

Latvijas Republikas

Ekonomikas ministrija

Ministry of Economics

Republic of Latvia

Simplification of legislation in Latvia

Juris Puce

State Secretary

December 7, 2010

Content

- ❑ **Political background**
- ❑ **Business Environment Improvement**
 - **Micro business support**
 - **Tax administration improvements**
 - **Closing a business settlement**
 - **E-governance concept**
- ❑ **Further activities**



Political background

EU 2020

- Smart
- Sustainable
- Inclusive Growth
- Smart regulation:
 - the best possible
 - improved implementation
 - clearer, more accessible

National Reform Program

- Macro-level-policy
- Micro-level reforms

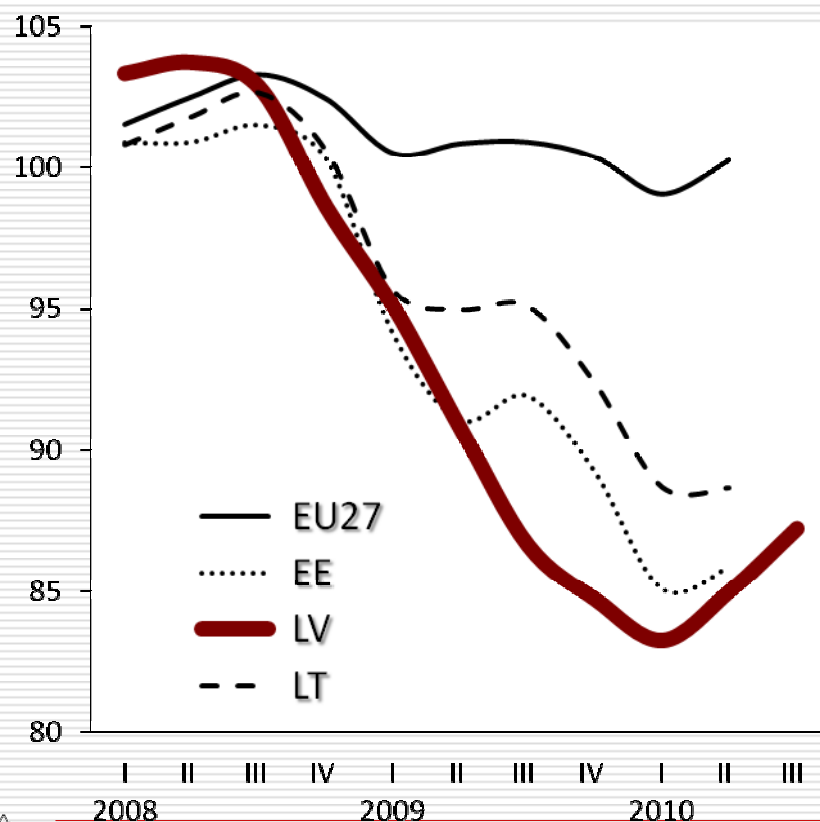
Better business environment

- National legislation:
 - fast, simple, less costs
 - AB reduction target – 25% till 2013

