

**UDC 336.221: 339.564**  
**JEL: H21, Q30, Q37**

**IMPORTANCE OF DOUBLE TAXATION TO  
INCREASE EXPORT POTENTIAL OF GEORGIA**

**Nazi Baratashvili**

Doctoral Student,  
Kutaisi University,  
Kutaisi, Georgia  
E-mail: nazi.baratashvili@gmail.com  
orcid.org/0000-0002-7339-2821

**Zaza Pharsenadze**

Doctoral Student,  
Kutaisi University,  
Kutaisi, Georgia  
E-mail: zaza.pharsenadze@gmail.com  
orcid.org/0000-0002-7339-2821

**Received:** September, 2018

**Accepted:** November, 2018

DOI:10.31520/2616-7107/2018.2.4-5

**Introduction.** According for future economic development of country and creation strong stable political framework is essential to improve international existing mechanism of avoiding double taxation. Double taxation avoidance system is an essential component of good business environment and is a key factor of stimulating investments. Agreements of Double taxation provide legal framework of releasing from double taxation. In spite of that, such exemption is foreseen by the internal law of different countries, international double taxation agreements provides contingency approach.

**Aim and tasks.** The aim of the article is to study the directions of avoiding double taxation, which contributes to the deepening of economic cooperation between countries and attracting investment. The task is to study and show the positive and negative sides of double tax treaties.

**Results.** One of the main factor of countries economic development is to promote export. For that every country is interested in incensement of export share per capital in foreign trade. In the article is analysed trends of development of international double taxation principles and forms. Research shows and confirms that an effective legal mechanism in Georgia is still in the process of formation in this field. Trade liberalization contributes to the creation of such flexible mechanisms, which allow developing countries receive maximal benefits from the process of world economic development. Also, Georgia received economic benefits from agreement of Avoidance of Double Taxation, which was signed all parties.

**Conclusions.** We have to mention that for Georgia is great challenge to increase export share per capital in European Union countries. Georgian has real ability to increase export potential in EU countries. The result of this is deep and comprehensive Free Trade Agreement (DCFTA) with the European Union and agreement of Avoidance of Double Taxation and the Prevention of Fiscal evasion (DTAA) with respect to taxes on income. It promotes to build further new trade economic cooperation between countries by safeguarding the interests of involved countries according the agreement.

**Keywords:** double taxation; export; export potential; European Union; exemptions; international agreements.

УДК 336.221: 339.564  
JEL: H21, Q30, Q37

## ВАЖЛИВІСТЬ ПОДВІЙНОГО ОПОДАТКУВАННЯ ДЛЯ ЗБІЛЬШЕННЯ ЕКСПОРТНОГО ПОТЕНЦІАЛУ ГРУЗІЇ

### Назі Бараташвілі

Докторант,  
Кутаїський університет,  
Кутаїсі, Грузія  
E-mail: nazi.baratashvili@gmail.com  
orcid.org/0000-0002-7339-2821

### Заза Фарсенадзе

Докторант,  
Кутаїський університет,  
Кутаїсі, Грузія  
E-mail: zaza.pharsenadze@gmail.com  
orcid.org/0000-0002-7339-2821

Отримано: Вересень, 2018

Прийнято: Листопад, 2018

DOI:10.31520/2616-7107/2018.2.4-5

**Вступ.** Відповідно до подальшого розвитку економіки країни і для створення політичної стабільності, важливе вдосконалення існуючого механізму по уникненню міжнародного подвійного оподаткування. Система по уникненню подвійного оподаткування є обов'язковим компонентом і стимулюючим ключовим чинником інвестицій. Договори про подвійне оподаткування забезпечують свободу від юридичних подвійних оподаткувань. Не дивлячись на те, що звільнення такого роду вже передбачено внутрішнім законодавством різних країн, договір про подвійне оподаткування забезпечує досконаліший підхід.

**Мета та завдання.** Головною метою статті є дослідження напрямів уникнення подвійного оподаткування, що сприяє поглибленню економічного співробітництва між країнами і залучення інвестицій. Завдання полягає в тому, щоб вивчити і показати позитивні і негативні сторони договорів про подвійне оподаткування.

