



Finanšu ministrija

# DRAFT BUDGETARY PLAN OF THE REPUBLIC OF LATVIA 2025

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*RIGA, 2024*

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## Abbreviations

|       |  |
|-------|--|
| CCT   | Company Car Tax  |
| CIT   | Corporate Income Tax                                   |
| CoM   | Cabinet of Ministers                                   |
| DIA   | Distributional Impact Assessment                       |
| DRM   | Discretionary revenue measures                         |
| EC    | European Commission                                    |
| ED    | Excise Duty  |
| EQMS  | Educational quality monitoring systems                 |
| ERDF  | European Regional Development Fund                     |
| ESA   | European System of Accounts                            |
| ESF+  | European Social Fund Plus                              |
| EU    | European Union   |
| FDL   | Fiscal Discipline Law                                  |
| GDP   | Gross domestic product                                 |
| GFCF  | Gross fixed capital formation                          |
| GMI   | Guaranteed minimum income                              |
| ICT   | Information and communication technologies             |
| IDAL  | Investment and Development Agency of Latvia            |
| ILA   | Individual learning account                            |
| JSC   | Joint stock company                                    |
| LB    | Bank of Latvia   |
| LGT   | Lottery and Gambling Tax                               |
| MoD   | Ministry of Defence                                    |
| MoE   | Ministry of Economy                                    |
| MoES  | Ministry of Education and Science                      |
| MoF   | Ministry of Finance                                    |
| MoH   | Ministry of Health                                     |
| MoI   | Ministry of Internal Affairs                           |
| MoJ   | Ministry of Justice                                    |
| MoT   | Ministry of Transport                                  |
| MoW   | Ministry of Welfare                                    |
| NRT   | Natural Resources Tax                                  |
| OECD  | Organisation for Economic Co-operation and Development |
| PIT   | Personal income tax                                    |
| pp    | Percentage points                                      |
| RRF   | Recovery and Resilience Facility                       |
| SCSSC | State Compulsory Social Security Contributions         |
| SRS   | State Revenue Service                                  |
| TEN-T | Trans-European Transport Network                       |
| UN    | United Nations   |
| VAT   | Value Added Tax  |
| VOT   | Vehicle Operation Tax                                  |

## Introduction

Within the framework of the European Semester and according to the Regulation No. 473/2013 of the European Parliament and of the Council *on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area* Latvia submits the Draft Budgetary Plan for 2025.

The Draft Budgetary Plan for 2025 has been prepared based on the macroeconomic development scenario developed in June 2024, which projects a GDP growth of 2.9% for 2025. The fiscal development scenario for 2025 includes a no-policy change scenario, as well as a policy change scenario, which encompasses discretionary revenue and expenditure measures adopted by the Cabinet of Ministers (CoM). The budget for 2025 has been prepared, projecting that the nominal deficit of the General Government budget is 2.9% of GDP in 2025 (excluding the Fiscal Security Reserve).

The CoM approved the Draft Budgetary Plan for 2025 on October 14<sup>th</sup> of this year.

## Macroeconomic Development Scenario

The medium-term macroeconomic development scenario for 2024–2028 was developed in June 2024, based on GDP data from the first quarter of 2024, as well as short-term macroeconomic information available up until June of this year. In preparing the medium-term macroeconomic development scenario, the Ministry of Finance (MoF) consulted with the International Monetary Fund, the European Commission (EC), and commercial bank experts. The macroeconomic indicator forecasts were agreed with the Bank of Latvia and the Ministry of Economics and were approved by the Fiscal Discipline Council on June 10<sup>th</sup>, 2024.

The forecasts are based on the assumption that, in line with the EC's spring forecasts, the economic growth of Latvia's trading partners will accelerate in the second half of 2024. Consequently, Latvia's economic growth forecast for 2024 is 1.4%, and 2.9% in 2029, which is in line with the forecasts prepared by the MoF in February for the 2024–2028 Stability Program. Economic growth will slow slightly in the following three years, stabilizing at around 2.5%.

After a slight decline in 2023, mainly caused by the geopolitical situation and weak economic growth in external markets, **GDP** growth recovered at the beginning of 2024. Growth in the first quarter was driven by strong public consumption and a recovery in private consumption following the rapid price increases of recent years. In the following quarters, growth will mainly be stimulated by a recovery in external demand and increased use of EU fund investments. In recent months, there has been a gradual improvement in business and consumer confidence indicators. The recovery of economic growth in the Eurozone will also be supported by a reduction in interest rates, which the European Central Bank initiated in June of this year, lowering the rate by 0.25 pp.

In 2023, **private consumption** was significantly constrained by high inflation and a decrease in purchasing power, impacting consumer confidence. As a result, the scenario projects only very moderate private consumption growth in 2024 and 2025, largely due to uncertainty about personal financial situations, despite currently low inflation and still high wage growth. Overall, consumption growth will be slightly lower than forecast in February 2024. According to updated forecasts, private consumption growth could reach 1.6% in 2024 and 1.8% in 2025, which is 0.3 and 0.8 pp lower, respectively, than in the February forecasts, with private consumption contributing the most (around 1 pp) to GDP growth.

**Public consumption** will also make a significant contribution to growth. Budget expenditures for 2024 will ensure that public consumption grows by 4.6%, driven by both wage increases in the public sector and a growing defence budget. In subsequent years, under no policy change scenario, public consumption is expected to grow by around 2% annually.

**Investment** growth in 2024 is expected to be very low, as the year began with a decline in investments, following very rapid growth in the previous year. The absorption of EU fund investments in major projects is also still lagging behind. Therefore, it is projected that investment volume will increase by only 0.3% in 2024, which is 3.6 pp lower than in the February forecasts. However, in 2025, investments are expected to be boosted by EU funds and the RRF funding, as well as the implementation of the *Rail Baltica* project, ensuring investment growth of 4.5%. In the following years, investments are expected to increase by an average of 2% annually.

