

## THE SHARE IN PERCENTAGE OF TAXES IN GDP (COMPARATIVE ANALYSIS OF THE POST-SOVIET COUNTRIES)

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### Abstract

*There was a unified tax system in the former Soviet Union. After the collapse of the Soviet Union and the establishment of independent states on its base, the specific tax system was established in each country. The relevant specific laws have been adopted, which have been subject to frequent changes. The point is that in the Post-Soviet period many countries have suffered a severe shortage of finances. Deficit overcoming process was largely depended on effective tax policy. It should be facilitated on the one hand for entrepreneurship development and on the other hand to mobilize funds in the budget. Successful solving of the both tasks required a difficult and long term process. The changes in the tax policy were preceded by their scientific understanding. The weakness of the state has not promoted mobilization of taxes. As a result, there was a lot of mistakes and there was "hidden taxes". The role of an international financial organization in rectifying the case was important, but not decisive. Tax revenues in the Post-Soviet countries are generally characterized by a tendency of growth, but many of them have big differences in the GDP per share (%), which often indicates the tendencies of avoiding taxes. Analysis reveals that: Share in percentages of taxes in the the world's total GDP % is stable; Estonia and Georgia have the highest rates among Post-Soviet countries, Kazakhstan, Russia and Belarus have much less, but Tajikistan, Uzbekistan and Turkmenistan are not listed in the World's Bank data base; The share of taxes in GDP in Georgia (%) is in the first place among the nearest neighboring countries, the main part of the budget revenue is taxes, the largest share of which is the income tax of VAT and individuals.*

**Keywords:** Post soviet countries, taxes, Georgia.

**JEL Classification:** H20, H25, H71

### I. INTRODUCTION

After the collapse of the Soviet Union and the establishment of independent states on its base, the specific tax system was established in each country. (Atanelishvili, T., Chikviladze, M., Silagadze, N., 2017; Basilia, T., Silagadze, A., Chikvaidze, T., 2001; Bachtadze, L., Kakulia, R., Chikviladze, M., 2007; Kopaleishvili, T., Chikviladze, M., 2011). The relevant specific laws were adopted, which were very often changed. Overcoming the acute financial deficit of many countries was largely dependent on effective tax policy. (Chikviladze, M., 2015). Effective tax system could have helped to develop entrepreneurship and on the other hand to mobilize funds in the budget. Successful solving of both tasks required a difficult and lengthy process. At the same time, rapid economic reforms were needed. (Silagadze, A.: 2014, 2014, 2013, 2013, 2013, 2011; Zubiashvili, T., Silagadze, L.: 2016; Silagadze, A., Zubiashvili, T.:2015). The changes in the tax policy were preceded by their scientific understanding. It was necessary to deeply understand various economic doctrines and their adaptation to the existing reality (Silagadze, A., Atanelishvili, T.:2010; Silagadze, A., Atanelishvili, T., Silagadze, N.:2010; Tvalchrelidze, A., Silagadze, A...:2011; Силагадзе, А.Н., Сидоров, В.А., Ядгаров, Я.С.:2016; Силагадзе, А., Атанелишвили, Т.: 2010). Weak governments do not or can not afford proper tax mobilization. As a result, a lot of mistakes were made and "hidden taxes" took place. The role of an international financial organization in rectifying the case was important but not decisive. Tax revenues in Post-Soviet countries are generally characterized by a tendency of growth, but there are big differences in GDP tax rates (%) in many of them, which often indicate tendencies for tax evasion.

### II. GENERAL ANALYSIS

Mobilization of taxes affects both the individual and the entire world economy. In recent years, the percentage of taxes (%) in global GDP is not characterized by big differences (If we do not take into consideration the financial crisis results (Table 1).