**Результати.** Сприяючим чинником для розвитку економіки країни є розширення експортної діяльності, зацікавленість держави в зовнішньому товарообігу за допомогою росту його долі. Проаналізовані тенденції розвитку існуючих принципів і форм міжнародного подвійного оподаткування. Підтверджено, що ефективні правові механізми в Грузії в цьому напрямі все ще в процесі формування. Лібералізація торгівлі сприяє створенню таких гнучких механізмів, які дозволять країнам, що розвиваються, максимально скористатися можливостями, створеними в процесі розвитку світової економіки і економічними результатами, отриманими оформленням договорів з державами, що мають з Грузією договору про уникнення подвійного оподаткування.

**Висновки.** З метою ефективного адміністрування системи по уникненню подвійного оподаткування потрібний системний моніторинг ефективності договорів про уникнення подвійного оподаткування. Слід зазначити, що перспектива росту експорту в країни Євросоюзу для Грузії є важливим викликом. Грузія реально має можливість підвищення експортного потенціалу по напряму країн Євросоюзу, про що і вказує угода «про створення з Євросоюзом глибокої і усеосяжної торгової зони» і укладення договору про уникнення подвійного оподаткування і припинення несплати податків, яке сприятиме поглибленню торговельно-економічної співпраці між країнами.

**Ключові слова:** подвійне оподаткування; експорт; експортний потенціал; Євросоюз; пільги; міжнародна угода.

**Introduction.** Issues related to income and capital taxation to countries participating in this process are especially relevant at the modern stage by their economic relations. Fundraising of capital and investment in current high competition environment, it's becoming more and more acute for Georgia to perfect mechanism of legislation to avoidance of double taxation and harmonization with international standards.

Among international agreements there are one of the most important ones: "Agreements of Avoidance of Double Taxation and the Prevention of Fiscal evasion" (DTAA), which main aim is further enhancement and building new trade economical cooperation between countries also funding of investments.

It's very important to choose an appropriate method, forms and principles to avoid double taxation, to specify information according Income of an International Financial Company received from performance of financial operations and/or provision of financial services, as well as gain received from sale of securities issued by non-resident persons, to fulfil current model of tax regimes and therefore mobilizing more money resources in budget of the country. Agreements of Double taxation provide legal framework of releasing from double taxation. In spite of that, such exemption is foreseen by the internal law, international double taxation agreements provides contingency approach.

The task of the article is to study and show the positive and negative sides of the contracts. To work out the approaches. Georgia has multiple external economic relations. It actively involves to develop export and import, its basic principle is liberalism and has the world's most liberal foreign trade policy. However despite the complex interplay between trade liberalization European Union strongly promote to create such flexible mechanism, which allow developing countries receive maximal benefits from the process of world economic development. Also, Georgia received economic benefits from agreement of Avoidance of Double Taxation, which was signed all parties.

**The aim.** The aim of the article is to study the directions of avoiding double taxation, which contributes to the deepening of economic cooperation between countries and attracting investment. The task is to study and show the positive and negative sides of double tax treaties.

**Results.** Georgia started taking active part in international agreements on avoidance of double taxation from 2000, but from 2008 started active cooperation with countries of strong economic cooperation. So, agreement is based on model of The Organisation for Economic Co-operation and Development and determines principles of taxation between countries. Since a main objective of tax treaties is the avoidance of double taxation in order to reduce tax obstacles to cross-border services, trade and investment, the existence of risks of double taxation resulting from the interaction of the tax systems of the two States involved will be the primary tax policy concern. Such risks of double taxation will generally be more important where there is a significant level of existing or projected cross-border trade and investment between two States [1]. Most of the provisions of tax treaties seek to alleviate double taxation by allocating taxing rights between the two States and it is assumed that where a State accepts treaty provisions that restrict its right to tax elements of income, it generally does so on the understanding that these elements of income are taxable in the other State. Where a State levies no or low-income taxes, other States should consider whether there are risks of double taxation that would justify, by themselves, a tax treaty. States should also consider whether there are elements of another State's tax system that could increase the risk of non-taxation, which may include tax advantages that are ring-fenced from the domestic economy. Namely the income derived by legal and physical persons in the other country will be taxable in the country where it was obtained or in the country of residence. In case of taxation by the country of source of income, residence country take obligation to foreseen tax which was paid by taxpayer in source country to avoid double taxation.

