



MINISTRY
OF FINANCE
REPUBLIC
OF LATVIA

Action Plan to Reduce Shadow Economy and Promote Fair Competition 2010-2013

Riga 2010



Working group



- Established by the Prime Minister
- Aim – to develop and submit to the Cabinet of Ministers conceptual solutions to reduce shadow economy



Working Group Members



- Social partners (FTUCL, LCCI, FP un ECL)
- Public administration MoE, MoF, MoJ, MoA, MoT, MoW, SC, MoH, SP, SRS, CPCB and experts from BoL and CSB
- Field experts and practitioners



Working group



9 Working group meetings:

- Repressive aspect of elimination shadow economy
- Tax policy and shadow economy
- Motivation
- Change of public attitude



Working group



Industry working group meetings:

- Construction
- Lotteries and gambling
- Logistics
- Trade
- Metals works (scrap iron recycling)
- Agriculture, Fishery and Forestry



Working group



Meeting field experts

- What is shadow economy; appraisal methods in the economic theory
- Consultations with social anthropologists, sociologists and communication experts about public opinion and ways of changing perceptions



Short Term Plan



Progress Report to The Cabinet of Ministers (31st August 2010):

- Law amendments to ensure SRS access to the information from Credit Register – 23rd August accepted in Saeima
- Review of reporting system – included in the mid-term plan as an activity No.17
- Limits on cash transactions in wholesale – proposed law amendments in Saeima
- Set salary standards for receiving TIR carnets – proposed law amendments in Cabinet of Ministers



Action Plan



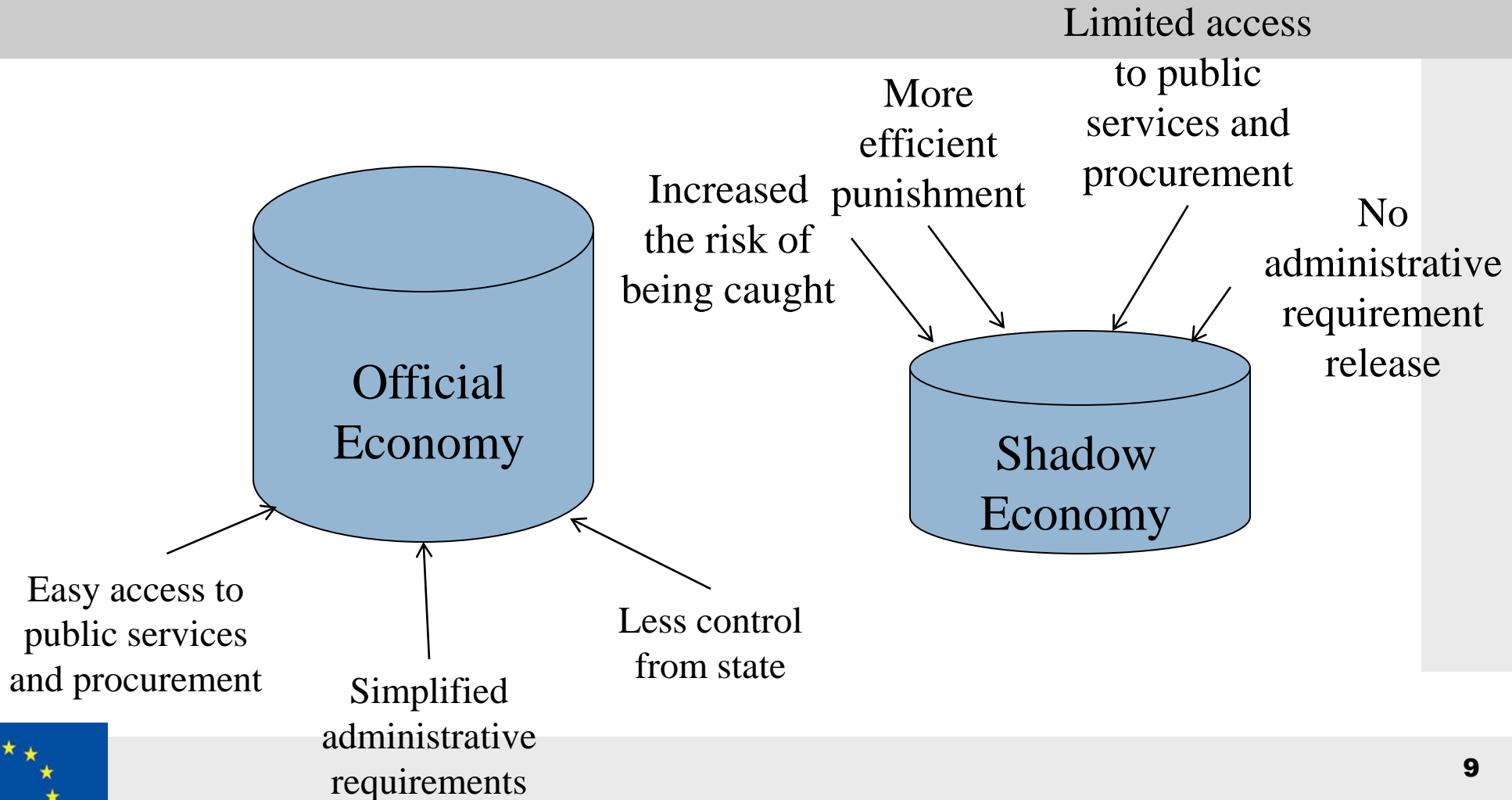
61 supported activities:

