

FactCheck



PRIME MINISTER OF GEORGIA



Giorgi Kvirikashvili:



“We are ninth in the list of countries with the lowest taxes in the world.”

Valeri KVARATSKHELIA
Fact CHEK

During his public lecture at Humboldt University, the Prime Minister of Georgia, Giorgi Kvirikashvili, stated: “We [Georgia] are ninth in the list of countries with the lowest taxes in the world.”

FactCheck verified the accuracy of the Prime Minister's statement.

The World Economic Forum assesses the tax burden of countries through its Global Competitiveness Study. The competitiveness of a country is evaluated based upon 130 indicators. One of the indicators is the ratio of the tax burden to profit. According to the 2015-2016 Global Competitiveness Report, Georgia held the ninth place (with 16.4%) among the 140 countries included in the study according to the ratio of tax burden to profit. Similar reports of

2013-2014 and 2014-2015 indicated Georgia's ratios of 16.5% and 16.4%, respectively, where the country occupied the tenth position.

The World Economic Forum bases its study upon the data published by various authoritative organisations. Specifically, it uses the data published by the World Bank for the ratio of tax burden to profit. According to the World Bank, Georgia occupies the 13th place by this indicator.

The difference in the ratings was due to the fact that the Global Competitiveness Study includes 140 countries whilst the World Bank published its data for 220 territorial entities. Hence, the positions of Georgia in the ratings are more accurately depicted by the data of the World Bank.

Along with the tax burden, the tax administration quality is also an important aspect to consider. This is relatively accurately measured by the World Bank's study on the Ease of Doing Business which

is published every year. According to this study, Georgia's ratings for 2016 do not show an improvement with the country remaining in the 40th position as in 2015.

According to the Tax Misery & Reform Index published by Forbes in 2009, which is a summary of the percentages of marginal taxes in a country, Georgia held the fourth place after Qatar, the United Arab Emirates and Hong Kong.

Table 1 depicts the amount of taxes in Georgia and the changes in their percentages over time. It makes clear that tax liberalisation took place in Georgia from 2005 to 2009 with no significant changes having been made in that regard thereafter. The most important change since 2009 will be the new rules for collecting corporate tax which will be enacted on 1 January 2017 thereby making profit reinvested in business entirely tax-free. This reform will positively influence Georgia's positions in the aforementioned ratings.

Table 1: Trend of Tax Reduction in Georgia

	Number of Taxes	VAT	Income Tax	Corporate Tax	Social Tax
2003	22	20%	12%-20%	20%	33%
2005	7	20%	12%	15%	20%
2008	6	18%	25%	15%	0%
2009	6	18%	20%	15%	0%
2012	6	18%	20%	15%	0%
2013	6	18%	20%	15%	0%
2016	6	18%	20%	15%	0%
2017	6	18%	20%	0%-15%	0%

Source: Tax Code of Georgia

CONCLUSION

ACCORDING TO THE LATEST GLOBAL COMPETITIVENESS REPORT PUBLISHED BY THE WORLD ECONOMIC FORUM, GEORGIA OCCUPIES THE NINTH PLACE IN THE WORLD WITH ITS RATIO OF TAX BURDEN TO PROFIT AT 16.4%; HOWEVER, THIS STUDY ONLY INCLUDES 140 TERRITORIAL ENTITIES. THE ANALYSIS OF THE ORIGINAL SOURCE OF THE STATISTICS (WORLD BANK DATA) SHOWS THAT GEORGIA HOLDS THE 13TH PLACE IN THE WORLD BY THE RATIO OF TAXES TO PROFIT.

FACTCHECK CONCLUDES THAT GIORGI KVIRIKASHVILI'S STATEMENT IS **MOSTLY TRUE**.

MOSTLY TRUE



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PASHA Bank – General Sponsor of Poti International Chess Tournament for the Third Year



Already for three years in a row PASHA Bank has been sponsoring the Poti International Chess Tournament. The Festival took a start on July 13th. It has been annually organized since 2006 by Poti Local Municipality. Till 2016 the tournament used to be held under the auspices of Ms. Nana Aleksandria, a world chess legend, two times world vice-champion, 12 times winner of world chess Olympics. It consists of tournaments in 10 different categories between juniors as well as adult profes-

sional chess players.