Also, main aim of treaty is prevention of fiscal evasion, which can be achieved through the implementation of international standards of information exchange to achieve fiscal goals. In case of absence of international double taxation treaties, economical and trade relations between countries create obstacles of growth of international business producing dimensions, which is reflected by the limitation of movement of capital, by the formation of an unhealthy investment environment and by the creation deficit on the international market of labour. On the hand this complicates the tax administration process within the country, which obviously negatively effects on the country's budget and, in the end, hinders the country's economic development [2].

Therefore, for the country, also for Georgia and for the further economic development, for sustainable development of economy and for the political stability is very important to fulfil the existed mechanism of avoidance of double taxation.

For solution of this problem there is way to sign agreement of avoidance double taxation between countries, which safeguard the interest of taxpayers of the member countries and norms of international law. Also, it will solve problems appeared by the absence of the law about evidence of double taxation to regulate economic problems and to extend borders of foreign trade.

Double taxation is a taxation principle referring to income taxes paid twice on the same source of earned income. It can occur when income is taxed at both the corporate level and personal level. Double taxation also occurs in international trade when the same income is taxed in two different countries. Those taxpayers who have commercial, entrepreneurial, financial or other activities in other countries will be doubly taxed without agreement of avoidance of double taxation between the countries which main purpose is prevention such situations. It's necessary condition to not slow down economic development of country [3].

There're different legal approaches to avoidance of double taxation. Beside that agreement of avoidance of double taxation is

signed by both countries, which main aim is to fulfil legal mechanism, first of all it provides a fair distribution of tax liabilities on tax jurisdictions of different countries.

So double taxation can be avoided by two basic ways: The first is unilaterally, when is used the country's internal tax legislation and the second multilateral, when are signed treaties of avoidance of double taxation by the countries.

Based on 1st January 2018, Georgia has currently agreements on the Avoidance of Double Taxation of income and capital with 55 countries, which generally follow the OECD Model Tax Convention on Income and on Capital. Georgia does not honour the double tax treaties concluded by the former Soviet Union. There are 32 countries in levy tax regime from 6 month, 13 countries – from 9 month, 8 countries – from 12-month, 1 state – from 90 days, 6/183-days. These deadlines provide legal basis for resident people in those countries who have their business activities, as non-resident, in Georgia, so in the country of source, where was accrued tax liabilities. Dates of occurrence of tax liabilities differs according agreements which has Georgia with contracting state [1].

Pursuant to the Tax Code a permanent establishment of a foreign enterprise or non-resident individual in Georgia is recognized as a defined location on the territory of Georgia, through which they fully or partially carry out an entrepreneurial activity, including activity conducted through an authorized person. The following are specifically considered to create a permanent establishment: construction sites, assembly or building facilities, and the exercise of controlling activities connected with such facilities; installations or sites, drilling equipment or ships used for surveying of natural resources, as well as the exercise of controlling activities connected with such facilities; a permanent base where a non-resident physical person carries out entrepreneurial activity; place of management of a foreign enterprise, branch, representative office, department, bureau, office, agency, workshop, mine, pit, other place for extraction of natural resources, any other separate unit or place of such enterprise's activity if it continues more than 6 month.

This means that foreign enterprises carrying out economic activities through a permanent establishment in Georgia are subject to profit tax on gross income received from Georgian sources relating to the activities performed by its permanent establishment after 6 months according to the table 1.

Resident individuals are taxable on their domestic income, i.e., on income "received" from Georgian sources. Income is taxable irrespective of whether it is received in cash or in-kind. The following benefits received by a resident individual are specifically excluded from the taxable base of personal income tax: dividends and interest received from resident companies, which were previously taxed at the source of income.

In order to establish an enterprise a number of documents must be submitted to the National Agency of Public Register of Georgia. The documents required are stipulated in the "Law on Entrepreneurs". A company registered in Georgia or any entity carrying out economic activity in the territory of Georgia should register with the legal entity of public law National Agency of Public Register of Georgia on a mandatory basis. The National Agency of Public Register of Georgia shall assign an identification number to each taxpayer to be used for all taxes, including customs tax. Residence of Georgia an individual entrepreneur, as the subject of the rights and obligations provided for in this Law, shall originate only upon registration in the Entrepreneurial Registry. Pursuant to the Tax Code, a taxpayer will be subject to payment of financial penalties in case of performing activities without being registered with the state authorities [4].