Regarding the **export** forecast, its dynamics will be influenced by the economic activity of Latvia's trading partners, based on the EC's spring forecasts. External demand in 2024 will be moderate, and export growth will no longer be driven by a sharp increase in export prices. As a result, the export volume may remain at around the same level as the previous year, increasing by 0.3%. In 2025, export growth will recover to 3.2%, and similar, slightly faster growth is expected in the medium term.

**Inflation** in the first months of 2024 has decreased slightly faster than expected, as the reduction in energy prices has been more significant than anticipated at the beginning of the year. Therefore, the forecast for the overall increase in consumer prices for 2024 has been revised down to 1.2%, which is 0.4 pp lower than the MoF predicted in February. In 2025, inflation is expected to rise to 2.2%, while in the medium term, up to 2028, inflation is forecast to stabilize at around 2.5% per year, which corresponds to the price increase level of a converging economy.

At the beginning of 2024, the average **monthly wage** continued to grow rapidly, driven by the increase in the minimum wage and higher government spending on public sector wages. Consequently, the average gross monthly wage of employed persons in the economy will increase by 7.7% in 2024 and by 6.3% in 2025. In the medium term, wage growth is expected to slow down and align with productivity growth, stabilizing at around 5%.

Due to the economic downturn at the end of last year and the first months of this year, the **unemployment** rate has slightly increased, and the unemployment forecast has been revised upwards to 6.7% for 2024 and 6.3% for 2025. Despite this revision, the overall trend of a decreasing unemployment rate remains, supported by the declining working-age population and a faster recovery in economic growth. By 2028, the unemployment rate is expected to fall to around 5.0%. The number of employed persons in the economy will remain stable at around 884 000, with a slight downward trend.

**Table 0i. Basic assumptions** <sup>1</sup>

|  | 2023 | 2024 | 2025 |
|--|------|------|------|
| <b>Short-term interest rate (annual average)</b> | 3.4  | 3.6  | 2.8  |
| <b>Long-term interest rate (annual average)</b>  | 2.4  | 2.4  | 2.5  |
| <b>USD/EUR exchange rate (annual average)</b>    | 1.08 | 1.07 | 1.07 |
| <b>Nominal effective exchange rate</b>           | 6.98 | 2.91 | 1.66 |
| <b>World (excluding EU), GDP growth, %</b>       | 3.5  | 3.5  | 3.6  |
| <b>EU GDP growth, %</b>                          | 0.4  | 1.0  | 1.6  |
| <b>Growth of relevant foreign markets, %</b>     | 1.1  | 3.3  | 3.6  |
| <b>World import volumes, excluding EU, %</b>     | 0.9  | 3.3  | 3.5  |
| <b>Oil prices (Brent, USD/barrel)</b>            | 82.5 | 85.4 | 80.0 |

**Table 0.ii: Main assumptions**

|   | 2023     | 2024     | 2025     |
|---|----------|----------|----------|
| <b>Fiscal policy</b>                                    |          |          |          |
| <b>a. General Government net lending/ net borrowing</b> | -2.2     | -2.6     | -2.9     |
| <b>b. General gross debt, mln EUR</b>                   | 17 581.4 | 19 207.6 | 20 841.1 |

<sup>1</sup> Datu avots: EK 2024. gada pavasara prognozes.

Table 1.a: Macroeconomic prospects

|   | ESA Code    | 2023   | 2023              | 2024 | 2025 |
|---|-------------|--------|-------------------|------|------|
|   |             | Levels | Rate of change, % |      |      |
| <b>1. Real GDP</b>  | B1*g        | 28.7   | -0.3              | 1.4  | 2.9  |
| <b>of which</b>   |             |        |                   |      |      |
| <b>Attributable to the estimated impact of aggregated budgetary measures on economic growth</b> |             |        |                   |      |      |
| <b>2. Potential GDP</b>   |             | 29.0   | 2.3               | 2.2  | 2.2  |
| <b>Contributions</b>  |             |        |                   |      |      |
| <b>Potential GDP contributions: labour</b>  |             |        | 0.0               | 0.1  | -0.3 |
| <b>Potential GDP contributions: capital</b>   |             |        | 0.9               | 0.8  | 0.9  |
| <b>Potential GDP contributions: total factor productivity</b>                                   |             |        | 1.4               | 1.4  | 1.6  |
| <b>3. Nominal GDP</b>   | B1*g        | 40.3   | 5.1               | 3.8  | 5.9  |
| <b>Components of Real GDP</b>   |             |        |                   |      |      |
| <b>4. Private consumption expenditure</b>   | P.3         | 17.5   | -1.3              | 1.6  | 1.8  |
| <b>5. Government consumption expenditure</b>  | P.3         | 5.9    | 7.0               | 4.6  | 2.1  |
| <b>6. Gross fixed capital formation</b>   | P.51        | 7.1    | 8.2               | 0.3  | 4.6  |
| <b>7. Changes in inventories and net acquisition of valuables (% of GDP)</b>                    | P.52 + P.53 | 1.4    | -                 | -    | -    |
| <b>8. Exports of goods and services</b>   | P.6         | 19.7   | -5.9              | 0.3  | 3.2  |
| <b>9. Imports of goods and services</b>   | P.7         | 22.9   | -2.8              | 1.0  | 2.2  |
| <b>Contribution to real GDP growth</b>  |             |        |                   |      |      |
| <b>10. Final domestic demand</b>  |             |        | 2.4               | 2.0  | 2.6  |
| <b>11. Changes in inventories and net acquisition of valuables</b>                              | P.52 + P.53 |        | -0.7              | 0.0  | -0.1 |
| <b>12. External balance of goods and services</b>   | B.11        |        | -2.0              | -0.6 | 0.4  |

