



# Impact of Tax Incentives for Educational Institutions on Access to Education in Georgia

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ARTICLE INFO	ABSTRACT
Published Online: 30 June 2022	Sustainable development of the country is ensured by the establishment of a quality and affordable education system. The best formula for overcoming social or economic problems is to achieve inclusive education, which implies the principles of equality and accessibility in the process of receiving education.  Access to education on a one hand depends on pricing policies. In the presence of low prices, the individual is motivated to master education and to contribute to the creation of state wealth by realizing his abilities. In the presence of high taxes, the end consumer makes the product more expensive and reduces its consumption. The purpose of the research was to determine the availability of high education in Georgia, in terms of tax benefits in the education sector. It was found that public or private sectors working in the field of education in Georgia enjoy significant benefits. It should be noted that the business of the education sector is exempt from value-added tax, which is the largest tax in Georgia and amounts to 18%. The study found that the use of tax breaks plays an important role in universal access to education. In the presence of high tuition fees, a certain segment of students would no longer be able to continue their studies. All this hinders the economic development of Georgia, as young people between the ages of 25 and 35 leave Georgia as cheap job seekers in neighboring countries and mainly in Europe.
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Throughout history, mankind has constantly expressed dissatisfaction with the state of affairs in the field of education. A question often arose as to what challenges the education system should meet, how it should respond to the demands of the future. The main and fundamental aspect of education is the development of the individual's intellectual skills. There are several ways to get an education in the modern era, but to this day, studying in a higher education institution is still relevant. In the process of education, great importance is paid to the process of self-education, taking social and scientific responsibility. Access to and receiving education is a very topical issue even in the modern world. "Education - is the right of every human being, which has a great importance and potential. The principles of freedom, democracy and sustainable development are based on education... there is no mission more important than universal education" [K. Annan].

It should be noted that, like all other products, access to education depends on pricing policies. On the one hand, the price is determined by the tax legislation in the country. It is widely acknowledged that high taxes imposed by the

state significantly increase prices and have a significant impact on accessibility. The purpose of tax policy is to be effective, to ensure, to meet the state interests, to protect the requirements, rights and needs of the taxpayer. Achieving a high rate of improvement in socio-economic, educational conditions is unthinkable without a proper taxation policy. It can be said that taxes are an important issue in the management of economic processes. He develops business, nurtures and dictates the rules of the game.

According to the tax policy in Georgia, public and private higher education institutions are exempt from value added tax. Given the existing circumstances, higher education institutions are able to maintain a pricing policy without increasing value. On the one hand, out of the six taxes in Georgia, value added tax contributes the most to the formation of the budget, the share of which is much higher than other taxes. Consequently, those sectors that are not taxed with the value added tax enjoy significant benefits and the product is not made more expensive for consumers. As it is known, indirect tax includes value added

## “Impact of Tax Incentives for Educational Institutions on Access to Education in Georgia”

tax. That is, in the end the value becomes more expensive for the consumer and he is the payer himself. Of course, tax incentives in this sector play a big role in access to education. Given the socio-economic background of Georgia, a large part of society is facing significant financial problems. Consequently, many young people or citizens are facing an alternative or even trying to raise funds and finance their own education. To determine what the role of value added tax on access to education is in Georgia, the purpose, subject, methodology and hypotheses of the research were developed for the next verification.

Through desk research, which is based on different sources of information, we have been able to obtain large amounts of data, analyze it, and develop relevant conclusions for research results.

The aim of the research was to determine the availability of higher education in Georgia, in terms of tax benefits in the education sector.

The subject of the research was the tax policy of Georgia and the mechanisms of its functioning, and the object of the research was its connection with access to education.

The study was accompanied by hypotheses:

- Value-added tax incentives increase access to education
- In the absence of the exemption, much more students would have their status suspended
- The determinants of access to education are: price and the level of higher education funding from the budget

Tax policy liberalism promotes both business development and saving of the consumer financial resources. Especially when it comes to such an important field as education (Konjaria, 2020). A large number of entrepreneurs believe that in order for the economy to recover, it is necessary to increase the

volume of products and services produced against the background of tax benefits, which will help to improve the social background.

When we talk about access to education, in addition to tax policy, it is necessary to focus on the role of state funding, the impact of which is quite large. It should be noted that state funding for the science and education sectors in Georgia is about 2.8% of GDP, which is significantly lower. Based on the example of the countries with the similar economic development as Georgia, it can be said that twice as little funding is directed to the education sector from the budget. In particular, in Latvia and Estonia, the share of education expenditure is 5.8 percent of GDP.