According to aims of avoidance of double taxation, for future improvement of legislative mechanism of taxation liabilities, is essential to reduce dates for start up of permanent establishment by non-resident such as construction sites, assembly or building facilities. On the one hand these will increase amount of income in budget, on the another - in

relation to non-residents, it will be non-discriminatory approach of residents of the source country.

According to data from the table 1, we can see that European Union member and non-member countries, such as Singapore, Liechtenstein, Cyprus, San Marino, Bahrain, Malta, Qatar, Estonia, United Arab Emirates residents on source of income are exempted from taxes according to agreement on avoidance of double taxation. These means that these countries impose taxes on income of source to their countries non-residents with high tax rates, but for their residents they require low rates of taxes from the contracting countries.

By the non-residents source on income country (Georgia) received dividends, interests and royalties, according to agreement on avoidance of double taxation are often exempted from taxes, beside that on such types of income there are low tax rates.

Such attitude towards taxation of income received by non-resident individuals within the tax jurisdiction of Georgia may be considered as discrimination against its own resident individuals. Exemption from taxes of non-residents on the one hand cause losses in budget and on the another demotivates local entrepreneurs.

"Other revenues" of non-resident individuals of the Contracting States (not included in the table) which may be taxed on the basis of other legal documents regulating tax regimes and by the European directives, source of country (Georgia) is exempted from taxes. While studying taxation regime of non-residents in Georgia (source country), the "Other Income" article is composed of a non-resident many activities in Georgia, which are subject to taxation based on the requirements of the Tax Code of Georgia, but due to subjective or objective reasons, such activities are included in another article that is exempted from taxation regime. This means that the revenues received from non-residents in the country are not legally permissible and the budget of Georgia loses millions in revenues.

**Table 1. Approval of rules for benefiting from tax reliefs under the International Agreement on the Avoidance of Double Taxation and repayment of taxes paid to non-residents in Georgia**

Benefits according tax types in accordance with double taxation agreement					
N	Name of the country	Permanent Establishment	Dividends	Interest	Royalties
1	2	3	4	5	6
1	Austria	6 month	0%/5%/10%	0%	0%
2	Azerbaijan	6 month	10%	10%	10%
3	United Arab Emirates	6 month	0%	0%	0%
4	Belgium	9 months	10%	10%	10%
5	Bulgaria	12 months	0%/15%	0%	0%
6	United Kingdom	12 months	0%/15%	0%	0%
7	Germany	6 months	0%/5%/10%	0%	0%
8	Denmark	6 months	0%/5%/10%	0%	0%
9	Spain	6 months	0%/10%	0%	0%
10	Estonia	6 months	0%	0%	0%
11	Turkey	12 months	10%	10%	10%
12	Turkmenistan	6 months	10%	10%	10%
13	Japan	12 months	15%	0%/10%	0%/10%
14	India	90 Days	10%	10%	10%
15	Israel	9 months	5%	15%	0%
16	Iran	12 months	5%/10%	10%	5%
17	Italy	6 months	5%/10%	0%	0%
18	Ireland	6 months	0%/5%/10%	0%	0%
19	Qatar	6 months	0%	0%	0%
20	Latvia	6 months	5%	5%	10%
21	Lithuania	9 months	5%/10%	10%	10%
22	Luxembourg	6 months	0%/5%/10%	0%	0%
23	Malta	6 months	0%	0%	0%
24	Netherlands	6 months	0%/5%/10%	0%	0%
25	Poland	6 months	10%	10%	10%
26	Portugal	9 months	5%/10%	10%	5%
27	Romania	9 months	8%	10%	5%
28	Greece	9 months	8%	8%	5%
29	French	6 months	0%/5%/10%	0%	0%
30	Slovenia	6 months	5%	5%	5%
31	Singapore	6 months	0%	0%	0%
32	Armenia	6 months	5%/10%	10%	5%
33	Uzbekistan	6 months	5%/10%	10%	10%
34	Ukraine	12 months	0%/5%/10%	10%	10%
35	Hungary	12 months	0%/5%	0%	0%
36	Finland	6 months	0%/5%/10%	0%	0%
37	Qazaxistan	6 months	15%	10%	10%
38	Switzerland	6 months	10%	0%	0%
39	China	6 months	0%/5%/10%	10%	5%
40	Czech	6 months	5%/10%	8%	0%
41	Slovakia	6 months	0%	5%	5%
42	Bahrain	6 months	0%	0%	0%
43	Norway	6 months	5%/10%	0%	0%
44	Egypt	6-183 days	10%	10%	10%
45	Serbia	9 months	5%/10%	10%	10%
46	San marino	6 months	0%	0%	0%
47	Kuwait	6 months	0%/5%	0%	10%
48	Croatia	9 months	5%	5%	5%
49	Sweden	12 months	0%,10%	0%	0%
50	Belarus	12 months	5%/10%	5%	5%
51	Iceland	6 months	5%/10%	5%	5%
52	Cyprus	9 months	0%	0%	0%
53	Korea	9 months	5%/10%	10%	10%
54	Liechtenstein	9 months	0%	0%	0%
55	Moldova	6 months	5%	5%	5%