Table 1.b: Price developments

|  | ESA Code | 2023   | 2023              | 2024 | 2025 |
|--|----------|--------|-------------------|------|------|
|  |          | Levels | Rate of change, % |      |      |
| <b>1. GDP deflator</b>                               |          |        | 5.4               | 2.4  | 2.9  |
| <b>2. Private consumption deflator</b>               |          |        | 8.0               | 1.0  | 1.7  |
| <b>3. HICP</b>                                       |          |        | 8.9               | 1.2  | 2.2  |
| <b>4. Public consumption deflator</b>                |          |        | 0.6               | 3.6  | 3.7  |
| <b>5. Investment deflator</b>                        |          |        | 6.4               | 3.0  | 3.3  |
| <b>6. Export price deflator (goods and services)</b> |          |        | -1.8              | 1.5  | 2.6  |
| <b>7. Import price deflator (goods and services)</b> |          |        | -5.2              | 0.7  | 2.0  |

**Table 1.c: Labour market developments**

|  | ESA Code | 2023   | 2023              | 2024 | 2025 |
|--|----------|--------|-------------------|------|------|
|  |          | Levels | Rate of change, % |      |      |
| <b>1. Employment, persons (^ 000)</b>            |          | 884    | -0.2              | 0.0  | 0.0  |
| <b>2. Employment, hours worked</b>               |          | 1 862  | -0.4              | 0.0  | 0.0  |
| <b>3. Unemployment rate (%)</b>                  |          |        | 6.5               | 6.7  | 6.3  |
| <b>4. Labour productivity, per person</b>        |          |        | -0.1              | 1.4  | 2.9  |
| <b>5. Labour productivity, per hours worked</b>  |          |        | 0.3               | 1.4  | 2.9  |
| <b>6. Compensation of employees, bln EUR</b>     | D.1      | 20,6   | 12.7              | 6.7  | 6.3  |
| <b>7. Compensation per employee (Gross wage)</b> |          | 1 537  | 11.9              | 7.7  | 6.3  |

**Table 1.d: Sectoral balances**

|   | ESA Code   | 2023 | 2024 | 2025 |
|---|------------|------|------|------|
| <b>1. Net lending/borrowing vis-à-vis the rest of the world</b> | B.9        | -1.9 | -1.9 | -1.0 |
| of which  |            |      |      |      |
| - Balance on goods and services                                 |            | -3.6 | -3.7 | -2.8 |
| - Balance of primary incomes and transfers                      |            | -0.2 | -0.2 | 0.7  |
| - Capital account   |            | 1.9  | 2.0  | 1.1  |
| <b>2. Net lending/borrowing of the private sector</b>           | B.9        | 0.3  | 0.7  | 1.9  |
| <b>3. Net lending/borrowing of general government</b>           | EDP<br>B.9 | -2.2 | -2.6 | -2.9 |
| <b>4. Statistical discrepancy</b>                               |            | 0.0  | 0.0  | 0.0  |



## Fiscal strategy and structural balance objectives

The Draft Budgetary Plan for 2025 has been prepared at a time when there is still a war in Europe, in addition to this, the geopolitical situation in the Middle East has escalated.

In 2024, the application of EU fiscal rules was reinstated, terminating the operation of the EU's general escape clause, and the EU economic governance framework reform package<sup>2</sup> (the new EU fiscal rules) entered into force on April 30<sup>th</sup>, 2024. In accordance with Regulation (EU) 2024/1263 of the European Parliament and of the Council of April 29<sup>th</sup>, 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97, the Fiscal Structural Plan of Latvia for 2025-2028 has been prepared, which will be submitted to the EC on October 15<sup>th</sup>, 2024 together with this document. The Draft Budgetary Plan for 2025 has been prepared respecting with the fiscal trajectory defined in the Fiscal Structural Plan for 2025-2028.

The Fiscal policy of Latvia is subordinated to the Declaration on the planned activities of the CoM led by the prime minister Evika Silina<sup>3</sup>. Accordingly, the general goal of the Fiscal policy of Latvia remains unchanged - building a sustainable state by improving the quality of life for families. According to the Declaration, the Fiscal policy is planned to be implemented responsibly, ensuring government debt in the long term at an average level of 40% of GDP, observing the principles of counter-cyclical fiscal policy and ensuring a socially responsible and development-promoting fiscal policy.

The CoM on June 18<sup>th</sup>, 2024, considering the Informative Report "On the Priority Development Directions of the Medium-Term Budget", taking into account the macroeconomic development forecasts used in the preparation of the Stability Programme of Latvia for 2024-2028, the projected negative fiscal space and the provisions of the Law on Budget and Financial Management<sup>4</sup>, made a conceptual decision in the preparation of the draft law "On the State Budget for 2025 and the Budget Framework for 2025, 2026 and 2027" to determine **national security as the only medium-term budget priority development direction** (Protocol No. 25 § 74, Point 2). Determining other priority development directions of the medium-term budget was possible only by reviewing the expenses of existing budget programs/subprograms and redirecting resources to more urgent priority measures, or by identifying additional funding sources by preparing fiscally neutral proposals for financing new priority measures.