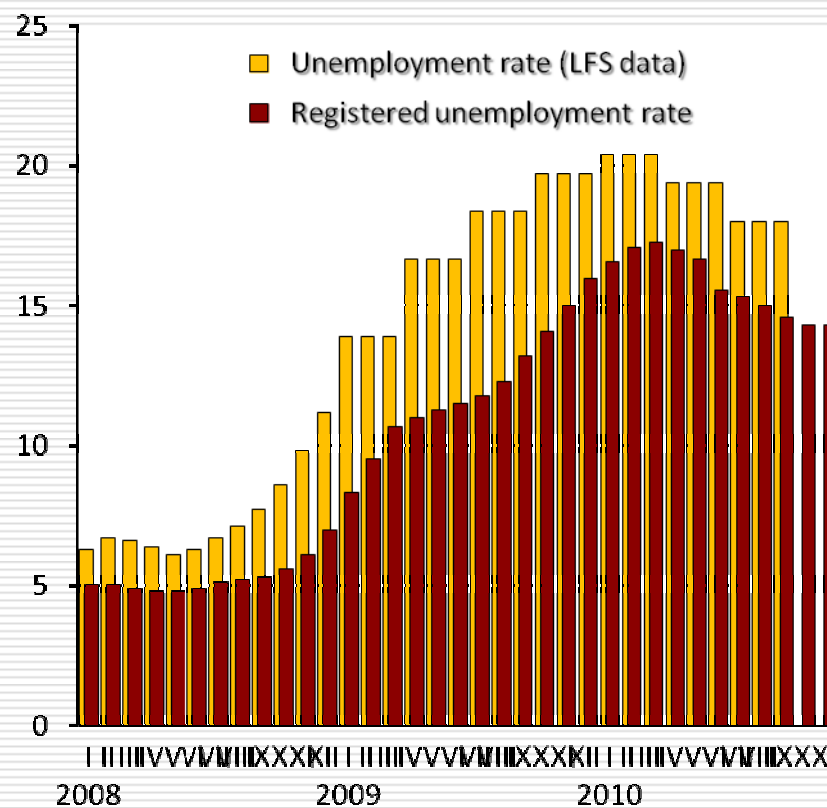


Business environment trends (1)

Employment rate,
2007 IV q. = 100

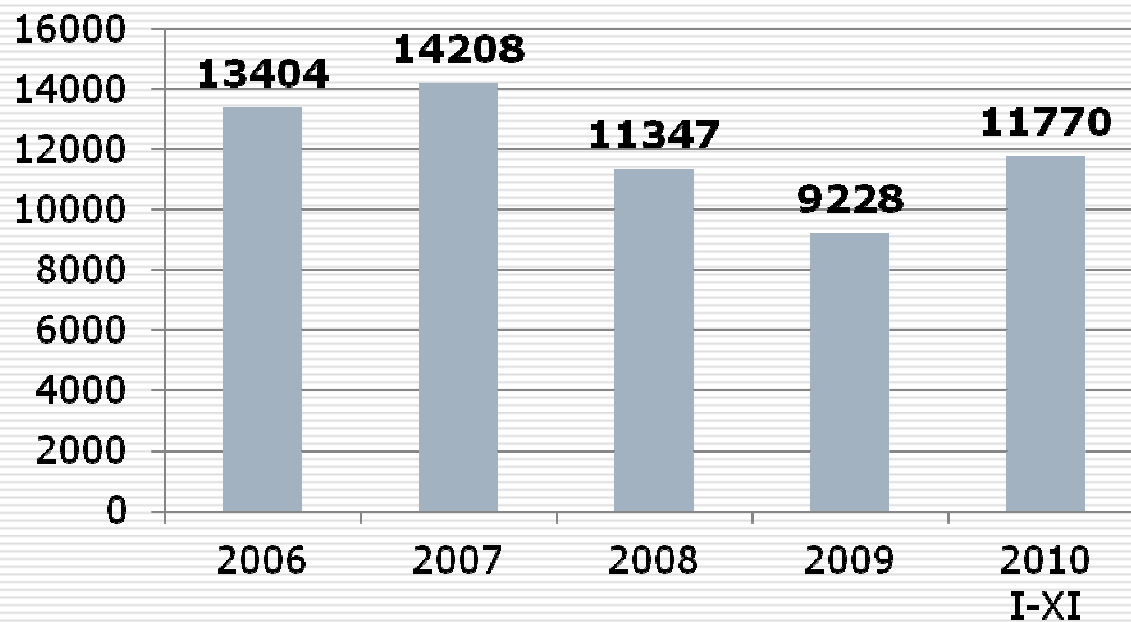


Unemployment rate
% of economically active inhabitants



Business environment trends (2)

Dynamics of start-ups



Competitiveness driving force

External environment of enterprise competitiveness

- Economic situation – inflation, unemployment, level of living, purchasing capacity
- Social, cultural and demographic elements
- Technological factor – science and technology progression
- Political factor – external policy of country
- Juridical factor – legislation, tax policy etc.
- Institutional and informational factor – advisor companies, one-stop shops, banks, etc.