Source: compiled by the authors by [1].

According to the agreements signed on the avoidance of double taxation with the Contracting States of Georgia, the taxation of income taxes generated by non-residents in Georgia (source country) as a dividend is different from each other.

Dividends are levy by high interests rates such strong economic countries as Germany with percentage – 26,38%, Italy- 26%, France – 30%, Sweden – 30%, Switzerland – 35%, their residents received dividends in Georgia are taxed from 0 -10 %. Low warranty tariffs offered by Georgia to other countries must be calculated for the benefit of the budget based on the country's economic interests. Besides dividends, non-residents are receiving from entrepreneur activities interests and royalties in Georgia. From the table 1 we see, that some member and non-member European Union countries such as: Switzerland, Finland, Hungary, Austria, United Kingdom, Germany, Denmark, Spain, Italy, Ireland, Luxemburg, Netherlands, France, Norway, Kuwait, Sweden, which have enterprises as permanents establishments are exempted from taxes of interests and royalties [5].

Dividends, interests and royalties by taxpayers, taxes and rates may be changed by non-residents, according tax documents regulated by agreements with the contracting States, Euro directives and tax regimes. Tax rates for non-residents received dividends, interests and royalties must be determined by specific expediency.

The benefit from the conclusion of international double taxation avoidance agreements is only possible when the articles reflected in the agreement are equal to the resident and the source of the income countries and is established stable socio-economic environment. One of the most important position in this relationship is the tax rate.

In order to attract investments and to increase motivation for investors in Georgia, the lower tax rates should be the basis for further improvement of the existing mechanism on avoiding double taxation. However, the analysis confirms that, in all cases, such tax rates are acceptable for contracting states, as capital always moves in the direction of low tax regimes.

Generally, income taxes are with held at the source from payments of wages, dividends, interest, and some other types of payments to non-residents. The physical or legal person (including branches and other structural units of Georgian legal entities) making such payments must, as a tax agent, withhold the income tax and pay it to the budget. Any person (individual entrepreneurs, foreign or Georgian companies) who makes a payment to a physical person not registered at the tax agency as a tax payer for work performed and services rendered is required to withhold income tax at the source of payment. The following tax agents withhold income taxes at the source of payment: Physical person – entrepreneur who makes payments to physical persons working as employees in his individual enterprise; a legal person who makes payments to physical persons working as employees; a physical or legal person paying pensions to physical persons, with the exception of pensions paid under the state social security system; a resident legal person paying dividends to physical persons; a physical or legal person (except licensed financial institution) paying interest to physical persons; a physical or legal persons making payments to non-residents; branches and other separate units of foreign companies.

Stimulating economy is an important priority of trade policy of developing countries. Therefore, one of the main aims of trade policy is to support integration of these countries into the international trade system [6].

From this point of view, the main and acting factors for the country should be: organizational-legal and integrated forms, fiscal and monetary credit policies, stimulation of economy and comprehensive legislative basis. On this basis, the state will have the ability to stimulate the form of business, to fulfill state orders, protect ratio between export and import, integrative relations, arrangement of infrastructure, improve social conditions and protection of ecology.

Georgia has multiple external economic relations. It actively involves to develop export and import, its basic principle is liberalism and has the world's most liberal foreign trade policy.

One of the main factor of countries economic development is to promote export. For that every country is interested in incensement of export share per capital in foreign trade.

The European Union has confirmed the political will by decision the European Council

on September 1<sup>st</sup> 2008, in order to accelerate the process of liberalization of trade with Georgia.