<sup>2</sup> • Regulation (EU) 2024/1263 of the European Parliament and of the Council of April 29, 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97, available: [https://eur-lex.europa.eu/legal-content/LV/TXT/?uri=OJ:L\\_202401263](https://eur-lex.europa.eu/legal-content/LV/TXT/?uri=OJ:L_202401263);

• Regulation (EU) 2024/1264 of the European Parliament and of the Council of April 29, 2024, amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure, available: [https://eur-lex.europa.eu/legal-content/LV/TXT/?uri=OJ:L\\_202401264](https://eur-lex.europa.eu/legal-content/LV/TXT/?uri=OJ:L_202401264);

• Council Directive (EU) 2024/1265 of April 29, 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States, available: [https://eur-lex.europa.eu/legal-content/LV/TXT/PDF/?uri=OJ:L\\_202401265&qid=1727436207155](https://eur-lex.europa.eu/legal-content/LV/TXT/PDF/?uri=OJ:L_202401265&qid=1727436207155)

<sup>3</sup> Declaration on the planned activities of the CoM led by Evika Silina on September 15, 2023, available: <https://www.mk.gov.lv/lv/media/16704/download?attachment>

<sup>4</sup> The first part of Article 16.1 of the Law on Budget and Financial Management stipulates that ministries and other central state institutions submit proposals for priority measures and the funding necessary for their implementation only if in the coming economic years, according to current macroeconomic development forecasts, funds will be available for financing priority measures. Taking into account the forecasts of available funds, the CoM can determine the conditions for the submission and evaluation of priority measures in addition to those mentioned in the second part of this article.

Accordingly, line ministries had to review the base expenses and prepare proposals to ensure the financing of other measures not related to national security within the existing base expenses. Independent institutions were also invited to submit proposals on priority measures related only to national security.

In the preparation of the Draft Budgetary Plan for 2025, the decision of the CoM was taken into account (CoM 30.04.2024 session protocol No. 18; § 53) on increasing the allowable structural deficit of the FDL from 0.5% of GDP to 1% of GDP<sup>5</sup>. Taking into account the planned amendments to the amount of the permissible structural deficit, **recognition of new spending measures as one-off (in addition to those already approved)<sup>6</sup> is not foreseen**, accordingly the scope of one-off measures is narrowed down to those measures that are applicable to the investment projects approved and to be implemented over several years, as well as maintaining gradual amortization rule regarding the increase in the national defence base expenditure compared to the previous year.

Three fiscal conditions are applied in determining the general government structural balance objective for 2025:

1. FDL structural balance condition;
2. EU structural primary balance condition ;
3. EU nationally financed net primary expenditure condition.

Each of the mentioned fiscal conditions refers to a different fiscal indicator, but in order to ensure comparability and to determine which of the fiscal conditions is dominant, the fiscal indicators are converted into one fiscal indicator. For this purpose, the FDL structural balance indicator was already selected during the preparation of the Stability Programme for 2024-2028.

The calculation of the FDL structural balance condition takes into account the total amount of one-off measures for 2025, which is 1.7% of GDP.

Recalculating the fiscal conditions in terms of the FDL structural balance, the values of the general government budget structural balance target for 2025 are as follows:

- 1.0% of GDP, based on the FDL structural balance condition;
- 0.97% of GDP, based on the EU structural primary balance condition;
- 1.11% of GDP, based on the EU expenditure growth condition.

Accordingly, the EU structural primary balance condition is dominant and **the general government budget structural balance target, which fulfills all three conditions, is -0.97% of GDP for 2025. Accordingly, in 2025, the amount of fiscal space was set at a negative 13.0 million EUR.**

In the process of preparing the Draft Budgetary Plan for 2025, the expansion of the fiscal space took place with new policy measures, decisions were made within the framework of tax policy and expenditure revision, as well as new fiscally neutral measures. Taking into account all the new measures approved by the CoM, the fiscal conditions set a different structural balance for the EU expenditure growth condition, but did not change it for the other

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<sup>5</sup> Amendments to the FDL have been approved at the CoM meeting on 24.09.2024; available: [https://tapportals.mk.gov.lv/legal\\_acts/4aa5676b-953b-4490-8e90-55a972d3f0d6#](https://tapportals.mk.gov.lv/legal_acts/4aa5676b-953b-4490-8e90-55a972d3f0d6#), submitted to the Saeima in the package of documents accompanying the draft law "On the State Budget for 2025 and the Budget Framework for 2025, 2026 and 2027".

<sup>6</sup> Within the framework of Article 5 of the Law "On the State Budget for 2023 and the Budget Framework for 2023, 2024 and 2025" and "On the State Budget for 2024 and the Budget Framework for 2024, 2025 and 2026".

fiscal conditions. The additional impact on EU structural primary balance condition and the condition EU expenditure growth caused by the differences between the forecasts of the EC and Latvia.

After the adoption of the policy measures, the dominant fiscal condition in 2025 is the EU structural primary balance condition and as a result **the general government budget structural balance objective meeting all three conditions is -0.82% of GDP for 2025.**

After the adoption of policy measures, the growth of nationally financed net primary expenditure in 2025 is 4.4% (without Fiscal Security Reserve; 4.6% with Fiscal Security Reserve) (Table 10).

In order to amortize fiscal risks in 2025, a Fiscal Security Reserve of 0.1% of GDP was determined. The general government budget deficit, excluding the Fiscal Security Reserve, is projected at 2.9% of GDP.