Internal environment of enterprise competitiveness

- **Strategic governance**
- **Managerial skills, ability**
 - Efficiency & Quality
 - Innovation
- **Employees**
- **Use of technology**
- **Business culture**



Support for “Start-up’s”

□ Key directions

- Establishment of the favorable operational framework of legislation for start-ups and SMEs
- Further development to support infrastructure for business start-ups
- Ensure sufficient support for access to finance

Actions

- **Business incubators** (since mid 2009)
 - ✓ 9 regional (179 enterprises)
 - ✓ 1 in Riga for creative industries (26 enterprises)
- **Access to micro – finance**, “Start-up” program in LMLB (training, microcredit, grant)
 - ✓ 152 agreements for financial support (total 2.83 million lats)
- **Further simplification of operational environment for SME especially micro companies**



Action plan for Business Environment Improvement (1)

- Implemented since 1999
- Annually approved by the Cabinet of Ministers
- Report to the government on implementation progress
- Proposals from:
 - Entrepreneurs (Business survey on administrative burdens – every second year)
 - NGO's (The Foreign Investors' Council in Latvia, Latvian Chamber of Commerce and Industry, Employers' Confederation of Latvia, Consultative Council of the SMEs and Craft of Latvia etc.)
- Focusing on World Bank *Doing Business* indicators



Action plan for Business Environment Improvement (2)

□ Areas of improvement and simplification:

- Business start-up
- Property registration
- Tax administration
- Closing a business
- Construction
- E-governance implementation/expansion

✓ *Around 400 activities are implemented*



Starting a business (1)

- ❑ **Amendments to Commercial Law**
- **Reduced requirements for minimum capital** to register a company (starting from 1.42 euro)
- **Business registration certificates provided electronically** (Register of Enterprises)
- **Extended board members term of mandate** (LLC - an open-ended, while stock companies – extended to five years)
- **Proof of payment of capital** – no bank statement needed
- **No samples of official's signs is required**
- ✓ *Around 3 000 companies with share capital under 2 000 lats*



Starting a business (2)

- ❑ **Microenterprises Tax Law** (since September 1, 2010)
 - Criteria for enterprise:
 - turnover – not exceeding 70 000 lats
 - 5 persons (employees/ board members)
 - Tax rate – 9% from turnover includes (payable quarterly):
 - corporate income tax
 - personal income tax
 - pay-roll tax
 - Enterprise risk State fee
 - Simplified tax declaration
 - Accounting software for microenterprises is available free of charge
- ✓ *Around 1 500 micro companies are established up to now*



Starting a business (3)

- ❑ **The patentfee** (*lump sum tax, monthly payment*) **for individuals in selected professions** mainly in crafts and services (since January 1, 2010)
 - The patentfee includes:
 - pay-roll tax
 - personal income tax
 - Areas of professions:
 - beauty services, photo services
 - private household services
 - home care services, sewer services
 - crafts made of wood, straw, clay, glass or stone
 - floristic services
 - gathering bounties of nature
- ✓ *More than 1 000 applications have been received up to now*
- ✓ *Usual term – 1 month*



Tax administration improvement

- ❑ **One stop shop for company registration and VAT application** (from June 1, 2010)
- ❑ **Taxation period – quarter** to enterprises with turnover up to 35 000 lats (half a year—with turnover up to 10 000 lats)
- ❑ **VAT – “cash basis”** (to enterprises with turnover up to 70 000 lats)
- ❑ **Preferential treatment for annual statement preparation**
– enterprises are not required to prepare cash flow statement, statement of changes in equity, the financial statement information is reduced (For two consecutive years indicators on the balance date doesn't increase two of the following criteria: balance total – 250 000 lats, net turnover- 500 000 lats, the average number of employees – 25)
- ❑ **Introduced electronic customs declaration system**
 - Reduced the time required for the export-import procedures
 - Reduced number of documents for tax refund

