



MINISTRY OF FINANCE
REPUBLIC OF LATVIA

Discussion “Out of the Shadows: Tackling the Grey Economy in Latvia”

Ilmārs Šņucins
18 January, 2017



Long-term aim of the fiscal policy – to increase the quality of life of our citizens in a sustainable way

Specific targets of Medium-term budget:

continue to pursue responsible and sustainable fiscal policy

additional support for health and education

reduce income inequality

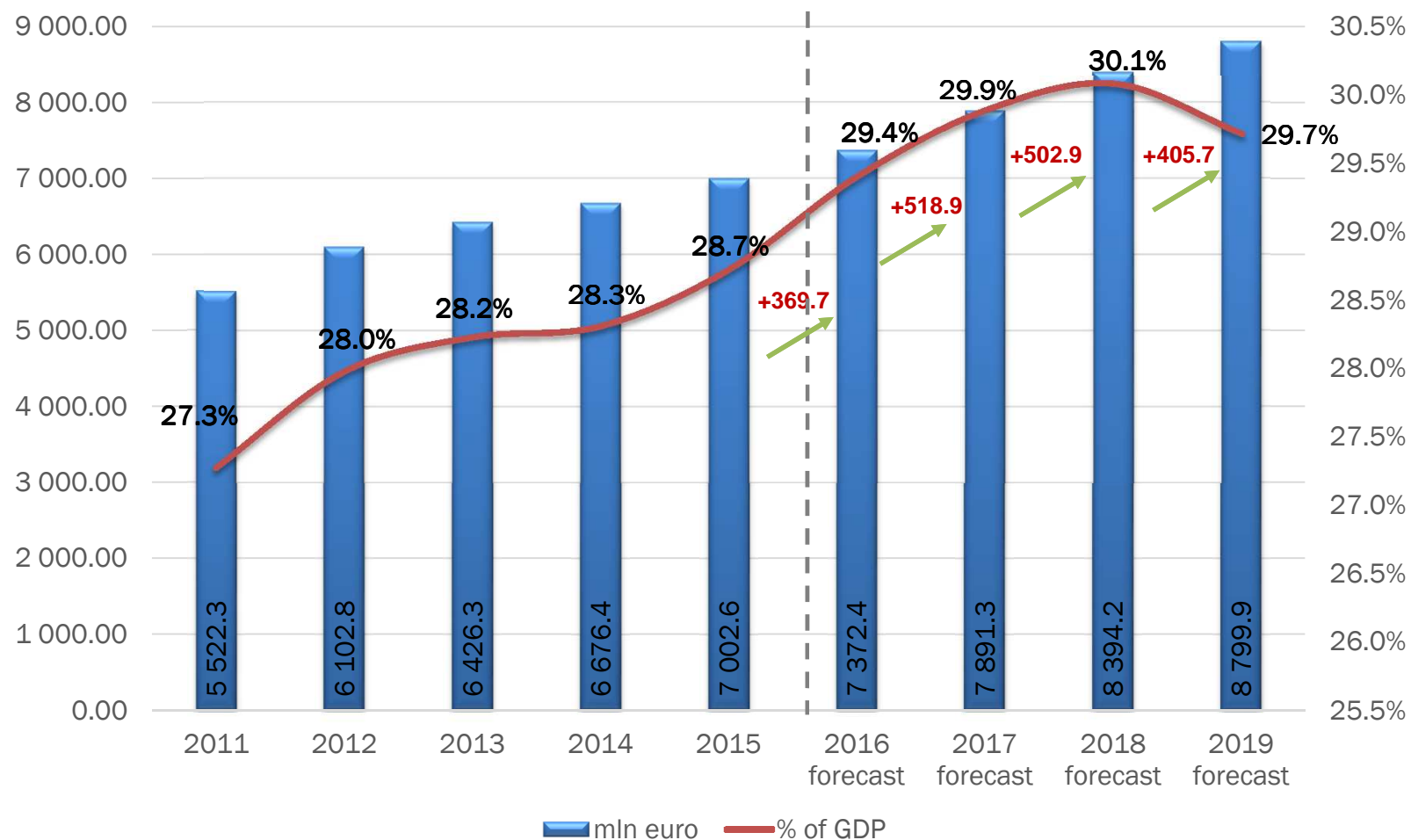
foster economic development friendly environment

provide adequate capacity for internal and external security given geopolitical risks