**Table 2.a: General government budgetary targets broken down by subsector**

|  | ESA Code | 2024     | 2025 |
|--|----------|----------|------|
|  |          | % of GDP |      |
| <b>Net lending (+) / net borrowing (-) (B.9) by sub-sector</b>   |          |          |      |
| <b>1. General government</b>                                     | S.13     | -2.6     | -2.9 |
| <b>2. Central government</b>                                     | S.1311   | -3.4     | -3.9 |
| <b>3. State government</b>                                       | S.1312   |          |      |
| <b>4. Local government</b>                                       | S.1313   | 0.0      | 0.0  |
| <b>5. Social security funds</b>                                  | S.1314   | 0.8      | 1.0  |
| <b>6. Interest expenditure</b>                                   | D.41     | 1.1      | 1.2  |
| <b>7. Primary balance</b>  |          | -1.5     | -1.7 |
| <b>8. One-off and other temporary measures</b>                   |          | -1.7     | -1.7 |
| <b>9. Real GDP Growth(%) (=1 in Table 1a)</b>                    |          | 1.4      | 2.9  |
| <b>10. Potential GDP Growth(%) (=2 in Table 1a)</b>              |          | 2.2      | 2.2  |
| <b>Contributions</b>   |          |          |      |
| <b>-Labour</b>   |          | 0.1      | -0.3 |
| <b>-Capital</b>  |          | 0.8      | 0.9  |
| <b>-Total factor productivity</b>                                |          | 1.4      | 1.6  |
| <b>11. Output gap (% of potential GDP)</b>                       |          | -1.8     | -1.1 |
| <b>12. Cyclical budgetary component (% of GDP)</b>               |          | -0.7     | -0.4 |
| <b>13. Cyclically adjusted balance (1-12) (% of GDP)</b>         |          | -1.9     | -2.5 |
| <b>14. Cyclically adjusted primary balance (13+6) (% of GDP)</b> |          | -0.8     | -1.2 |
| <b>15. Structural balance (13-8) (% of GDP)</b>                  |          | -0.2     | -0.7 |

Table 2.b: General government debt developments

|   | ESA Code | 2024       | 2025 |
|---|----------|------------|------|
|   |          | % of GDP   |      |
| <b>1. Gross debt</b>  |          | 45.8       | 47.0 |
| <b>2. Change in gross debt ratio</b>  |          | 2.3        | 1.1  |
| <b>Contributions to changes in gross debt</b>                                   |          |            |      |
| <b>3. Primary balance</b>   |          | -1.5       | -1.7 |
| <b>4. Interest expenditure</b>  | EDP D.41 | 1.1        | 1.2  |
| <b>5. Stock-flow adjustment</b>   |          | 1.3        | 0.8  |
| <b>Implicit interest rate on debt</b>   |          | 2.6        | 2.8  |
| <b>Other relevant variables</b>   |          |            |      |
| <b>6. Liquid financial assets</b>   |          |            |      |
| <b>7. Net financial debt (7=1-6)</b>  |          |            |      |
| <b>8. Debt amortization (existing bonds) since the end of the previous year</b> |          | 3.2        | 3.4  |
| <b>9. Percentage of debt denominated in foreign currency</b>                    |          | 6.0        | 5.5  |
| <b>10. Average maturity</b>   |          | 6.54 years |      |

Table 2.c: Contingent liabilities

| % of GDP                 | 2024 | 2025 |
|--------------------------|------|------|
| <b>Public guarantees</b> | 1.5  | 1.5  |

Table 3: General government expenditure and revenue projections at unchanged policies broken down by main components

|   | ESA Code   | 2024     | 2025 |
|---|------------|----------|------|
|   |            | % of GDP |      |
| <b>1. Total revenue at unchanged policies</b>     | TR         | 42.1     | 40.9 |
| <b>Of which</b>                                   |            |          |      |
| <b>1.1. Taxes on production and imports</b>       | D.2        | 14.3     | 14.1 |
| <b>1.2. Current taxes on income, wealth, etc.</b> | D.5        | 8.6      | 8.4  |
| <b>1.3. Capital taxes</b>                         | D.91       | 0.0      | 0.0  |
| <b>1.4. Social contributions</b>                  | D.61       | 11.2     | 11.2 |
| <b>1.5. Property income</b>                       | D.4        | 1.5      | 0.8  |
| <b>1.6. Other</b>                                 |            | 6.5      | 6.4  |
| <b>p.m.: Tax Burden (D.2+D.5+D.61+D.91-D.995)</b> |            | 34.2     | 33.8 |
| <b>2. Total expenditure at unchanged policies</b> | TE         | 44.7     | 43.8 |
| <b>of which</b>                                   |            |          |      |
| <b>2.1. Compensation of employees</b>             | D.1        | 12.7     | 12.2 |
| <b>2.2. Intermediate consumption</b>              | P.2        | 6.8      | 6.5  |
| <b>2.3. Social payments</b>                       | D.62 D.632 | 14.1     | 13.9 |
| <b>of which Unemployment benefits</b>             |            | 0.4      | 0.4  |
| <b>2.4. Interest expenditure</b>                  | D.41       | 1.1      | 1.2  |

|   | ESA Code | 2024     | 2025 |
|---|----------|----------|------|
|   |          | % of GDP |      |
| <b>2.5. Subsidies</b>                     | D.3      | 0.8      | 0.7  |
| <b>2.6. Gross fixed capital formation</b> | P.51     | 5.1      | 5.2  |
| <b>2.7. Capital transfers</b>             | D.9      | 0.1      | 0.1  |
| <b>2.8. Other</b>                         |          | 4.0      | 4.0  |