The festival is the biggest in Caucasus by volume and the most important one considering the caliber participants - many top rated male and female chess players. The festival is listed in the annual calendar of world chess federation FIDE. The chess games are transmitted live via internet enabling chess aficionados worldwide to watch them in real time.

“One of the main characteristics of our business approach is the fact that we are oriented on long-term partnerships. PASHA Bank

has been operating in Georgia since 2013 and it is the third year in a row that we are the General Sponsor of the chess festival. This sport has always been popular in Georgia and there are world-class Georgian chess players who have achieved international recognition and ultimate success. We hope that this tradition will continue and festivals like this will encourage and motivate young people to develop their skills in chess and beyond,” commented the head of PR and Marketing Department at PASHA Bank, Anano Korkia.

Travel

Air Arabia launches service to Georgian city of Batumi

The FINANCIAL

Low-cost carrier Air Arabia has launched a bi-weekly service to Batumi, the second largest city of Georgia. The airline operates two weekly flights to the famed Black Sea port city from its primary Sharjah International Airport hub on Thursdays and Saturdays at 1.15pm, arriving at Batumi at 4.40pm. The return flights are scheduled to leave Batumi International Airport at 5.30pm to arrive in Sharjah at 8.50pm.

A fascinating seaside resort city steeped in history and blessed with abundant natural beauty, Batumi has built a reputation as a safe, affordable destination, helping it find a niche among travellers looking beyond traditional tourist spots. The city's varied charms include a cluster of classical 19th century edifices dotting its historic Old Town, including museums, monuments, cultural centres, and mosques and cathedrals. Batumi is equally known for its stunning beaches, parks and squares, and the surge in tourism over the last decade has seen a number of modern



buildings, including five-star hotels and resorts from international chains, take their place alongside the historical town that offers a window into Batumi's rich past.

“We are glad to expand our connectivity in Georgia. Batumi is a growing tourism destination and is popular during the summer months. Air Arabia's new flights to Batumi will allow people and businesses across the Arabian region to discover this beautiful city while positively impacting tourism and economic growth”, Adel A. Ali, Group Chief Executive Officer, Air

Arabia, said.

Air Arabia already operates daily to Tbilisi, the capital and largest city of Georgia, which is rapidly emerging from the margins of Europe's tourism landscape to become its fastest rising star, with a 2014 report by the World Tourism Organization (UNWTO) showing Georgia to have recorded the largest increase in international visitor numbers of any European country.

Air Arabia currently operates flights to over 120 destinations in 33 countries across the Middle East, Asia, Africa, Asia, and Europe.

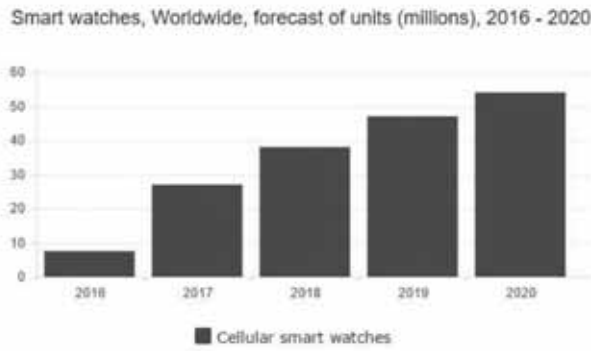
7.5 million cellular smart watches will ship in 2016

The FINANCIAL

Canalys forecasts that 7.5 million smart watches with cellular connectivity will ship in 2016, rising to 53.6 million in 2020. This represents a compound annual growth rate of 63% from 2016 to 2020.

In the short term, shipments are likely to be driven by a new Apple Watch with cellular connectivity. Samsung and LG have been very aggressive in bringing new cellular technologies to market, with smart watches such as the Gear S2 classic 3G/4G and the Watch Urbane 2nd Edition LTE, and will also play significant roles. Both the Tizen and Android Wear smart watch platforms already support cellular connectivity.