move towards the ratio of tax revenue to GDP – 1/3



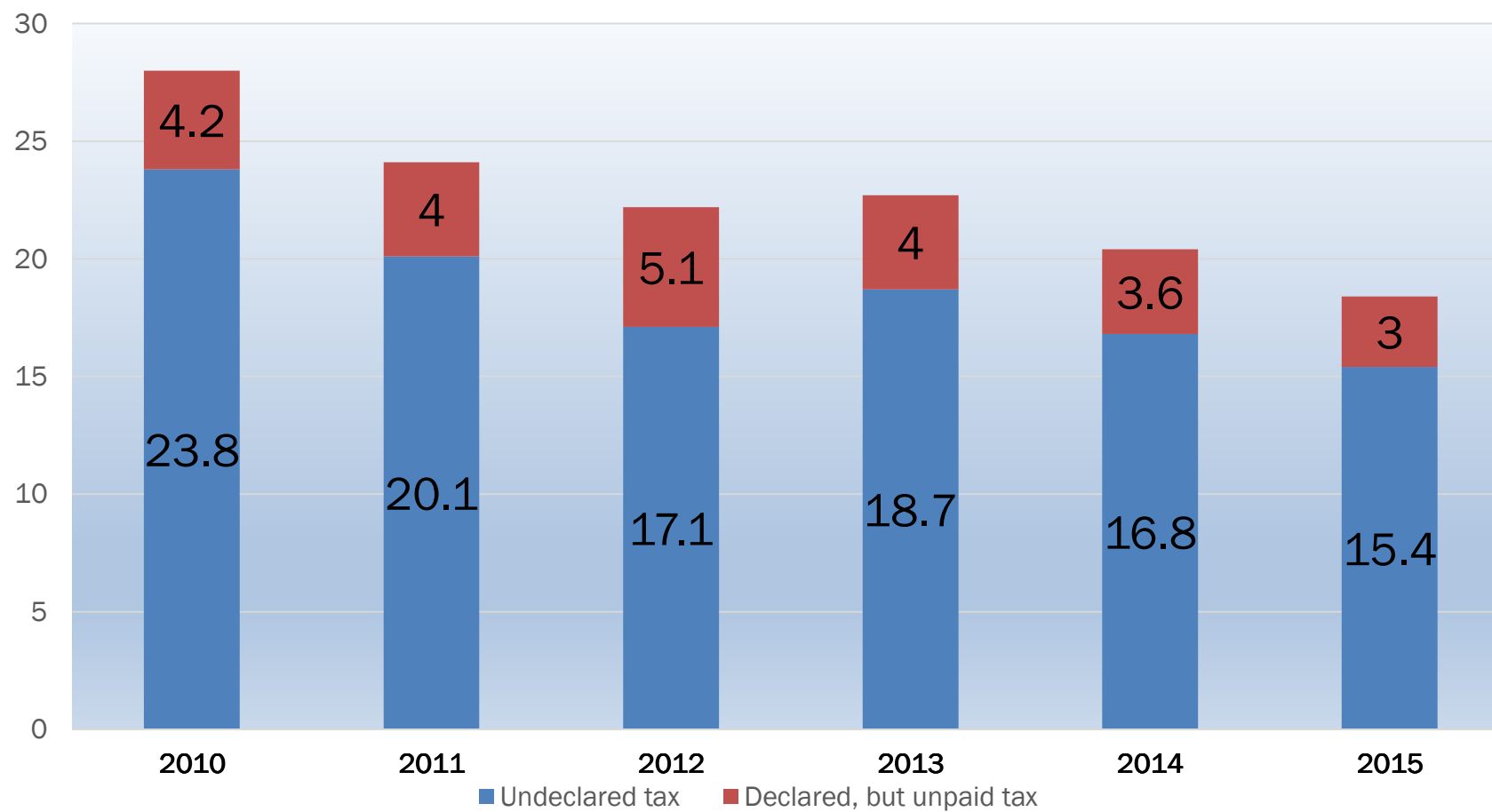
General government tax revenue*