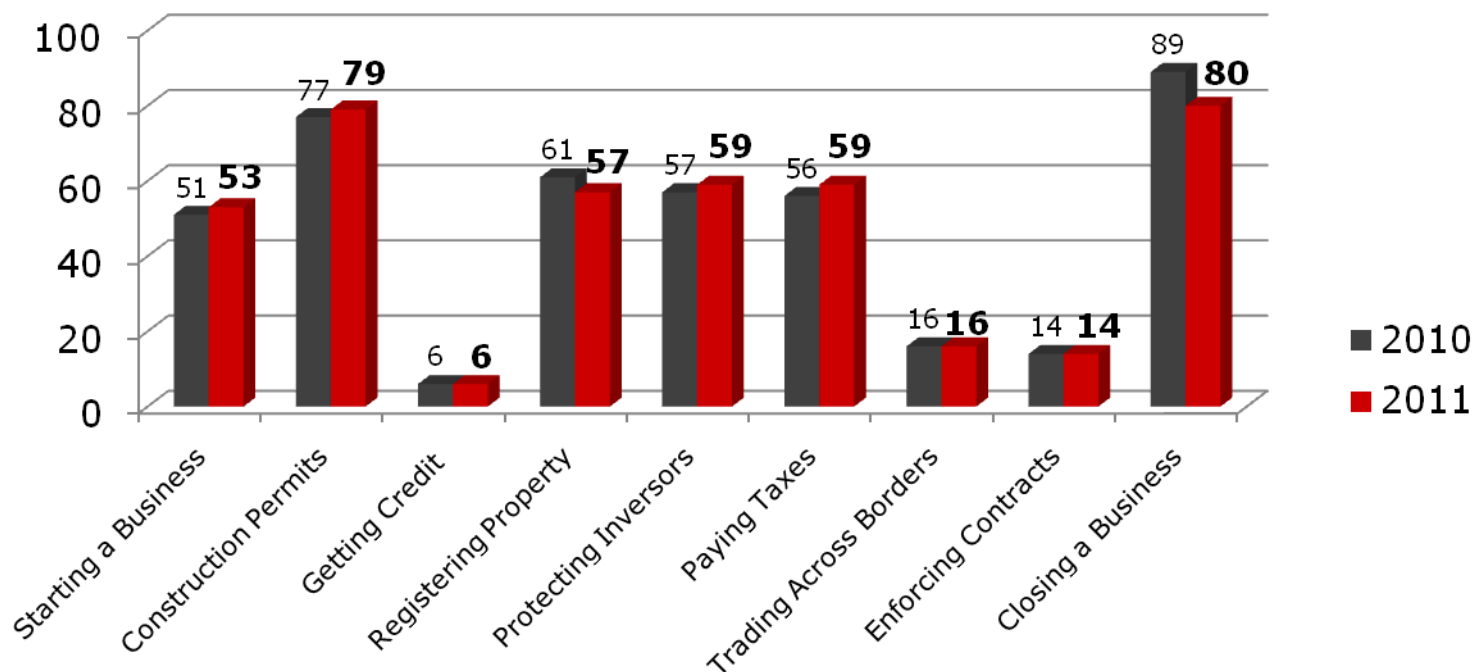


Closing a business – New Insolvency Law

- **Insolvency Law** (since 1 November, 2010)
- Revised goal of insolvency proceedings is "*To **promote the fulfillment of obligations** of the debtor while being in financial distress, and where possible, the financial recovery of the debtor...*"
- Main proceedings under new Insolvency Law:
 - **Reorganization proceedings** of legal entities
 - **Liquidation proceedings** of legal entities (*may not exceed 6 month after declared insolvency*)
 - **Individual insolvency proceedings**



Latvia in *Doing Business*



Latvia	DB 2010	DB 2011	DB 2013
Total rate	27	24	20



Latvijas Republikas

Ekonomikas ministrija

Ministry of Economics

Republic of Latvia

Further activities (1)

- ❑ **Action plan of Business Environment Improvement for 2011**
- ❑ **Implementation of Performance audit results:**
 - In 2010 the State Chancellery carried of the audit of State Administration responsible for business supervision
 - 11 sectors of economy were audited
 - 75 proposals elaborated
 - Actions required - Amendments to legal acts, Simplification of supply of information, Development of ICT solutions, improvement of information exchange between state institutions
 - Planned savings – up to 19,45 million lats (27,67 million euro) per year

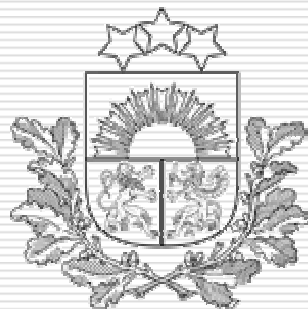


Further activities (2)

- **E-government challenges – One-stop shop for public services - concept is established**
- Priority: electronic public services development and implementation
- Contains an action plan to develop public services delivery until 2013 and to ensure their availability throughout the country

The Concept principally states that every citizen in every community should have access to public services in one-stop agencies





Latvijas Republikas

Ekonomikas ministrija

Ministry of Economics

Republic of Latvia

Thank You!

St. Brivibas 55, Riga, LV 1519

E-mail: pasts@em.gov.lv

www.em.gov.lv