'The phase 2 eSIM specification will enable more independent smart watches with a smoother user experience around cellular connectivity. Users will soon be able to eas-



ily choose among cellular providers and pay for monthly service,' said Daniel Matte, Analyst. 'Many more smart watches with LTE and GPS/GNSS will also be released this year, thanks to the availability of new LTE Category 1 chipsets.'

After a full year of availability, these new technologies will have the biggest impact on shipments in 2017. Inte-

gration of additional health and fitness sensors, expanded activity tracking and battery life improvements will further drive smart watch growth over the next few years. Though hardware and software constraints have limited growth until now, the app ecosystems around watchOS and Android Wear will accelerate over the medium term, according to Canalys.

Industrial production down by 1.2% in euro area

Down by 1.1% in EU28

The FINANCIAL

In May 2016 compared with April 2016, seasonally adjusted industrial production fell by 1.2% in the euro area (EA19) and by 1.1% in the EU28, according to estimates from Eurostat, the statistical office of the European Union. In April 2016 industrial production rose by 1.4% in the euro area and by 1.5% in the EU28.

In May 2016 compared with May 2015, industrial production increased by 0.5% in the euro area and by 1.1% in the EU28.

Monthly comparison by main industrial grouping and by Member

State

The decrease of 1.2% in industrial production in the euro area in May 2016, compared with April 2016, is due to production of energy falling by 4.3%, capital goods by 2.3%, durable consumer goods by 1.4%, intermediate goods by 0.4% and non-durable consumer goods by 0.1%.

In the EU28, the decrease of 1.1% is due to production of energy falling by 3.3%, capital goods by 2.0%, durable consumer goods by 0.7%, intermediate goods by 0.5% and non-durable consumer goods by 0.3%.

Among Member States for which data are available, the largest decreases in industrial production were registered in the Netherlands (-7.8%), Portugal (-4.4%), Greece (-4.3%) and Romania (-4.0%), while increases were recorded in Lithuania (+3.9%), Latvia (+2.4%), Slovenia (+0.6%) and Malta (+0.3%).

Annual comparison by main industrial

grouping and by Member State

The increase of 0.5% in industrial production in the euro area in May 2016, compared with May 2015, is due to production of both intermediate goods and non-durable consumer goods rising by 0.8% and capital goods by 0.3%, while production of energy fell by 1.1% and durable consumer goods by 0.9%.

In the EU28, the increase of 1.1% is due to production of non-durable consumer goods rising by 1.5%, capital goods by 1.0% and both intermediate goods and durable consumer goods by 0.8%, while production of energy fell by 2.0%.

Among Member States for which data are available, the highest increases in industrial production were registered in Slovakia (+6.0%), Ireland (+5.8%), Latvia (+5.1%) and Slovenia (+5.0%), and the largest decreases in Malta (-3.7%), Bulgaria (-3.3%) and Portugal (-2.4%).



MINISTER OF LABOUR, HEALTH AND SOCIAL AFFAIRS OF GEORGIA



Davit Sergeenko:

“Prices of commonly used medication have dropped by 20%-23%.”

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On 20 April 2016, at the session of the Healthcare and Social Issues Committee of the Parliament of Georgia, the Minister of Labour, Health and Social Affairs of Georgia, Davit Sergeenko, spoke about the entry of a new company on Georgia's pharmaceutical market and the decreasing prices of medicine. The Minister stated: "The facilitation of competition has already given us results. The entrance of a new player has already resulted in a new trend with prices of commonly used medication having dropped by 20%-23%."

FactCheck took interest in

the statement and verified its accuracy.

According to the National Statistics Office of Georgia, prices of widely used medications did not change in the first three months of 2016 whilst they did decrease by 7.6% in April. The tendency of a drop in prices of commonly used medication continued in May as well with the prices having become less expensive by 1.9% as compared to the month of April.