From 2013 onwards, the Ministry maintains copies of the database and issues information about suspended students only on this date or on the current date. Due to the fact that the Ministry stores information about suspended students only from 2013, we cannot assess the situation until 2013.

According to the law, the grounds for suspension of student status may be: a personal statement of the student (without stating the reason); Studying in a foreign country, in a higher education institution, in addition to studying within the framework of an exchange educational program; Pregnancy, childbirth, child care or deteriorating health; Financial debt or other circumstance provided by the regulation of the higher education institution.

According to the Ministry of Education (see Annex 2), as of November 1, 2020, the status of 73,020 students has been suspended, of which 29,306 students have their status suspended due to financial debt, which is 40.1% of the total number. As for previous years, as of November, in 2019, the status of 70,239 students was suspended, and in 2018 - 64,898 students. The number of students suspended from status since 2013, including the number of students suspended due to financial debt, is as follows:

Year	Number of Students	Suspended Students	Suspended Students due to Financial Debt
2013	147 648	21 704	3 256 (15%)
2014	158 410	28 941	6 657 (23%)
2015	174 076	34 716	6 943 (20%)
2016	191 128	37 021	9 626 (26%)
2017	205 496	45 181	14 910 (33%)
2018	212 643	64 898	29 044 (45%)
2019	225 178	70 239	29 759 (42%)
2020	237 017	73 020	29 306 (40%)

**Source:** LEPL Management Information System

As can be seen from the table, the number of status-suspended students has been growing in recent years, although a dramatic increase occurred in 2018, when the number of status-suspended students increased by 19,717 compared to the

previous year. In the same year, the number of students suspended due to financial debt also doubled. In the same year, the number of students suspended due to financial debt also doubled. In general, the number of students suspended due to

financial debt is also increasing. These data were numerically the highest in 2019 and their share in the total number of suspended students was 42%, while the share of status suspended students was the highest in 2018 - 45%.

As already mentioned, the number of suspended students is constantly growing and each year its index exceeds the one of the previous year. Besides, there is a high number of students among these people whose status has been suspended due to financial debt. Given the current circumstances, the number of suspended students would have been even greater had it not been for the exemption of this sector from value added tax. Many facts show that taxes make a great contribution to the formation of the budget. In particular, 94% of the state revenues received in 2021, and 49% of the total revenues come from taxes. Tax incentives may reduce budget cash flows in the short term, but in the long run, they will increase productivity, enhance business, and significantly improve economic performance. There are many instances where high taxes on individual services and products significantly reduce consumption. Concrete facts confirm the circumstance that the worse the social background, the more the number of suspended students increases. Income generation and the opportunity to continue learning are fully correlated with each other.

The recent epidemiological situation has led to a sharp decline in jobs. A large part of the citizens have been left without income or drastically reduced of it. Throughout this period, it became clear that the number of suspended students had increased significantly due to deteriorating material conditions. Consequently, various researchers are developing the view that the cost of higher education will increase in the event of a tax burden, leading to a reduction in access to education.

Thus, receiving and access to inclusive education is a vital issue for all segments of society. On the one hand, a quality education system ensures the sustainable development of the country, and on the other hand, it improves the social background. The world economy is gradually moving towards rapid liberalism, which in all its essence implies the introduction of benefits in the field of taxation. In the presence of low taxes, businesses are given a chance to develop, to mobilize their own funds, which will lead to higher employment levels in the future. Consequently, tax incentives will contribute for the education sector to make a fundamental breakthrough in access to education. So that as many individuals as possible will be able to get an education, master a profession of interest to them and take part in the creation of state wealth. It is well known that developing countries have a difficult social background, and material and financial problems often hinder their desire for getting education. Given this heavy background, the exemption of the educational branches from the value added tax acquires even more significance. As the research has revealed, the main factors influencing access to education are tuition fees and student employment levels. And tuition fees are significantly determined by taxation policy, costs related to its delivery, etc. The higher the tax burden, the more expensive the product/service for the customer is.

Ongoing scientific research has shown that the funds allocated from the budget for the field of education contribute to the availability and quality of education. It is important for Georgia to follow the example of other European countries and increase the level of funding for education, which will be a guarantee of economic and technological progress in the future.

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“Impact of Tax Incentives for Educational Institutions on Access to Education in Georgia”

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