**Table 4.a: General government expenditure and revenue targets, broken down by main components**

|   | ESA Code   | 2024     | 2025 |
|---|------------|----------|------|
|   |            | % of GDP |      |
| <b>1. Total revenue target</b>                    | TR         | 42.1     | 41.5 |
| <b>Of which</b>                                   |            |          |      |
| <b>1.1. Taxes on production and imports</b>       | D.2        | 14.3     | 14.3 |
| <b>1.2. Current taxes on income, wealth, etc.</b> | D.5        | 8.6      | 8.2  |
| <b>1.3. Capital taxes</b>                         | D.91       | 0.0      | 0.0  |
| <b>1.4. Social contributions</b>                  | D.61       | 11.2     | 11.5 |
| <b>1.5. Property income</b>                       | D.4        | 1.5      | 0.9  |
| <b>1.6. Other</b>                                 |            | 6.5      | 6.6  |
| <b>p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)</b> |            | 34.2     | 34.2 |
| <b>2. Total expenditure target</b>                | TE         | 44.7     | 44.4 |
| <b>of which</b>                                   |            |          |      |
| <b>2.1. Compensation of employees</b>             | D.1        | 12.7     | 12.3 |
| <b>2.2. Intermediate consumption</b>              | P.2        | 6.8      | 6.7  |
| <b>2.3. Social payments</b>                       | D.62 D.632 | 14.1     | 13.9 |
| <b>of which Unemployment benefits</b>             |            | 0.4      | 0.4  |
| <b>2.4. Interest expenditure</b>                  | D.41       | 1.1      | 1.2  |
| <b>2.5. Subsidies</b>                             | D.3        | 0.8      | 0.7  |
| <b>2.6. Gross fixed capital formation</b>         | P.51       | 5.1      | 5.2  |
| <b>2.7. Capital transfers</b>                     | D.9        | 0.1      | 0.1  |
| <b>2.8. Other</b>                                 |            | 4.0      | 4.2  |

**Table 4.c General government expenditure by function**

**Table 4.c.i): General government expenditure on education, healthcare and employment**

|                              | 2024     |                                     | 2025     |                                     |
|------------------------------|----------|-------------------------------------|----------|-------------------------------------|
|                              | % of GDP | % of general government expenditure | % of GDP | % of general government expenditure |
| <b>Education<sup>7</sup></b> | 6.1      | 13.6                                | 6.0      | 13.6                                |

<sup>7</sup> This expenditure category correspond to item 9 in table 4.c.ii).

|                               | 2024     |                                     | 2025     |                                     |
|-------------------------------|----------|-------------------------------------|----------|-------------------------------------|
|                               | % of GDP | % of general government expenditure | % of GDP | % of general government expenditure |
| <b>Health<sup>8</sup></b>     | 5.0      | 11.3                                | 4.8      | 10.9                                |
| <b>Employment<sup>9</sup></b> | 0.1      | 0.2                                 | 0.1      | 0.2                                 |

**Table 4.c.ii): Classification of the functions of the Government**

|  | COFOG Code | 2024     | 2025 |
|--|------------|----------|------|
|  |            | % of GDP |      |
| <b>1. General public services</b>          | 1          | 3.8      | 4.1  |
| <b>2. Defence</b>                          | 2          | 2.9      | 3.1  |
| <b>3. Public order and safety</b>          | 3          | 3.3      | 3.2  |
| <b>4. Economic affairs</b>                 | 4          | 6.6      | 6.2  |
| <b>5. Environmental protection</b>         | 5          | 0.5      | 0.5  |
| <b>6. Housing and community amenities</b>  | 6          | 1.0      | 1.0  |
| <b>7. Health</b>                           | 7          | 5.0      | 4.8  |
| <b>8. Recreation, culture and religion</b> | 8          | 1.3      | 1.2  |
| <b>9. Education</b>                        | 9          | 6.1      | 6.0  |
| <b>10. Social protection</b>               | 10         | 14.1     | 14.2 |
| <b>11. Total Expenditure</b>               | TE         | 44.7     | 44.4 |

### **Implementation of medium-term budget policy priority development directions**

In the Draft Budgetary Plan for 2025 financing of **1.5 billion EUR incl. 392.4 million EUR for 2025 (0.9% of GDP)** is foreseen for priority measures for **national security**, ensuring the execution of the Constitutional Court judgment and laws, independent institutions and measures related to tax policy changes. Considering the limited fiscal space, in addition to the previously allocated base funding, several compensatory measures will be used for the implementation of priority measures<sup>10</sup>. Unlike the sources of funding in the previous two budget cycles, financial resources outside the fiscal space are no longer used. In 2025, more than half (72%) or **284.3 million EUR** of the mentioned funding is earmarked for the only **medium-term budget priority – security** (0.6% of GDP).

For the purpose of solving internal risks and increasing the level of security, the largest additional resources in the Draft Budgetary Plan for 2025 are earmarked for the 10% increase in the salary of officials of the Internal Affairs and Prison Administration with special service ranks, as well as the Tax and Customs Police Department of the SRS and the implementation of the new supplement for work in the service 90.1 million EUR (**more than 360 million EUR**

<sup>8</sup> This expenditure category correspond to item 7 in table 4.c.ii).

<sup>9</sup> This expenditure category contains, inter alia, government spending related to active labour market policies (ALMPs) including public employment services. Items such as compensation of public employees or vocational training programmes are not included here.

<sup>10</sup> Informative Report "On Priority Measures to be included in the State Budget Law for 2025, 2026, 2027 and 2028", available: [https://tapportals.mk.gov.lv/legal\\_acts/4b64813a-3464-47ab-b910-33b059e7f284](https://tapportals.mk.gov.lv/legal_acts/4b64813a-3464-47ab-b910-33b059e7f284)

for the years 2025-2028).