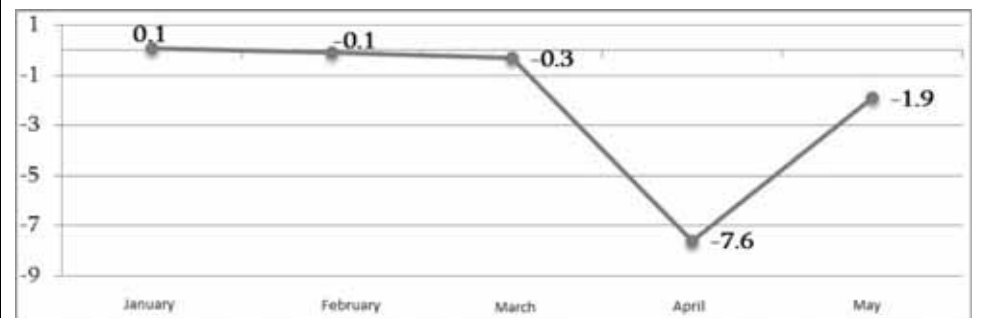
According to the data of the National Statistics Office of Georgia, prices of medication showed a trend of decrease in the period of 2011-2013. In 2014, medicine prices increased by 14.2% and by 18.3% in 2015. Notwithstanding the fact that the prices of medicine have been on the decrease in the last months (as compared

to the previous months), prices did increase in January-May 2016, showing a 15.2% rise as compared to the same period of the previous year.

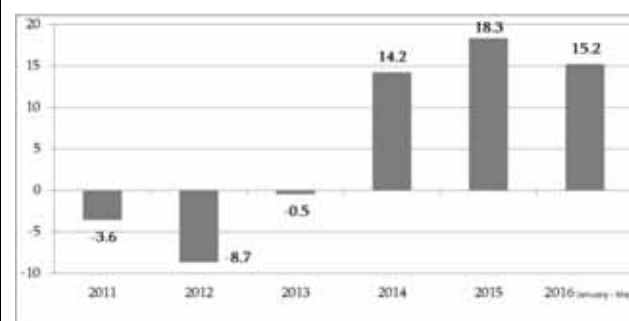
Healthcare experts are of the assumption that the drop in the prices of medication was caused by the entrance of a new player on the pharmaceutical market, Humanity Georgia, which imports generic medication at considerably lower prices. Moreover, the entrance of a new company has resulted in increased market competition.

The Association of Young Financiers and Businessmen together with the Healthcare Platform NGO monitor the changes of the prices of medicine through the so-called Panaskerteli Index. This Index analyses the changes of the prices of 200 of the most re-

Graph 1: Changes in Medicine Prices in January-May as Compared to Previous Months (%)



Graph 2: Changes in Medicine Prices in 2011-2016 (%)



quested medications. According to the Panaskerteli Index, the prices of the most widely used medications showed a decrease from December 2015 to May 2016. However, the prices increased again in May 2016 as compared to April 2016. The research also highlights that Humanity Georgia offered consumers generic medications at least 30% cheaper as compared to the aforementioned major pharmaceutical chains.

CONCLUSION

IN OUR ASSESSMENT OF DAVIT SERGEENKO'S STATEMENT, WE DO NOT TAKE THE DATA FROM MAY INTO ACCOUNT IN THAT THIS INFORMATION WAS NOT KNOWN AT THE TIME HE MADE HIS COMMENTS. THE MINISTER'S STATEMENT ABOUT THE DECREASE IN PRICES OF COMMONLY USED MEDICATIONS IS CORRECT, HOWEVER, THE NUMBERS HE GAVE DO NOT CORRESPOND TO THE STATISTICAL DATA. FACTCHECK CONCLUDES THAT DAVIT SERGEENKO'S STATEMENT IS HALF TRUE.

HALF TRUE



EUROPEAN ENDOWMENT OF DEMOCRACY

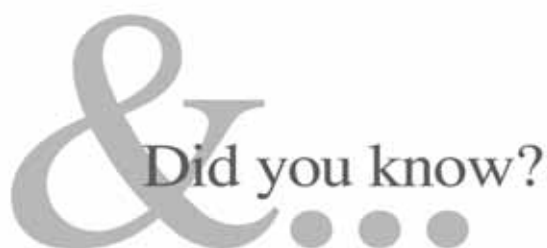
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The FINANCIAL is read by nearly 75 % of Top Financial Decision-makers in Georgia.

It reaches more CEO's than all Georgian newspapers combined.

Source: Global Idea