

# Georgian SME development policy

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# Definition

- Micro
  - An individual entrepreneur
  - Annual turnover under 30 000 lari
  - Goods and other material stocks less than 45 000 lari
- Small
  - An individual entrepreneur
  - Annual income under 100 000 lari
  - Goods and other material stocks less than 150 000 lari
- Fixed payment
  - Any juridical person
  - For special activities

# SME in Georgia: Basic facts

- Individual entrepreneurs are about 68.3 % of all business entities

(Data for 1 January 2012)

legal status	Number of entities
<b>TOTAL</b>	395144
<b>Commercial legal persons</b>	101612
Joint liability companies	2458
Limited partnerships	193
Limited liability companies	95809
Joint stock companies	1968
Cooperatives	1184
<b>Non-commercial legal persons</b>	13013
<b>Individual entrepreneur</b>	269861
<b>Branches, representatives, etc.</b>	6553
<b>Entities of public law</b>	4105

# Registration



- Juridical registration
  - Few documentation
  - One business day or less
  - Online registration
  - Optional: Opening of bank account
- Status certification
  - Application to local tax offices
  - Simple form of declaration of annual income until 1 April

# House of Justice



# An example

To register as an individual entrepreneur, please refer to the Public Service Hall and submit following documentations:

1. Application (to be filled by front office operator);
2. A copy of your ID card;
3. A receipt of payment of state duty (payment may be done on spot).

If the person is registering as an individual entrepreneur on the address different from the one indicated in his/her ID card and which is not his/her property, additionally the owner's consent is requires or a duly drawn up and approved contract to use this property (lease, rent, lending agreement, etc.).

If you are a legal representative of an interested party than, additionally, you need to submit an authorized power of attorney and a copy of your ID card.

On case by case basis, additional documentation or information may be requested to make a decision on given case.

Terms of service and the state duty:

Terms	State Duty
Within one business day	20 GEL
On the same day	50 GEL

The term begins on the second day of registration and ends on the last day of the term. If the last day of the term coincides with holidays or weekends, than the last day of the term is the following business day.

[http://house.gov.ge/index.php?lang\\_id=ENG&sec\\_id=1](http://house.gov.ge/index.php?lang_id=ENG&sec_id=1)

# Taxation

- Micro
  - No personal income tax
  - No check
- Small
  - No VAT
  - Income tax
    - 5%
    - 3% if
      - Costs are above 60%
      - Special trade zone
      - Incomes from internal sources, export salaries
- Fixed payment
  - From 1 to 2000 lari
  - Income tax 3%

# License and permission



- No special privileges to obtain
  - License (to do something)
  - Permission (to use something)



# Credits

- No privilege by law
- No systematic governmental programs
  - Temporary cheap credits initiatives in form of Tax Credits, Tax Reliefs and Export Facilitation
- Less interest from commercial banking sector due to high risk and cost of management, except some donated SME financing projects executed by some banks and micro financial organizations
- Several programs of international donors (IFC, USAID and others)

# Problems

- All about taxes
  - Street trading
  - Hiding incomes
  - Any regulation hurts purest most

# Politics toward SME



- No special policy by government (last 4 year)
- New department to be created in Ministry of Economy
- Openness to independent local and international initiatives

# My view

- Size defined by incomes reflects satisfaction of customers
  - Smaller size means less
    - Satisfied customers
    - Innovativeness
    - Technological advances
    - Intellectual investment
    - Managerial creative's
- Business is business
  - No privilege
  - No subsidies
  - No cheap credits
  - No redistribution from successful (more costumers) to less successful (few costumers)
- Let's customers decide
  - No to political manipulation of special interest groups

# Summary

- SME in Georgia
  - No political statues
    - Differentiation by statutes has only tax management propose
    - Interest groups are weak
  - No special policy
    - Flat approach to all business
    - Direction of changes are not specified yet