The priority direction "**Security**" also includes the following additional expenditure items for 2025:

- **65 million EUR** for the implementation of the action plan for providing support to Ukrainian civilians in the Republic of Latvia;

- **50 million EUR** intended for the support of Ukraine (in accordance with the concluded agreement on military support),

- **23 million EUR** for replenishment of ammunition stocks and provision of individual equipment;

- **15 million EUR** for the purchase of additional radars for the development of wind parks;

- **10.1 million EUR** for strengthening the priority areas of the State Security Service and ensuring the operation of the Constitution Protection Bureau;

- **4.8 million EUR** for extending the operational regime of the enhanced border protection system;

- **4.3 million EUR** for the completion of State Material Reserves in accordance with the amount planned in the nomenclature, as well as their updating and maintenance (readiness for involvement in the implementation of measures to manage disasters, military and other threats, including repairs, maintenance, technical inspections, verification of equipment, etc. of State Material Reserves);

- **2.6 million EUR** regarding the complex geopolitical situation on the border of Latvia, in order to strengthen the continuity of the Emergency Medical Service and the readiness of Emergency Medical Service teams in emergency cases, including military threats, it is necessary to provide with appropriate measures and supplies (to ensure assistance in cases of specific injuries);

- **3.2 million EUR** for taking over the function (from the State Police to the MoJ) of escorting arrested and convicted persons;

- **1.5 million EUR** for other priority measures in the field of security (to ensure the capacity of the Crisis Management Centre and to ensure the continuity of the permanent representation of the Republic of Latvia at the UN in New York).

The priority measure aimed at strengthening cyber security has been supported by planning additional funding of **12.5 million EUR** for 2025, as well as a measure related to the improvement of the access road to the *Selija* military landfill and the improvement of the mobility of the reconstruction of the unit bridge in Daugavpils, funding **2.3 million EUR** for 2025. Currently, it was identified that these measures could be financed within the framework of EU fund programs.

In addition, the Draft Budgetary Plan for 2025 envisages the implementation of measures to ensure the execution of the Constitutional Court judgment and laws (support for increasing the minimum income, implementation and maintenance of the electronic monitoring system), as well as for strengthening the capacity of independent institutions and improving the security of IT systems, marking them as more than 40.5 million EUR, where 30 million EUR are intended for the increase in teachers' salaries, including teachers' wages according to the updated number of pupils. 67.5 million EUR resources have been earmarked for the financing of the measure related to changes in tax policy (a grant to municipalities for the performance of autonomous functions).





**Table 5: Description of discretionary measures included in the draft budget****Table 5.a.i): Discretionary revenue measures taken by General Government**

| List of measures  | Detailed description  | Type of tax    | ESA code | Accounting principle | Adoption Status               | Budgetary impact |       |       |       |
|---|---|----------------|----------|----------------------|-------------------------------|------------------|-------|-------|-------|
|   |   |                |          |                      |                               | 2025             | 2026  | 2027  | 2028  |
|   |   |                |          |                      |                               | % of GDP         |       |       |       |
| <b>Solidarity tax for banks</b>   | Solidarity tax for banks, CIT part  | CIT            | D.5      | Accrual              | Partly approved by government | 0.00             | -0.04 | 0.00  | 0.04  |
|   | Solidarity tax for banks  | Solidarity tax | D.5      | Accrual              | Partly approved by government | 0.28             | -0.07 | 0.01  | -0.22 |
| <b>Increase in the natural resources tax rate on coal, coke, and lignite (brown coal)</b> | Increase in the NRT rate on coal, coke, and lignite (brown coal)                              | NRT            | D.2      | Accrual              | Partly approved by government | 0.00             | 0.00  | 0.00  | 0.00  |
| <b>Increase in VOT rates and changes in payment term</b>                                  | Increase in VOT rates and changes in payment term   | VOT            | D.2      | Accrual              | Partly approved by government | 0.03             | 0.00  | 0.00  | 0.00  |
| <b>Increasing CCT rates</b>   | Increasing CCT rates  | CCT            | D.2      | Accrual              | Partly approved by government | 0.00             | 0.00  | 0.01  | 0.00  |
| <b>Increase in Lottery and Gambling Tax rates</b>   | Increasing the lottery tax rate   | LGT            | D.2      | Accrual              | Partly approved by government | 0.01             | 0.00  | 0.00  | 0.00  |
|   | Increasing the gambling tax rate  | LGT            | D.2      | Accrual              | Partly approved by government | 0.00             | 0.00  | 0.02  | 0.00  |
| <b>Changes in ED rates</b>  | Gradual increase of ED rates for fuel, including CO <sub>2</sub> components in the ED         | ED             | D.2      | Accrual              | Partly approved by government | 0.06             | 0.05  | -0.10 | -0.01 |
|   | Gradual increase in ED rates for fuel, natural gas and petroleum gases used as fuel           | ED             | D.2      | Accrual              | Partly approved by government | 0.01             | 0.01  | 0.01  | 0.00  |
|   | Cancellation of ED exemption for oil products used in electricity production and cogeneration | ED             | D.2      | Accrual              | Partly approved by government | 0.00             | 0.00  | 0.00  | 0.00  |
|   | Increase of ED for alcoholic beverages and beer   | ED             | D.2      | Accrual              | Partly approved by government | 0.00             | 0.00  | 0.01  | 0.00  |