In this regard, the country has achieved significant progress in recent years, which indicates materials of Geostat [7].

**Table 2. Georgian export by countries**

N	Countries	Export according years				
		2013	2014	2015	2016	2017
1	Germany	7 181.6	69 191.6	75 811.3	85 352.5	45 391.0
2	French	33 856.2	26 884.5	21 031.2	25 027.8	29 950.3
3	Bulgaria	150 753.8	167 104.8	214 247.1	160 758. 6	186 852.2
4	Spain	66 820.8	70 355.0	41 938.0	41 364.0	59 606.7
5	Italy	81 100.6	86 095.8	74 605.6	72 735.6	69 488.9
6	Romania	5 032.9	4 293.9	26 982.9	36 721.4	75 259.0
7	Netherlands	22 500.8	31 168.8	42 188.2	36 993.5	40 091.9
8	Azerbaijan	709.919.2	544 448.0	240 953.4	152 374.8	272 149.9
9	Ukraine	192 808.7	140 003.7	59 873.6	73 324.6	124 536.2
10	Armenia	315 549.4	288 093.3	180 154.2	150 815.4	210 276.6
11	Belarus	40 506.4	34 810.5	20 466.4	18 251.6	27 545.9
12	Russia	190 653.4	274 754.0	162 885.6	206 044.0	396 672.0

Source: compiled by the authors by [7].

This table indicates the importance of export development. Exports play an important role in the economy, influencing the level of economic growth, employment, the balance of payments and returns from external trade. The amount of Georgian production will increase in the global market, which will stimulate Georgian entrepreneur to produce competitive goods. All of this will increase level of living standards of population.

Therefore, the using of the export potential of the country and the rising level of competitiveness of the production produced in the national economy is the main factor for full integration into the world economy.

Georgia has an important economic, industrial-technical and labour potential that can provide high level of export potential. Each country has different place in international business according their geopolitical location, natural-climatic conditions, culture of historically established agricultural activities,

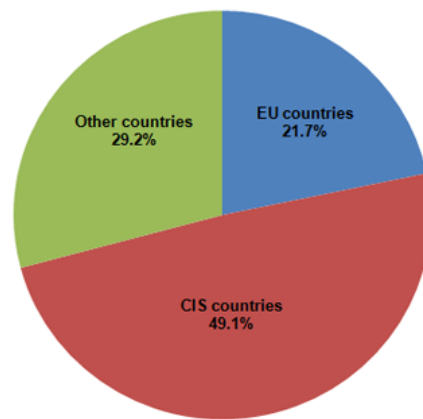
producing goods, exchange-distribution and consumption. Georgia is distinguished by its diverse natural conditions, which is due to its specific geographical location.

According data of National Statistics office of Georgia total export by countries looks like: Countries of European Union - 21.7 %; Countries of Commonwealth of Independent States - 49.1 %, other countries – 29.2 % [7]. From European Union 28 countries in Georgian export plays important role following ones: Bulgaria, Bulgaria, Italy, Germany, Romania, Spain.

From Countries of Commonwealth of Independent States largest export countries are: Azerbaijan, Armenia, Ukraine, Russia. With all mention countries expect Russia, Georgia has signed an agreement on "Avoidance of double taxation and prevention of tax evasion", which allow receive maximal benefits from the process of world economic development and funding investment.



Georgian exports by country groups in January-November 2018\*



\*Preliminary data.

**Fig.1. Georgian export by country groups**

Source: compiled by the authors by [7].

It should be noted that despite the war and non-existence of diplomatic relations with Russia, this country in the independent Georgian history this country is in the top ten of Georgia's largest trading partners list. According economic cooperation it must be sign also with Russia agreement on "Avoidance of double taxation and prevention of tax evasion" [8].

It is known that developing countries are most dvelope, when they are competing with international markets. The external markets-oriented strategy accelerates the specialization process that leads to the increase of productivity as a result of saving, and it also contributes to the establishment of closer contacts with the world economy and to the implementation of new technologies.

Export-oriented policy envisages promoting direct foreign investments. Direct foreign investments are made by developed countries in the countries, where is cheap local resources (labour force, raw materials) which is used for the production of export products. Without increasing the export potential, none of them had achieved economic progress.

Despite Georgia had provided successful export policy and achieved some success in the diversification of new export markets, the country needs a sharp expansion of export profile. To achieve high economic growth rates and to reduce negative trade balance. It must be found out alternate sale markets and Georgian products will be exported to many new countries' markets.

