

Minister of Finance Jānis Reirs submits the draft law on #Budget2022 to the Saeima

Published: 19.10.2021.

On Thursday, 14 October, the Minister of Finance Jānis Reirs delivered the budget portfolio to the Saeima in order to traditionally submit the draft law on the state budget prepared by the government for the next year to the Parliament for consideration. Carrying the budget portfolio from the Ministry of Finance to the Saeima is a tradition started in 1997. This year the portfolio was carried for the 24th time.

Next year's state consolidated budget revenue is planned to be 10.663 billion, while expenditure – 12.406 billion euros. Compared to the 2021 budget, the planned state budget revenues in 2022 are projected to be 1.078 billion euros higher. In turn, the next year's state budget expenditures are projected to be 1.642 billion euros higher than in the 2021 state budget law.

The planned revenue in the basic budget is 7.5 billion, but the expenditure is 9.3 billion euros. In the special budget, revenue is projected to be 3.4 billion euros, but expenditure 3.4 billion euros. The general government budget deficit in 2022 is projected to be 1.62 billion euros or 4.8% of gross domestic product (GDP).

99 Minister of Finance Jānis Reirs: *“Our public finances are currently stable. Despite the impact of the Covid-19 pandemic and its challenges, Latvia has maintained a stable position in Group A of the credit rating, confirming the high level of investor confidence in the country's creditworthiness. The 2022 state budget, prepared in pragmatic discussions with local governments as well as the government's social and cooperation partners, will allow us to safeguard the stability of public finances even in the conditions of a pandemic, and to withstand future crises, if necessary. There will be no need for budget consolidation or tax increases next year. This budget is development-orientated, responsible and balanced among sectors – one that allocates funds for both the health and well-being of the population and money for national development and investment. With this budget planning, we comply with the requirements of the European Commission and use the opportunities it offers. The government has consistently continued to reduce the labour tax burden, with a significant increase in the non-taxable minimum next year, which will benefit the low-income earners as well as pensioners. We have been able to agree with the Latvian Association of Local and Regional Governments on targeted support for local governments with the lowest incomes.”*

In the state budget for 2022, the largest additional funds are provided for the health sector – an additional 130.5 million euros, including 49.8 million euros for the improvement of health care services in the field of oncology. Significant additional funding of EUR 103.3 million is planned for the priorities of the Ministry of Environmental Protection and Regional Development, including an increase of EUR 70 million for local government borrowing, while EUR 91.3 million for the Ministry of Welfare in connection with the implementation of the family state benefit reform and EUR 73.7 million for the priorities of the Ministry of Transport.

An additional 40.6 million euros is planned for the increase in the salaries of medical practitioners – 35 million euros for medical personnel, but 5.6 million euros for residents. 15.2 million euros are planned for the increase of teachers' salaries according to the schedule, while 20.7 million euros – for the increase of salaries of employees in the internal affairs sector.

One of the government's main tax priorities is reducing the labour tax burden. As a result of the changes in labour taxes made in 2021, the labour tax burden (tax wedge) for low-income recipients was reduced, which is still slightly higher than in the other Baltic states. In order to further reduce the labour tax burden for low-income recipients and improve the competitiveness of companies among the Baltic states, it is necessary to further increase the personal income tax (PIT) non-taxable minimum, while also raising the non-taxable minimum for pensioners. 93.8 million euros are planned for the respective changes in 2022, assuming that the maximum differentiated non-taxable minimum, as well as the pensioner's non-taxable minimum will be 350 euros from 1 January of the following year, and 500 euros per month from 1 July.

Discussions also took place during the budget preparation process with the government's social and cooperation partners, as well as with industry associations and local governments. As a result of the negotiations, an agreement and a protocol of disagreement between the Cabinet of Ministers and the Latvian Association of Local and Regional Governments (LPS) have been signed. The government has been able to agree with the LPS on targeted support to the low-income municipalities. Taking into account the fact that changes in PIT directly affect local government revenues, additional state budget funding for local government equalisation is determined, which ensures an increase of local government equalised revenues in 2022 by 3.1% compared to 2021. PIT is the main revenue and financial resource of local governments, therefore it is proposed to maintain guarantees for local governments regarding the PIT forecast in the amount of 100% in 2022 as well. This commitment of the government ensures the predictability and stability of budget revenues for local governments.

It is planned to continue issuing loans for investment projects for the construction or expansion of pre-school education institutions, which provide opportunities to reduce the queue of children registered in the municipality for places in pre-school education institutions. Municipalities will also be able to borrow for projects co-financed by EU funds and other foreign financial assistance and other priority investment projects.

🗨️ *"The state budget is the basis for development in all sectors, both in everyday life and in crisis situations. Therefore, I call on the Saeima to responsibly evaluate the prepared draft law, as well as to approve the state budget for 2022!"* said the Minister of Finance Jānis Reirs when presenting the portfolio to the Chairperson of the Saeima Ināra Mūrniece.

<https://www.fm.gov.lv/en/article/minister-finance-janis-reirs-submits-draft-law-budget2022-saeima>