- Tax Policy
- Reduction of Administrative Burden
- Facilitating the Transition into Official Economy
- Capacity Building for the Controlling Authorities
- Development of Regulations
- Policy of Punishment
- Public Opinion and Information
- Sector Specific Proposals

17 unsupported activities



The Base Principle: Official Economy More Beneficial, Shadow Economy More Disadvantageous



Tax Policy and Shadow Economy



- Tax policy revision for small enterprises
- Tax burden reduction on labour costs
- Review of CIT and PIT relief system
- Changes in payment procedure (for example, reverse VAT for scrap iron, PIT on gambling winnings)



Administrative Burden Reduction



- Joint Tax Account
- Cooperation among Controlling Authorities
- Simple explanation of new law requirements, more publicity
- Horizontal Priority



Support for Trustworthy Entrepreneurs – The White List



Goal:

- To improve cooperation between state and entrepreneurs
- To improve cooperation among entrepreneurs
- Relief of administrative burden



Support for Trustworthy Entrepreneurs – The White List



Benefits:

- Significant decrease in the number of controlling procedures
- Personal SRS consultant – opportunity to clarify unclear issues, to fix incompliance with no punishment
- Faster tax returns
- Faster and more efficient cooperation with the state
- Relief from preparing informative reports



Support for Trustworthy Entrepreneurs – Cooperation with the State



Timely tax payments are taken into consideration:

- When allocating Public Procurements
- When supporting EU Structural Fund project proposals



Support for Operating in the Registered Economy



- One-off measure to wave fines and overdue payment penalties for entrepreneurs who pay the tax debt within a certain time
- Zero declaration

and

- For a fixed period abolish overdue payment penalty when the tax payment due date is extended or tax payment is split into instalments.



Capacity Building for Controlling Authorities



- By increasing rights
- By increasing access to information
- Optimization of functions and tasks
- Additional financing



More Efficient Punishment



- Review of punishment system
- Punishment according to offence
- United application of punishment
- Cancellation of licenses and permits in case of systematic and serious violations



Communication



- Information about positive and negative examples
- Information about the use of state budget taxes and direct link between quality of public services and amount of money received
- Information about development and implementation of the plan



Further Action



Working Party continues:

- To follow up the implementation of The Plan
- To Re-evaluate the progress and to develop proposals for new activities





**Thank You for Your
Attention!**