Georgia has the great challenge to increase export share per capital in European Union countries. Georgian has real ability to increase export potential in EU countries. The result of this is Deep and Comprehensive Free Trade Agreement (DCFTA) with the European Union. For Georgia was opened 28 countries 500 Billion market [4].

Also, competition in the world market, is a key factor for the establishment of free competition, which is the result of the development of product and service markets, also by the improvement quality of production, set up competitive prices, implementation of new technologies in the production process by generating innovative ideas.

Implementation of new technologies in production process improve and rise quality of production and decrease spending. Also, it creates new product and service, which will be sell in new markets, so it will rise competitiveness of economic subjects and living standards of population. All mentioned above will great positive effect on the economy of Georgia.

Export growth increases jobs by generating new business and trade-supported jobs are not just at companies that export and import. Trade supports higher wages for workers and lower costs for companies and consumers, providing them with more money to spend on other things [7].

Ultimately, export expansion and diversification is up to the private sector.

Government can be an effective partner for businesses seeking to identify export markets and evaluate existing requirements. Government can deepen and develop international trade relations with existing and potential trade partners, protect the interests of national exporters in international markets, develop national quality infrastructure in accordance with international requirements and seek to reduce technical barriers to international trade. Government can also provide exporters with information on export markets and support the development of transport and logistical infrastructure. In order to increase the competitiveness of Georgian products and services and support their establishment in international markets, the Government of Georgia supports the creation of systems facilitating export development, which will raise entrepreneurs' awareness of Georgia's export products and export markets. In this context, a special role will be played by legal entity of public law – Entrepreneurship Development Agency, which will be working on strengthening the export potential. Legal entity of public law Entrepreneurship Development Agency will inform the entrepreneurs about potential export markets, requirements existing in those markets and supply international markets with information on products and services offered by Georgia [9].

In order to increase the export potential and competitiveness of Georgian products and services, the Government of Georgia will deepen co-operation with existing and potential trade partners in order to develop preferential trade regimes. Besides, intensive work will continue with a view to starting negotiations with the United States on a free trade agreement and deepen trade links existing in the region. Government of Georgia will cooperate with neighbouring countries in order to make sure that Georgian products don't encounter artificial barriers in foreign markets. The main result of these efforts will be the increased role of exports in the process of development of Georgian economy, which means increased exports, greater product diversification and improved penetration and survival rates in new markets. Georgian business' integration in the competitive environment of international markets will increase production stimuli and correspondingly, it will facilitate exports of more value-added products.

**Conclusions and further research.** To regulate the economic problems caused by international double taxation between countries and to further expansion of international trade, it is necessary to sign agreements on avoidance of double taxation. For economic development of country and creation strong stable political framework is essential to improve international existing mechanism of avoiding double taxation. Double taxation avoidance system is an essential component of good business environment and is a key factor of stimulating investments with low rate of taxation in Georgia.

For the effective administration of system of avoidance double taxation is mandatory to monitoring of effective system of agreement. Depending on the fiscal effectiveness forecasts, individually must be defined benefits of granting made by all countries.

Analys of Avoidance of double taxation shows, that it must be planned carefully countries acting plan, because stimulation of investment is the task not the goal. But, an increase in investment should take into account not only the tax system in the country, but also production forecasting and investment appraisal [10]. The main goal is sustainable development of country and avoidance of double taxation system must be seeking this aim.

Georgia promote export activities and have achieved some success in new markets on diversification of export, the country actually needed to expand the profile of export, to reach high economic growth rates and achieve a reduction in the negative balance of trade, increase production and export bases for exploring new, replace import by local production, increase competitiveness of goods and production of ecological products.

Ultimately, export expansion and diversification are up to the private sector. Government can be an effective partner for businesses seeking to identify export markets and evaluate existing requirements. Government can deepen and develop international trade relations with existing and potential trade partners, protect the interests of national exporters in international markets, develop national quality infrastructure in accordance with international requirements and seek to reduce technical barriers to international trade.

Government can also provide exporters with information on export markets and support the development of transport and logistical infrastructure. The strategic course of economic development of Georgia is to support incensement of export growth and to create state support programs. It must clearly determine the world trade trends and development trends. Formation and implementation of the country's foreign trade policy requires the consideration of domestic and foreign political and economic

factors and conditions. The European market for Georgia is interesting and very important, as 1/3 of the foreign economic relations of Georgia come to the EU.

