

# Georgia

Economics, Tax



GEORGIA Economic Freedom Score 25 Least free 0 50 75 100 free Most  
World Rank: 21 Regional Rank: 11 72. 2 economic score is 72. 2, G  
eorgia's higherfreestfreedom2013 Index. Itsmaking its economy the 21st in  
the overall score is 2. 8 points than last year, with improvements in six of the  
10 economic freedoms including management of public finance, investment  
freedom, and property rights. Georgia is ranked 11th out of 43 countries in  
the Europe region, and its score is the most improved in the 2013 Index.  
Freedom Trend 74 73 72 71 70 69 68 In a challenging global and regional  
environment, the Georgian economy has demonstrated a high level of  
resilience. After some backsliding last year, Georgia regained the status of “  
mostly free” in the 2013 Index. Persistent efforts to eliminate corruption and  
restore fiscal stability have borne fruit. Access to legal documents has been  
facilitated, and fiscal consolidation has generated narrowing budget deficits  
and lower public debt. Despite this progress, however, momentum for  
comprehensive reforms to limit government spending and restrict the growth  
of economic regulations has flagged. Deeper institutional reforms to enhance  
judicial independence and effectiveness also remain critical. backgRound:  
President Mikheil Saakashvili and his centerright United National Movement  
won presidential and parliamentary elections in 2004 and 2008. However,  
billionaire Bidzina Ivanishvili and his Georgian Dream coalition decisively won  
parliamentary elections in late 2012, paving the way for Ivanishvili to  
become prime minister. Georgia is a leading economic reformer among the  
post-Soviet countries and has been particularly effective in fighting  
corruption. Russia's continued military occupation of the Georgian provinces  
of Abkhazia and South Ossetia and recognition of their secession violates

Georgia's territorial integrity. Georgia left the Commonwealth of Independent States in August 2009. Relations with Russia remain difficult, but Georgia's government has taken unilateral steps to improve ties. The economic recovery that began in 2010 continues, with an emphasis on tourism and construction.

	2009	2010	2011	2012	2013
Country Comparisons	Country				
World Average	Regional Average	Free Economies	0	20	40
			60	80	72.2
			59.6		
			66.4		
			84.5		
			100		

**Quick Facts**  
 population: 4.5 million  
 gdp (ppp): \$24.5 billion  
 7.0% growth in 2011  
 5-year compound annual growth 4.7%  
 \$5,491 per capita  
 unemployment: 16.3%  
 inflation (cpi): 8.5%  
 fdi inflow: \$974.6 million  
 public debt: 33.9% of GDP  
 2011 data unless otherwise noted. Data compiled as of September 2012. See page 477 for an explanation of the methodology or visit the Index Web site at [heritage.org/index](http://heritage.org/index).

**How Do We Measure Economic Freedom?**  
 219 GEORGIA (continued)  
 THE TEN ECONOMIC FREEDOMS

Country	World Average	Rank	RULE OF LAW	Property Rights
Georgia	45.0			
Freedom from Corruption	41.0			
	0	20	40	60
	80	100	68th	62nd

Fighting the effects of Soviet-era corruption, the government has arrested former officials and policemen, radically downsized bureaucracies, and cracked down on smuggling. Several new "Public Service Halls" quickly deliver inexpensive legal documents such as birth certificates, passports, and property titles. Other efforts are underway to improve the security of property rights, though protection of intellectual property rights is largely ineffective.

**LIMITED GOVERNMENT**  
 Fiscal Freedom 88.2  
 Government Spending 68.9

	0	20	40	60	80	100
33rd						
81st						

The flat income tax rate is 20 percent, and the flat corporate tax rate is 15 percent. Other taxes include a value-added tax (VAT) and a tax on dividends. The overall tax burden equals 23.5 percent of total

domestic income. Government spending has fallen to 32. 2 percent of total domestic output. The budget balance has been in deficit, but public debt remains below 35 percent of GDP. Budget management has helped to stabilize the fiscal situation since the 2008 war. REGULATORY EFFICIENCY Business Freedom 90. 6 Labor Freedom 91. 1 Monetary Freedom 72. 6 0 20 40 60 80 100 16th 3rd 122nd The competitive regulatory framework is conducive to entrepreneurial activity. It takes only two procedures and two days to launch a business, and no minimum capital is required. Reform of bankruptcy and licensing requirements has slowed. The non-salary cost of hiring a worker is moderate, and regulations on work hours are flexible. Inflation has decelerated. Prices are generally set in the market, but the state maintains price controls. OPEN MARKETS Trade Freedom 89. 2 Investment Freedom 75. 0 Financial Freedom 60. 0 0 20 40 60 80 100 6th 27th 40th After achieving independence, Georgia unilaterally slashed import barriers. The trade-weighted average tariff rate is one of the world's lowest at 0. 4 percent, and non-tariff barriers are relatively modest. Foreign and domestic investments receive equal treatment. The growing banking sector offers improved access to financing, although the stock exchange remains small and underdeveloped. Score Changes RULE OF LAW Property Rights Freedom from Corruption 220 LIMITED GOVERNMENT +5. 0 +3. 0 Fiscal Freedom Government Spending +0. 4 +13. 1 REGULATORY EFFICIENCY Business Freedom Labor Freedom Monetary Freedom +3. 7 —1. 0 —1. 8 OPEN MARKETS Trade Freedom 0 Investment Freedom +5. 0 Financial Freedom 0 2013 Index of Economic Freedom