

## A New Course and a Fair, Simple and Reliable Tax System

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### Abstract

*Many fundamental changes took place in tax sphere the last five years, but until now this fact did not provide a fundamental U-turn, that is offering of flexible service focused on payers and protects their legal rights. In tax law and system serious changes are observed. Flexible and the environment-oriented tax policy, the country's progress and success should be the main ones. The proof of this is a new tax code that entered into force from January 1, 2011 the basic goals and objectives are: to raise the confidence regarding tax system, to establish stable tax policy, to promote business legislation, to eradication uncleriness in legislation, to simplify administration, to correspond the legislation with international analogues. It foresees such key features such as simplicity, reliability, fairness and the publicity.*

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Georgia was recognized number one reformer in the world by the World Bank, and as for starting business in terms of simplicity is in the top ten. Serious and purposeful works are carried out in business legalization and facilitation. The new tax rate significantly reduces the tax pressure from the government and the tax law excludes the misunderstanding of double interpretation. . It is hope and a positive moment for any potential or existing entrepreneur, to start their new business activities, or enhance their existing business, which will gain double-positive effect, in terms of tax revenue as well as citizens in terms of employment.

The government and economy experts call new ecumenical course to the enactment of the new Tax Code a new economic course and hope that it will work. The previous approaches regarding tax payers are changing when tax structures were more interested to fix more fines for enterprisers in order to get more money. It was also mentioned by the president of Georgia: "Still some gaps are remained. You have daily contacts with them and you know better than me that still some enterprisers have feeling that the government does not listen to them properly and is unfair to them. There are cases when a sentence is bigger than the violation itself. Enterprisers often have impression that the government does not do enough to make the

business environment better. I would like to ask everyone in case they find any gap or problem in new tax code, to contact the Ministry of Finance, the service of incomes, the office of the prime minister where the ombudsman is and we will do our best to improve it in the nearest future. This is our new direction, a new course where I want the private sector and service of incomes, private sector and the Ministry of Finance to have close corporation. We hope that the new course will have results and economic growth will be even higher in 2011 than we forecast.”

It is notable that the new course based on the experience of the recent years also foresees to change tax legislation in accordance to improve and make it more effective for the tax payers as well as recovery of the economics of the country.

Simple, clear and unequivocal legislation is a guarantee of protection of the rights and legal interests of the payers and preconditions to fulfill the obliged duties assigned for the payer.

Various electronic services were introduced to ensure the maximum comfort for the payer. The existence of the modern and developed infrastructure is essential to ensure to offer comfort for payer and services focused on payers.

Publicity, transparency, raising the awareness of the population and business ensures the good functioning of the tax system. This is main precondition to make fair, simple and trustful system. Ensuring the publicity of the results of sector check, timely and fluent inform of the population about the results of the check of the different business-sector and public decision ensure the understanding and explanation of the legislation and establishing different sanction or taxation principles.

New Tax Code foresees to set the mechanisms that will reduce the tax administrative pressure on the enterpriser: to set the mechanism of the forgiveness and pre-warning; to put the institute of the tax ombudsmen into motion in order the make the enterpriser more secured; to set the flexible mechanism of the setting the account where the mistake of the business will not cause the stop the work of the enterprise. Even if the owner of the company knowingly violates the particular norms, enterprise should not be closed, but survive and continue to work in order not the leave employees without job.

A positive factor of new, fair, simple and reliable tax system is to establish Institute of the business ombudsman. Tax ombudsman - a link to the taxpayer's interests and rights and also for restoring the violated rights. However, the problem is that the in first stage, the Ombudsman may find difficult to cope with the problems caused by new tax system.

Tax Code changes substantially. first of all, it refers to simplify its relation with business administrative organs. Enterprisers will know in advance how and how much will be taxed. The principle of the tax payers honesty is set in action. According to it , the honest tax payer will be free from sanction in case of mistake. In general, the fundamental change is connected with removing from rigid regulation to relations based on reliability and business partnership.

The new course foresees to change the approach of the government to the tax payers that are complained by large or small entrepreneurs for a long time, because it's so seldom to have sealed or closed business as a result of check. Therefore, the results achieved by Georgia in the rate of World Bank's “Business management” was doubted many times.

The principle of “GOOD FAITH” “Honesty” - if a taxpayer behavior is caused by error or ignorance and did not aim to avoid paying taxes, the payer may be exempted from the sanctions. Honest paying - service revenue creates motivation and encourages honest taxpayers in different additional services / privileges, such as the example. “Gold List”.

Decision - the right to a taxpayer is given in advance to agree upon “rules of the game” and the



conditions of Taxation Revenue Service. Private tax agent protects the interests of the taxpayer's in Revenue office, provides advice and assists in tax liabilities. Warning instead of fining - in case of non-use of the non-cash machine, warning can be given to the tax payer instead of paying fine.

It's important that according to the new tax code, idea of micro business is establishing together with the changes of the relations between enterpriser and government. The principle of this taxation was differences of ideas while discussing the tax code and government is trying to launch it into more clarity. The Cabinet of Ministers determines the list of activities, which will be given the status of the micro business and will be taxed in the normal mode. The introduction of simplified tax regulations for small business - tax benefits were established - turnover of 3% or 5%, having right to have a simplified accounting.

The most important characteristic of new tax code is that the reporting period rather than monthly declaration, gradually transformed a quarterly basis that is equal of the investment implemented in the private sector by government

Taxpayer was granted the right to request the quarterly tax declaration, tax inspection of taxable transactions in its convenient time that ensures good cooperation between government and private sector.

It should be noted that in order to ensure effective and high quality work the qualification of the staff employed in incomes offices will be systematically increased.

As conclusion, that new tax code aims to have close corporation with business associations, with consideration of the legal interests of the private business and ensuring their systematic involvement, assistance in participation of discussions, promoting fair administration as the businessman should not see himself to see the risk of his private savings in tax administration and to have good partnership with tax organs.

#### **References**

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