In conclusion, nowadays for Georgia economy development and economic growth the best way is Europeanization. Its essential for Georgia to have a large-scale cooperation with the European Union as it is a guarantee of our country's sustainable and effective economic development.

### REFERENCES

1. Ministry of Finance of Georgia (2018, January). Retrieved from: <https://www.mof.ge>.
2. Bolotashvili, M. (2011). General principles on Avoidance of double taxation: importance and essence. *Economics and Business*, issue 9, p. 161 [in Georgian].
3. Kotchlamazishvili, L. & Kandashvili, T. (2014). Perspectives of Georgia to enter EU market. *Guram Tavartkiladze teaching University Collection of Scientific Works*, 4, pp. 12-17 [in Georgian].
4. *European Commission* (2018, December). Deep and Comprehensive Free Trade Area. Retrieved from: [https://ec.europa.eu/europeaid/tags/dcftra\\_en](https://ec.europa.eu/europeaid/tags/dcftra_en).
5. Narmania, D., Khokrishvili, E. & Murghulia. (2011). *Eastern Partnership” and socio-economic policy of Georgia*. Tbilisi: Open society Georgia Foundation. [in Georgian].
6. Vashakidze, Z., Chkhikvadze, L. & Giorgadze, V. (2000). Ratified agreements on "avoidance of double taxation on taxes on income and on capital" and "prevention of tax evasion" [in Georgian].
7. National Statistics Office of Georgia. (2018, January). Retrieved from: [www.geostat.ge](http://www.geostat.ge).
8. *The Competitiveness Concept and Georgia's Foreign Trade, Business Technological Environment in Georgia and Export Competitiveness*. (2016). Retrieved from: <http://www.mrdi.gov.ge> [in Georgian].
9. Shaburishvili, D. (2009). *Expoert stimulating strategy and rapid economic development*. Tbilisi: Universali.
10. Koval V., Slobodianiuk O., & Yankovyi V. (2018). Production forecasting and evaluation of investments using Allen two-factor production function. *Baltic Journal of Economic Studies*, 4(1), 219-226. doi.org/10.30525/2256-0742/2018-4-1-219-226.

#### ЛІТЕРАТУРА

1. Ministry of Finance of Georgia. Mof.ge 2018. URL: <https://www.mof.ge>.
2. Bolotashvili, M. General principles on Avoidance of double taxation: importance and essence. *Economics and Business*. 2011. issue 9. p. 161 [in Georgian].
3. Kotchlamazishvili, L. & Kandashvili, T. Perspectives of Georgia to enter EU market. *Guram Tavartkiladze teaching University Collection of Scientific Works*. 2014. 4. pp. 12-17 [in Georgian].
4. Deep and Comprehensive Free Trade Area. *European Commission*. 2018. URL: [https://ec.europa.eu/europeaid/tags/dcfta\\_en](https://ec.europa.eu/europeaid/tags/dcfta_en).
5. Narmania, D., Khokrishvili, E. & Murghulia. *Eastern Partnership” and socio-economic policy of Georgia*. Tbilisi: Open society Georgia Foundation. 2011.
6. Vashakidze, Z., Chkhikvadze, L. & Giorgadze, V. Ratified agreements on "avoidance of double taxation on taxes on income and on capital" and "prevention of tax evasion". 2000. [in Georgian].
7. National Statistics Office of Georgia. Geostat.ge 2018. Retrieved from: [www.geostat.ge](http://www.geostat.ge).
8. *The Competitiveness Concept and Georgia's Foreign Trade, Business Technological Environment in Georgia and Export Competitiveness*. 2016. URL: <http://www.mrdi.gov.ge> [in Georgian].
9. Shaburishvili, D. *Expoert stimulating strategy and rapid economic development*. Tbilisi: Universali. 2009.
10. Koval V., Slobodianiuk O., & Yankovyi V. (). Production forecasting and evaluation of investments using Allen two-factor production function. *Baltic Journal of Economic Studies*. 2018. 4(1). 219-226. [doi.org/10.30525/2256-0742/2018-4-1-219-226](https://doi.org/10.30525/2256-0742/2018-4-1-219-226).