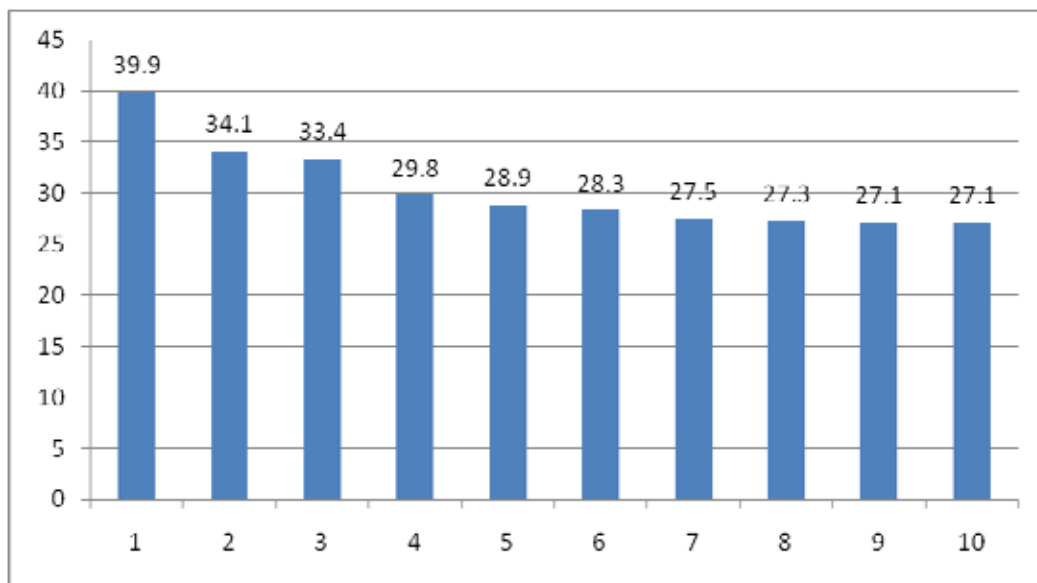
Ukraine	17.123	17.748	16.485	17.863	16.372	15.571	18.515	18.317	17.561	17.294	20.451
Uzbekistan		-	-	-	-	-	-	-	-	-	-

Drawn up: <https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS> \*<https://www.oecd.org/tax/revenue-statistics-estonia.pdf>; \*\*<http://www.indexmundi.com/facts/lithuania/indicator/GC.TAX.TOTL.GD.ZS>. on 03.12.2017.

*Conclusion:*

1. By 2015, Estonia and Georgia have the highest indicators, which are characterized by growing tendencies over the years;
2. The indicators of Kazakhstan, Russia and Belarus are lower then world average indicator.
3. Tajikistan, Uzbekistan and Turkmenistan are not listed in the World’s Bank data base.

According to the 2015 data, the highest percentage of taxes (%) in GDP are the number of countries. (Table 2).



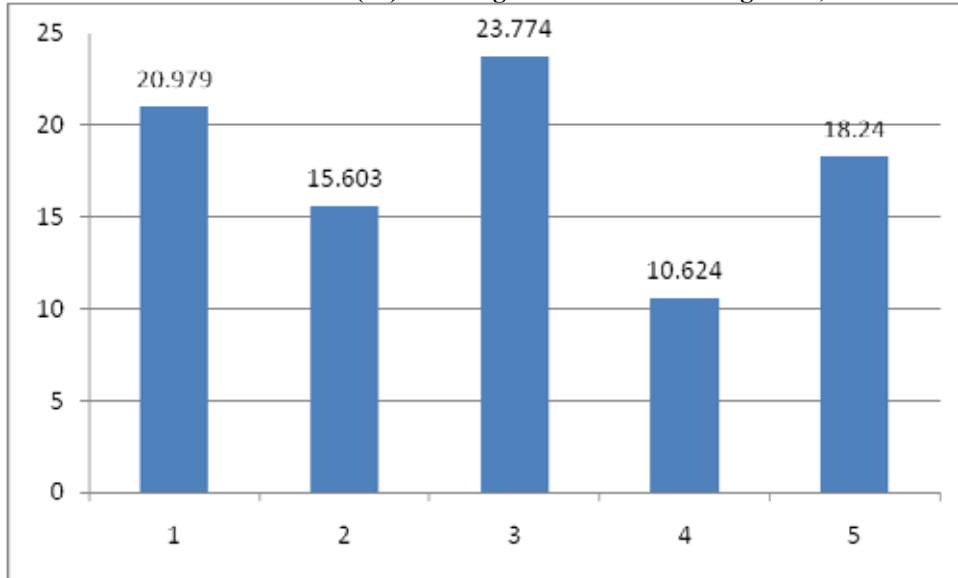
1	Timor-Leste	39.9
2	Denmark	34.1
3	Namibia	33.4
4	Solomon Islands	29.8
5	Macao SAR China	28.9
6	Seychelles	28.3
7	New Zealand	27.5
8	South Africa	27.3
9	Austria	27.1
10	Sweden	27.1

Drawn up: <https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS> on 04.12.2017.

**Georgia**

The number of taxes in Georgia decreased from 21 to 6, tax exemption rates were clearly improved, with the share of taxes in GDP (%) the country is distinguished by its good neighbors (Table 3).