*Not including contributions to the state funded pension scheme

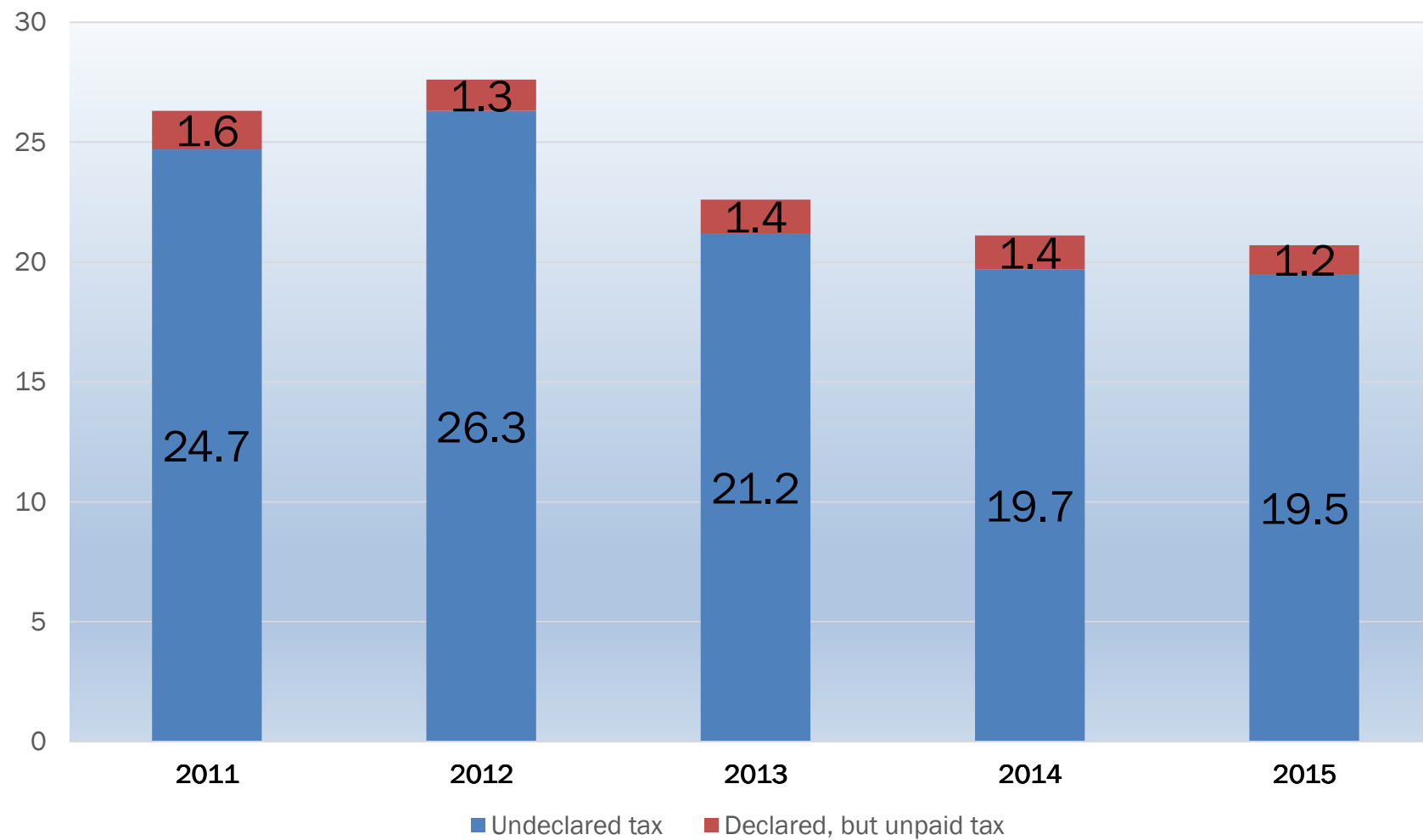


VAT GAP (%)



