s economic policy and economic relations and ensure the country’s economic and financial success. Sound tax policy and sharing of international experience of leading countries determine the country’s economic and financial balance and stability. The main goal of the work is to study and analyze the formation of a perfect tax system and tax policy, taking into account the best international experience. World practice confirms that the formation of a perfect tax system and tax policy is a continuous and constantly changing and renewing process. The tax policy is shaped not only by the changing challenges and tasks facing the country, but also in accordance with the various events taking place in the world economy and politics. The main challenge of the state in the field of taxation is to select such a golden middle of tax policy, tax rates and tax administration, which ensures, on the one hand, the regulation of the challenges facing the country’s tax policy, as well as the realization of various tasks facing the state finances, stimulation of economic growth and harmonization with the best international experience.

Keywords: tax policy; taxes; payment system; taxation; tax administration; international tax experience.

Introduction:
Tax relations in the system of economic relations are distinguished by certain features. The tax systems of developed and developing countries have both different and similar features. The tax system of Georgia and the tax policy implemented by the country face certain challenges and tasks at all stages of development, which are caused by the transformation of the current world political, economic and social events.
The tax system and the country’s tax policy form the economic basis of the state, without which it cannot exist. Taxes are one of the important tools of the functioning of the economic system, which determine the level and quality of mutual dependence between the state and economic entities. Taxes, by their economic nature, are a part of the national income and wealth received through distribution and redistribution, which is based on the principles of equality, justice, and efficiency of taxation and which is aimed at fulfilling the social, economic and political functions of the state and meeting the financial needs of the government. This is the reason for the unequal and one-sided tax relationship between the state and business entities, where the state is the main actor, and the tax payer is a passive executor of the mandatory tax legislation established by the state.

The most important challenge for the development of a democratic state is the establishment and formation of an acceptable and attractive environment for business relations. It is the favorable business environment that should be able to solve the main problems facing the state and ensure the socio-economic well-being of the society and the economic progress of the country.

Recently, tax policy has become the subject of even more discussion, which indicates the role that financial science has in relation to the administration of taxes by the government and the functioning of the economy.

Review and discussion:

During the last decade, the tax system and tax policy have undergone significant changes in Georgia. Despite many objections, it can be said that the tax policy, tax system and its legal foundations are relatively well established in the country today.

Tax policy has always been a subject of discussion and has not lost its relevance even at the modern stage. There are always discussions between governmental and non-governmental agencies and society about the problem of developing and perfecting the tax system and the country’s tax policy, because tax policy includes tax services, principles and methods of taxation, legal norms regulating tax relations, and the rights and duties of subjects and objects participating in these relations.

Conducting an effective tax policy involves understanding it in terms of the economic policy in the state and calculating the financial effect. The tax legislation should be built in accordance with the unified strategy of the tax policy, based on the establishment of the mood of minimizing the taxation burden and the interests of the market.

The role and importance of the state in the implementation of a reasonable, effective and correct tax policy, which should be in line with the interests of taxpayers and society, in the process of solving problems specific to developed market relations, is great. Despite the fact that any tax, regardless of its size, is always a burden for the taxpayer and business entities, collecting a certain amount of tax is a necessary and beneficial obligation for the entrepreneur. The correct tax policy of the country should provide as much as possible to solve the problem of shadow sectors, which is one of the big obstacles to the economic progress of the country.
In modern conditions, it is necessary for the state to intervene in business processes with an appropriate tax policy, which was clearly demonstrated during the economic and financial crises that developed in the world at different times. Various crisis cases are radically different from each other in terms of their causes and content, but in each case, the flexible tax policy of some states played a major role in mitigating and solving the problems caused by these crises.

The formation of a perfect tax system and tax policy mainly determines the breaking down of economic barriers and the growth of business activity, the improvement of the investment environment and the promotion of foreign investments, and therefore the growth of the tax base and sustainable economic development.

When considering tax policy, it is important to pay attention to its effective and fair administration. The tax policy, through its main fiscal and economic characteristics, should ensure the mobilization of financial revenues of the state, stabilization of economic development, the possibility of equal and effective distribution of income and resources. Tax policy, along with fiscal and economic features, also has a purely social impact. Management with the correct state tax policy is the main mechanism by which the government enters the sphere of activity of each business entity and society and participates in the process of formation of citizens' incomes.

The definition of tax policy in a particular state has a number of features that reflect the approach of tax legislation to the relevant socio-economic policy to be implemented. If we look at the tax system and policies of different countries, which were formed according to the current economic, political and social trends, we can see the advantages and disadvantages of different taxation systems. Which in turn allows us to use the best available experience.

From January 1, 2017, the Estonian model of profit tax was introduced in Georgia, the main purpose of which was to support and stimulate business and which changed the tax policy of the country to some extent. The introduction of the Estonian model of profit tax in Georgia and its use in practice turned out to be important for business entities. Income Tax Estonian

By using the model, the business has been able to save free cash, which allows for additional investments. All this has become an additional contributing factor for the development of business relations. However, the Estonian model also had a negative effect, which was manifested in the fact that with the Estonian model of profit tax, entrepreneurs were allowed to use the dividend for as long as they wanted before compiling the profit and loss. which in turn created a threat to creditors.

