For more information, please, contact:

IFC-Georgia Tax Simplification Project
IFC Advisory Services in Eastern Europe and Central Asia

EKATERINE AVALIANI
Team Leader
5B Nino Ramishvili St.,
Tbilisi 0179, Georgia
Tel: +995 (32) 23 43 00/01/02
www.ifc.org/eca

Project Partners and Participants
- Ministry of Finance of Georgia and State Revenue Service
- Business associations
- Law and audit firms

IFC Georgia Tax Simplification Project

In Partnership with: the governments of the Netherlands (Netherlands-IFC Partnership Program - NIPP), Austria, and Luxembourg
IFC Georgia Tax Simplification Project

The IFC's Georgia Tax Simplification Project is one of IFC's key partners in delivering reforms of Georgia's tax system to benefit small businesses. IFC's cumulative investments in Georgia since 1995 total nearly $300 million in 36 projects across a variety of sectors. Through its Advisory Services, IFC is working towards improving the business environment by helping the Georgian government make reforms to the tax system that will benefit small businesses. For more information, visit www.ifc.org.

In Partnership with

Donor Partners

The Project is supported with funds from the governments of the Netherlands (Netherlands-IFC Partnership Program - NIPP), Austria and Luxembourg.

About NIPP

The Netherlands is one of IFC's key partners in delivering advisory services. The Netherlands-IFC Partnership Program (NIPP) was established in 2002 to consolidate Dutch financing offered in various advisory programs under one umbrella. The NIPP is a Framework Agreement with dedicated funds for the region. It is based on the geographically aligned geographical approach, at the same time ensuring flexibility for the implementation of the world's largest donors, spending USD billion, which is equivalent to 6% of IFC's ODA (for more information, visit www.mv.tesiln.nl/en).

About Austrian Ministry of Finance (MoF), External Economic Program

MoF's external economic programs support the development and transition process in South-Eastern and Central Europe. The programs aim at promoting sustainable investments to support growth, create jobs and improve the business environment. Supporting local and foreign investors in this important region, the MoF is a key partner in the broader Austrian economic policy. Our goal is to contribute to private sector growth through capacity building, SME support, facilitation of investments, and building business partnerships between Austrian and local investors. For more information, please visit http://www.gesellschaft.de.

About Luxembourg-IFC Partnership Program

The Strategic Partnership Program with IFC was established in 2006. Total amount of contributions to date is EUR 118 million and the final focus area is Access to Finance and the Financial Sector. About Luxembourg-IFC Partnership Program (NIPP) was established in 2002 to consolidate Dutch financing offered in various advisory programs under one umbrella. The NIPP is a Framework Agreement with dedicated funds for the region. It is based on the geographically aligned geographical approach, at the same time ensuring flexibility for the implementation of the world's largest donors, spending EUR billion, which is equivalent to 6% of IFC's ODA (for more information, visit www.mv.tesiln.nl/en).

IFC Approach

As part of its regional strategy in Europe and Central Asia to improve the business enabling environment for micro, small, and medium enterprises, IFC has a particular contribution to make in tax administration reform. IFC approaches reform from the perspective of the businesses with a focus on the often-regulated small business sector. IFC's approach corresponds to the Georgian government's business enabling environment for micro, small, and medium enterprises.

IFC's Georgia Tax Simplification Project will work closely with the business community, the Government and other international organizations to minimize the burden imposed by taxes, particularly for MSMEs, by supporting:

- The development of a tax regime that is more commensurate to MSME's capacities;
- Implementation of risk-based audits and inspections;
- Improvements to the penalty and tax appeal systems;
- Public outreach to increase the knowledge of MSMEs about their rights and responsibilities and to enhance their capacity to correctly pay their taxes.

Why is Tax Simplification Important for Georgia?

The goal of IFC's Georgia Tax Simplification Project is to lower tax compliance costs for businesses, enhance the perception of tax administration among businesses and improve public awareness on tax reform and expand outreach to the tax-paying community. Bold reforms in the area of tax policy and administration, introduced since 2003, have helped improve the tax environment for businesses. Currently, the perception of tax administration among businesses is one of the best in the region, according to the Business Environment and Enterprise Performance Survey 2008, a joint initiative of the World Bank Group and EBRD, only about 15% of Georgian businesses rate Tax Administration as a major obstacle to their businesses, which is one of the lowest values for all of Europe and Central Asia.

However, the breakdown of the results reveals important differences in the perception of constraints between smaller and larger businesses. While the tax administration is among the least constraining factors for larger enterprises, it is the major obstacle for MSMEs. For example, MSMEs rated the tax administration as a major obstacle to their businesses, which is one of the lowest values for all of Europe and Central Asia.