



LATVIJAS REPUBLIKAS FISKĀLĀS DISCIPLĪNAS PADOME

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RĪGĀ

09.03.2015.

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**Cabinet of Ministers of
the Republic of Latvia
Chairwoman
Mrs Laimdota Straujuma**

**Saeima of the Republic of Latvia
Budget and finance (tax) committee
Chairman
Mr Kārlis Šadurskis**

Regarding the potential breach of the Fiscal Discipline Law adopting the Amendments to the Law on Micro-enterprise Tax

According to the Law on Fiscal Discipline (FDL) Article 28 Part 7 the Fiscal Discipline Council (Council) shall prepare and submit to the Saeima and the Cabinet's attention of fiscal policy matters, where it finds them important to comply with the FDL terms.

1. On 17 February 2015 the Cabinet of Ministers reviewed the reply to the proposed draft law on Amendments to the Law on Micro-enterprise Tax. Discussed amendments at the Saeima Budget and finance (tax) committee would result into the deterioration of the fiscal balance of the State Budget in the amount of 7.0 million euros in 2015, 13.0 million euros in 2016 and 18.1 million euro in 2017. No compensatory measures in the State Budget to increase revenue or to reduce budget expenditure have been suggested.
2. The adoption of such Amendments to the Law on Micro-enterprise Tax would lead to reduction of the planned budget incomes for 7 million euros worsen the established in the Law on the Medium-Term Budgetary Framework in 2015, 2016 and 2017 general government budget structural balance in 2015. The exceptions stipulated in the FDL Article 5 Part 1 do not apply to the proposed changes.
3. The Cabinet of Ministers evaluated the draft law submitted by the Saeima Budget and finance (tax) committee and agree on the answer for submission to the Parliament (Cabinet minutes of meeting on 17 February item §27). In its reply the Cabinet concludes that within two weeks there will be prepared compensating measures, however such measures were not prepared within the agreed timing.

4. The Cabinet of Ministers submitted to the Parliament the agreed reply on the draft law Amendments to the Law on Micro-enterprise Tax by listing the breaches that will be caused by adopting the draft law. Nevertheless so far there is not implemented requirements stated by the FDL Article 9 for compensatory proposals not allowing the worsening general government budget structural balance.

To avoid a breach of the FDL, the Council recommends the following:

Postpone the adoption of the draft law on Amendments to the Law on Micro-enterprise Tax until adopting the compensatory measures for reduced budget revenues caused by passing the draft law on Amendments to the Law on Micro-enterprise Tax.

The Council would like to note increased activities in the government recommending new initiatives without due consideration of available funding and insufficient measures to improve the revenue potential of the State.

Council deputy chairperson

Ingars Eriņš