According to the Tax Code of Georgia, the types of taxes are divided into common state and local taxes based on the hierarchical multi-level criterion, and currently there are five common state and one local taxes in Georgia, which is significantly less than the number of taxes in other countries. (Scheme 1).
Classification of taxes in Georgia

The said simplification, which was manifested by the maximum possible reduction of the types of tax and the subsequent establishment of special regimes, gave an even greater impetus to the implementation of the correct tax policy and the improvement of the tax system in Georgia and made it much more attractive for international business.

Studies have shown that in the developed countries of the world there are significant differences between tax policies, types of taxes, their structure, rules of withdrawal and rates, depending on the state policy, economic policy, general specifics and level of development of these countries. The most important issue is the improvement of international relations with the relevant structures and associations of Europe and America, which is a great contributing factor for the further development of the country's tax policy.

A successful tax policy has provided many positive directions for the improvement of international relations and the sharing and use of international experience. According to the decision of the 26th General Assembly in 2022, Georgia became the President of the Intra-European Organization of Tax Administrations (IOTA) for a one-year term, which was founded in 1996 and unites the administrations of 44 countries in the European region. Being elected as the president of IOTA will give Georgia the opportunity to present the priority issues of both its own and the tax administrations of different countries in the region. In 2023, Georgia, as the president country, hosted the General Assembly and heads of tax administrations of member states of the intra-European organization in Tbilisi.

With funding from the German Society for International Cooperation (GIZ) and the support of the Organization for Economic Co-operation and Development (OECD) Global Forum on the Exchange of Information for Transparency and Tax Purposes, the pilot project for the automatic exchange of financial information
continues. In 2022, the user agreement of Common Transmission System (CTS) was signed, on the basis of which the CTS Secretariat shares the technical characteristics necessary for the development of technical documentation and the subsequent automatic exchange of financial information. The German Society for International Cooperation (GIZ) held a meeting with financial institutions and presented them with information regarding the reporting platform.

Based on the country’s tax policy, the Revenue Service is actively involved in the process of fulfilling international obligations undertaken for the purpose of mutual assistance. Georgia is a member country of the 1988 Convention on "Administrative Mutual Assistance in Tax Matters" jointly adopted by the OECD and the Council of Europe. According to Article 5 of the said Convention, Georgia is obliged to exchange with the member countries of the Convention the information that is considered necessary for the fulfillment of the provisions of the Agreement or for the purpose of administration of the internal state legislation. Georgia has signed agreements on avoidance of double taxation and prevention of tax evasion with 57 countries, which also provide for mutual assistance in tax matters and exchange of information. One of the important components of information exchange is on-demand basis for tax purposes. During 2022, the Internal Revenue Service exchanged tax information with 28 countries for tax purposes or to help collect debt.

The technical assistance provided by the International Monetary Fund to the Revenue Service during 2022 is important, which included 4 main areas: further development of compliance risk management, implementation of the Office of Large Payers, tax audit reform and further strengthening of the organizational capabilities of the Revenue Service.

Regarding the Deep and Comprehensive Free Trade Area Agreement (DCFTA) with the European Union, the EU-funded project "Association Agreement Implementation Support in Georgia (AA Facility)", organized and supported by the Revenue Service, the Revenue Service, together with the invited expert, presented to the business representatives in the European Union Already introduced, simplified customs formalities, which are planned to be implemented in Georgia in the near future. With the Association Agreement signed between the European Union, Georgia undertook a legal obligation to gradually bring customs procedures closer to European regulations and the new status of Authorized Economic Operator (AEO), which offers companies new simplified opportunities.

**Conclusion:**

The tax system and the country's tax policy represent an important basis for the economic and financial security of Georgia, sustainable economic progress and the growth of the country's financial income. In today's civilized society, the demands placed on the tax policy are gradually expanding. Civilized states actively use the tax mechanism to regulate the dynamics and structure of public production, to implement scientific-technical and technological achievements in practice, and to implement various state-targeted programs.

The tax system and the country's tax policy require deep analysis, consideration of possible consequences, complex understanding of threats and development of effective mechanisms to prevent these threats. Correct and effective
tax policy implemented by the state allows for the revival of a healthy and sustainable economy in the country.

Perfecting the international relations of the tax system and the country's tax policy with the relevant structures of Europe and America became an important prerequisite for the high-level implementation of the existing directives within the framework of the Association Agreement with the European Union, which laid the foundation for Georgia's EU candidate membership.

The most important challenge of a developed state is to create and shape an acceptable and attractive environment for business relations. It is the favorable business environment that should be able to solve the main problems facing the state and ensure the socio-economic well-being of the society and the economic progress of the country.

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