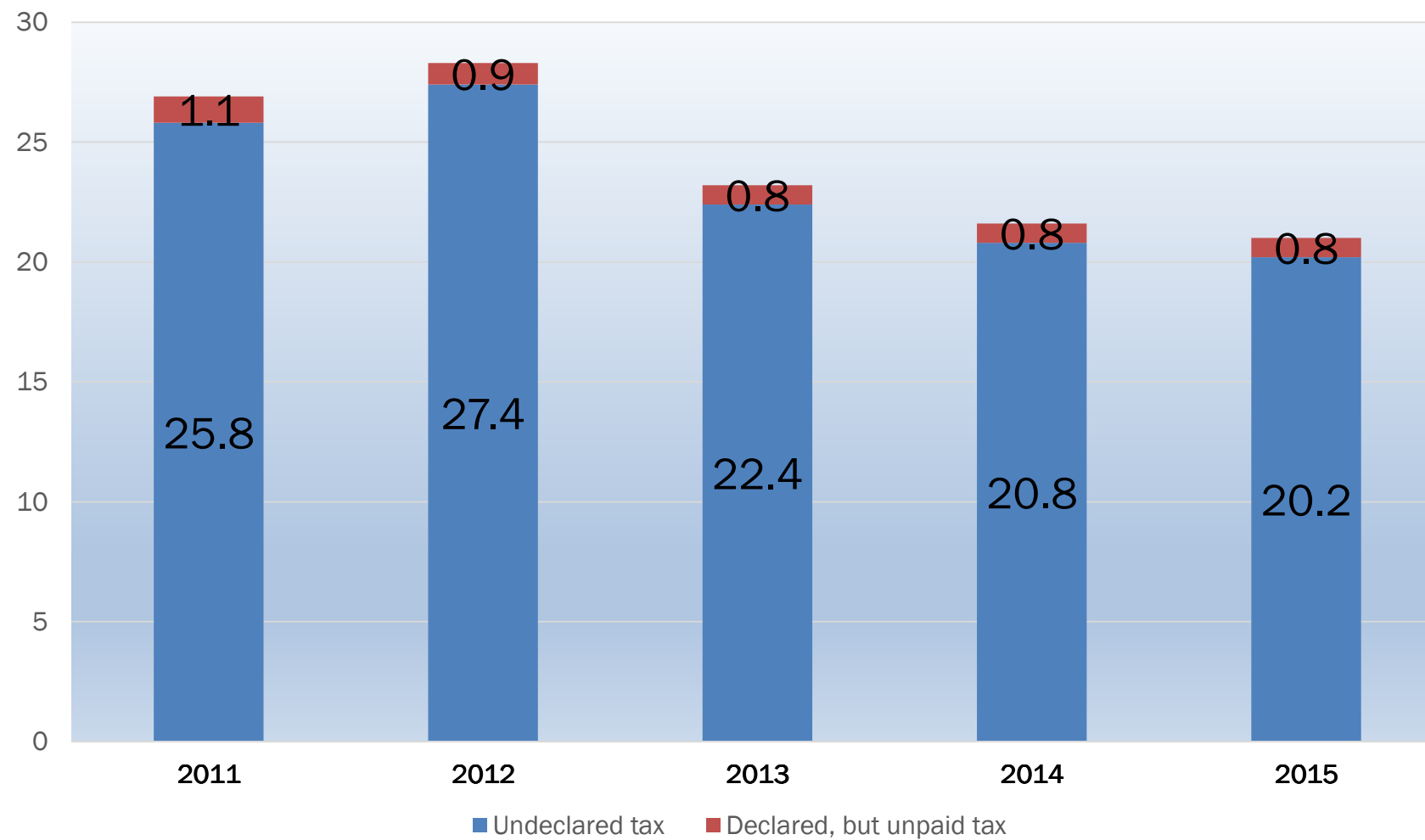


PIT GAP (%)





SOCIAL CONTRIBUTIONS GAP (%)





State institution plan to limit shadow economy 2016-2020

Activities and tasks cover the following issues:

1. Promotion of fair competition, reduction of administrative burdens;
2. Complex solutions to reduce the shadow economy in:
 - 2.1. construction sector;
 - 2.2. trade activities;
 - 2.3. services sector;
 - 2.4. transportation;
 - 2.5. specific transactions.
3. Controlling institutions capacity building:
 - 3.1. exchange of information;
 - 3.2. efficient use of IT capabilities;
 - 3.3. other support measures.
4. Effective disputes and penalties system;
5. Explaining the need to pay taxes through effective exchange of information, communication and education process;
6. The effective tax policy.



State institution plan to limit shadow economy 2016-2020

- The plan includes 60 measures.

At this moment:

- completed 13 actions:
 - outsourcing accountants liability insurance;
 - improved Public Procurement Law concerning the criteria for the of the economic advantage;
 - new provisions for security services business;
 - illegal audiovisual market (television and film) distribution limitation;
 - Improved system and the procedures by which businessmen are exempt from natural resources tax payment.
- 44 measures are at development stage;
- 3 measures not started yet.