**Table 3. Taxes in GDP (%) in Georgia and its nearest neighbors, 2015**



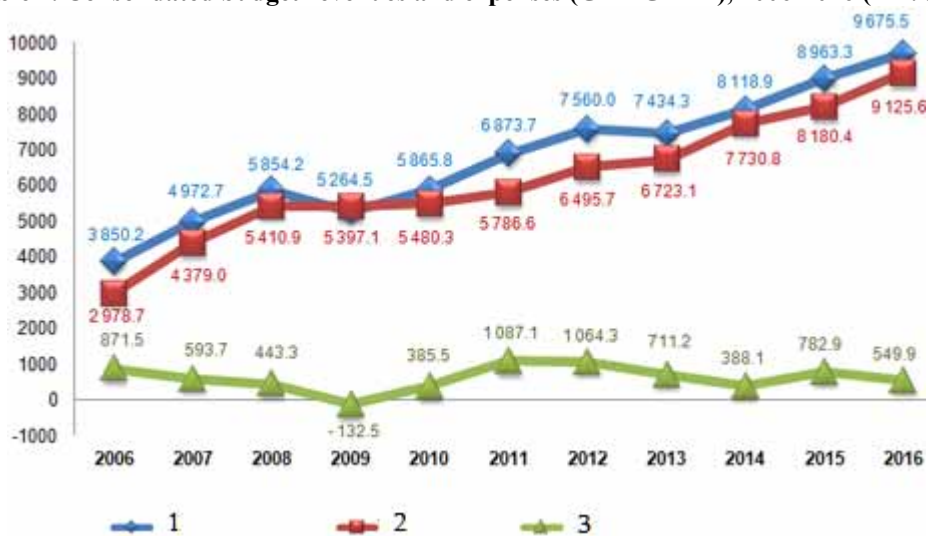
- 1 Armenia
- 2 Azerbaijan
- 3 Georgia
- 4 Russian Federation
- 5 Turkey

*Conclusion:*

- 1) Georgia has the highest rate;
- 2) The lowest rate is observed in Russia, which is likely to be associated with high levels of corruption;
- 3) Azerbaijan is in the third place, it is distinguished by its volatility and is close to the world average, but here the potential is not realized (1995 = 9.85 (minimum level), 2008 = 16.421);
- 4) Armenia is in second place and its progress is visible (2004 = 13.996);
- 5) In Turkey, especially in recent years, the trend of decrease in indicators is observed (2010 = 19.405-max level).

Consolidated budget revenues and expenses are increasing systemically. The divergence between them does not exceed the permissible norms. (Table 4).

**Table 4. Consolidated budget revenues and expenses (GEL GEL \*), 2006-2016 (Millari)**



1. Incomes 2. Expenses 3. Budget Operating Balance  
Exchange rate of 1 Gel was approximately 1.70-2.50.

[http://geostat.ge/?action=page&p\\_id=313&lang=geo](http://geostat.ge/?action=page&p_id=313&lang=geo) 03.12.2017.

According to the latest data, the main share of Georgia's (consolidated) budget revenues (90.8%) are taxes. (Table 2).

**Table 2. Georgian Consolidated Budget Revenues - Taxes, Million GEL, 2012-2016**

Years	2012	2013	2014	2015	2016
Incomes	7,560.00	7,434.30	8,118.90	8,963.30	9,675.50
Incomes%	100.00	98.30	107.40	118.60	128.00
Taxes	6,671.00	6,659.30	7,241.60	8,010.80	8,786.10
Taxes %	100.00	99.80	108.60	120.10	131.70
Income tax	26.50	29.00	26.80	27.80	27.50
Profit tax	12.8	12.1	11.4	12.80	12.00
VAT	45.60	42.80	45.50	43.80	37.40
Excise	9.9	10.8	11.2	10.9	12.20
Import tax	1.4	1.3	1.3	0.9	0.8
Property tax	3.4	3.5	3.4	3.6	4.1
Other nonclassified payments	0.5	0.4	0.3	0.3	6

[http://geostat.ge/?action=page&p\\_id=313&lang=geo](http://geostat.ge/?action=page&p_id=313&lang=geo) 03.12.2017.

The largest share of taxes (%) come on VAT (45.6%) and the income tax for individuals (26.5%). In the last period of the law, the refinancing funds are exempted from profit tax.

#### IV. CONCLUSION

The percentage share of taxes in global GDP is stable and varies between 14-15%; According to the latest data, Estonia and Georgia have the highest rate of Post-Soviet countries, much less have Kazakhstan, Russia and Belarus, and Tajikistan, Uzbekistan and Turkmenistan are not listed in the World Bank data base; In Georgia the number of taxes decreased from 21 to 6, the tax collection indicators are obviously improved, with the share of taxes in the GDP (%) the country is the first among neighboring countries and Russia is at the last place; Consolidated budget revenues and expenses are increasing systemically. Payment does not exceed the permissible norms - the main share in budget revenues (90.8%) is taxes. The largest share of taxes (%) comes on VAT (45.6%) and on the income tax for individuals (26.5%). With the recent law, the refinancing funds are exempted from profit tax.

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