

ORGANIC LAW OF GEORGIA

ON ECONOMIC FREEDOM

Under the Constitution of Georgia and this Law, the citizens of Georgia shall establish guarantees of economic rights and freedoms for the present and the next generations. Economic rights and freedoms are human rights and freedoms that can only be limited according to the rules and within the limits established by the Constitution and laws of Georgia.

The state guarantees economic rights and freedoms that are to become the basis of the development of society, the welfare of the people and the long-term, stable growth of the economy.

Freedom is a basic principle of economic policy that is expressed in reduced government, responsible macroeconomic policy and low taxes.

Article 1 - Participation of citizens of Georgia in establishing national taxes

1. From the date this Law enters into force:

a) the introduction of a new type of national tax, except for excise tax, or the introduction of an increase in the upper margin of the rate according to the type of national tax, except for excise tax, shall be permissible only through a referendum. Only the Government of Georgia shall have the right to initiate the calling of a referendum.

b) the introduction or modification of a tax that is an alternative to an existing tax or replaces it without increasing the tax burden shall not be considered as the introduction of a new type of national tax or as an increase in the upper margin of the rate. The modification of the rate of tax according to the tax type within the existing marginal rate shall not be considered as the introduction of a new type of national tax or as an increase in the upper margin of the rate either.

2. As of the date of entry into force of this Law the national taxes provided for by the Tax Code of Georgia are:

a) income tax;

b) profit tax;

c) value added tax (VAT);

d) import tax;

e) excise tax.

3. Property tax rates shall be determined according to the rules laid down by the Tax Code of Georgia.

4. A referendum on the issue referred to in paragraph 1 of this Article shall be conducted in compliance with the Organic Law of Georgia on Referendums

5. The tax progressivity principle or methodology/tax regime may not be the subject of a referendum.

6. The Government of Georgia has the right to demand a temporary increase in taxes, but for not longer than three years. In such a case a referendum shall not be held.

Article 2 - Determination of maximum limits of macroeconomic parameters

1. In order to ensure welfare through stable and long-term economic growth and to ensure passing the country with reduced financial obligations to the next generations, the following maximum limits of macroeconomic parameters shall be established:

a) the ratio of total volume of consolidated budget expenditures and increase in non-financial assets to gross domestic product shall not be more than 30%;

b) the ratio of the consolidated budget deficit to gross domestic product shall not be more than 3%;

c) the ratio of state debt to gross domestic product shall not be more than 60%.

2. If the budget approved by the Parliament of Georgia does not comply with the limit(s) specified in sub-paragraphs (a) and/or (b) of paragraph 1 of this Article, the Government of Georgia shall develop and present to the Parliament of Georgia for approval the budget parameters for the following two years, which shall include a plan to return to the limits determined by paragraph 1 of this Article.

3. The Parliament of Georgia may adopt a budget that does not correspond to the limits(s) specified in sub-paragraphs (a) and/or (b) of paragraph 1 of this Article only if the budget of the current year was adhering to said limit(s), except for a state of emergency or war and/or economic recession.

4. The State Budget, and the budgets of the Autonomous Republics and of local bodies of self-government, shall be planned on a software basis, according to the aims and tasks.



Article 3 - Budget Universality Principle

The management of taxes paid in the state and local budgets shall be conducted according to the Budget Universality Principle, which means that:

- a) all revenues of state and local budgets shall be directed towards the financing of budget expenditures, and revenues of budgetary organisations shall be directed towards financing total expenditures in the relevant budget, except when the organisation concerned is a legal person under public law.
- b) Georgian legislation may not require that specific budget revenues be directed to finance specific budget expenditures. This restriction shall not apply to funding that is conducted by a donor and involves a different principle of funding.

Article 4 - Free movement of capital

1. It shall be inadmissible to restrict the freedom of a resident and/or a non-resident with respect to converting currency, or to opening any kind of account or flow of funds on that account, except for the cases specified by Georgian legislation.
2. Any person has an unrestricted right to export financial resources beyond the borders of Georgia, except in the cases specified by Georgian legislation.
3. Capital movement in Georgia shall be free, except in the cases provided for by the international treaties and agreements of Georgia, or in cases where capital movement is related to criminal liability.

Article 5 - Final Provision

This Law shall enter into force on 31 December 2013

President of Georgia

M. Saakashvili

Tbilisi

1 July 2011

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