



Taxing Micro and Small businesses – From Informality to Voluntary Tax Compliance

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Communiqué

We, the Vice Ministers, Director Generals, Commissioners, and senior officials of 18 countries, with the support of the International Tax Dialogue, have met here in Tbilisi to discuss how we can best support the growth and development of micro and small enterprises (MSEs) while ensuring tax compliance and fairness.

MSEs are an important segment of the economy for all of us. Although they are often not the main source of revenue, they are an engine for job creation and innovation. Formal, tax compliant MSEs play an essential role in the development of a nation. Over and above revenue raising objectives, MSEs are important to the fabric of our communities and their inclusion in the formal economy is a priority concern.

Designing and administering effective and simple tax systems for MSEs is a challenge. This large, diverse segment can be difficult to reach effectively with many businesses starting and closing in a relatively short period and some lacking adequate record keeping skills. We are also operating in an environment where resources are limited and choices must be made on service and enforcement activities.

These two and half days have highlighted the wealth of knowledge and experience we have in the region and the value we can all derive in coming together to learn and share.

We have discussed key design approaches, focusing on tax treatments which are simple and fair. Tax policy choices are fundamental in creating an environment which facilitates growth, ensures a level playing field and eliminates barriers and disincentives to fully participating in the formal economy. As an immediate measure following this conference, we will conduct a stocktaking exercise of the key design features employed in the region. This information is critical if we are to continue to learn from the experience of our neighbors.

We have discussed strategies to reduce compliance burden including education programs, e-service, one-stop-shops and simplified accounting arrangements. Making it as easy as possible to comply is a key focus.

Ensuring taxpayer compliance, and where necessary enforcement action, has also been a central issue. Fairness is crucial – it is unacceptable for businesses who do not comply to have a competitive advantage over those who do. We will continue to share our experience and where necessary refine our strategies.

Finally, we wish to express our sincere appreciation to the Ministry of Finance of Georgia for the excellent organization of the conference and the warm welcome we have received in Tbilisi. It has been a great pleasure for us all.

About the International Tax Dialogue (ITD)

The ITD is a joint initiative of the European Commission, Inter-American Development Bank, International Monetary Fund, Organization for Co-operation and Development, United Kingdom Department for International Development and World Bank Group. The goal of the ITD, as evidenced by this conference, is to share good practices and pursue common objectives in the functioning of national tax systems.