| List of measures       | Detailed description  | Type of tax | ESA code | Accounting principle | Adoption Status               | Budgetary impact |       |       |       |
|------------------------|---|-------------|----------|----------------------|-------------------------------|------------------|-------|-------|-------|
|                        |   |             |          |                      |                               | 2025             | 2026  | 2027  | 2028  |
|                        |   |             |          |                      |                               | % of GDP         |       |       |       |
|                        | Increase of ED for tobacco products and similar products by purpose of use  | ED          | D.2      | Accrual              | Partly approved by government | 0.00             | 0.00  | 0.02  | -0.01 |
|                        | Increasing the ED for soft drinks with sugar content up to 8 g per 100 ml   | ED          | D.2      | Accrual              | Partly approved by government | 0.01             | 0.00  | 0.00  | 0.00  |
| Changes in VAT rates   | Gradual increase of ED rates for fuel, including CO <sub>2</sub> components in the ED   | VAT         | D.2      | Accrual              | Partly approved by government | 0.01             | 0.01  | -0.02 | 0.00  |
|                        | Gradual increase in ED rates for fuel, natural gas and petroleum gases used as fuel   | VAT         | D.2      | Accrual              | Partly approved by government | 0.00             | 0.00  | 0.00  | 0.00  |
|                        | Increase of ED for alcoholic beverages and beer   | VAT         | D.2      | Accrual              | Partly approved by government | 0.00             | 0.00  | 0.00  | 0.00  |
|                        | Increase of ED for tobacco products and similar products by purpose of use  | VAT         | D.2      | Accrual              | Partly approved by government | 0.00             | 0.00  | 0.00  | 0.00  |
|                        | Increasing the ED for soft drinks with sugar content up to 8 g per 100 ml   | VAT         | D.2      | Accrual              | Partly approved by government | 0.00             | 0.00  | 0.00  | 0.00  |
|                        | Extension of the application of the VAT rate of 12% for fresh fruits, berries and vegetables characteristic of Latvia until the end of 2028 | VAT         | D.2      | Accrual              | Partly approved by government | -0.04            | 0.00  | -0.01 | 0.00  |
| Changes in SCSSC       | Expansion of PIT relief for collective agreements   | SCSSC       | D.61     | Accrual              | Partly approved by government | -0.02            | 0.00  | 0.00  | 0.00  |
|                        | Increasing the amount exempted from PIT for employer-paid funeral benefits and child birth benefits   | SCSSC       | D.61     | Accrual              | Partly approved by government | 0.00             | 0.00  | 0.00  | 0.00  |
|                        | 1% transfer from the funded pension scheme to the first level   | SCSSC       | D.61     | Accrual              | Partly approved by government | 0.35             | 0.00  | 0.00  | 0.00  |
| Changes related to PIT | Increasing the non-taxable minimum  | PIT         | D.5      | Accrual              | Partly approved by government | -1.01            | -0.20 | -0.04 | 0.03  |
|                        | Changes in PIT rates and income thresholds  | PIT         | D.5      | Accrual              | Partly approved by government | 0.80             | 0.08  | 0.00  | 0.00  |

| List of measures     | Detailed description   | Type of tax | ESA code         | Accounting principle | Adoption Status               | Budgetary impact |       |       |       |
|----------------------|--|-------------|------------------|----------------------|-------------------------------|------------------|-------|-------|-------|
|                      |  |             |                  |                      |                               | 2025             | 2026  | 2027  | 2028  |
|                      |  |             |                  |                      |                               | % of GDP         |       |       |       |
|                      | Increasing the pensioner's non-taxable minimum   | PIT         | D.5              | Accrual              | Partly approved by government | -0.27            | -0.01 | -0.01 | -0.01 |
|                      | Additional PIT rate of 3% for income (dividends, capital) over EUR 200,000 per year, when declaring annual income                                  | PIT         | D.5              | Accrual              | Partly approved by government | 0.00             | 0.03  | 0.00  | 0.00  |
|                      | Maintenance of the PIT relief for received amounts disbursed as the State or the EU aid for agriculture and rural development after 2024           | PIT         | D.5              | Accrual              | Partly approved by government | 0.00             | -0.05 | 0.00  | 0.00  |
|                      | Expansion of PIT relief for collective agreements  | PIT         | D.5              | Accrual              | Partly approved by government | -0.01            | 0.00  | 0.00  | 0.00  |
|                      | Increasing the amount exempted from PIT for employer-paid funeral benefits and child birth benefits  | PIT         | D.5              | Accrual              | Partly approved by government | 0.00             | 0.00  | 0.00  | 0.00  |
|                      | Increase in PIT eligible expenses for education and medical expenses, as well as donations due to the increase in the PIT rate from 20.0% to 25.5% | PIT         | D.5              | Accrual              | Partly approved by government | 0.00             | -0.02 | 0.00  | 0.00  |
|                      | By moving to a basic rate of 25.5%, the PIT rate is equalized for other incomes, which are currently 20.0%   | PIT         | D.5              | Accrual              | Partly approved by government | 0.04             | 0.01  | 0.00  | 0.00  |
| Changes in non-taxes | Increase dividends for state-owned companies to 70%  | Non-taxes   | D.4              | Accrual              | Partly approved by government | 0.00             | 0.01  | 0.00  | 0.00  |
|                      | Increase in revenue from dividend payments from JSC <i>Latvijas Loto</i>   | Non-taxes   | D.4              | Accrual              | Partly approved by government | 0.00             | 0.00  | 0.00  | 0.00  |
|                      | Increase in revenue from dividend payments from AS <i>Latvenergo</i>   | Non-taxes   | D.4              | Accrual              | Partly approved by government | 0.04             | -0.04 | 0.00  | 0.00  |
|                      | Increase in revenue from dividend payments from AS <i>Latvijas valsts meži</i>   | Non-taxes   | D.4              | Accrual              | Partly approved by government | 0.10             | -0.10 | 0.00  | 0.00  |
|                      | Review of various fees   | Non-taxes   | P.11, P.12, P.13 | Accrual              | Partly approved by government | 0.02             | 0.00  | 0.00  | 0.00  |
|                      | Road user charge   | Non-taxes   | P.11, P.12, P.14 | Accrual              | Partly approved by government | 0.06             | 0.00  | 0.00  | 0.00  |

| List of measures | Detailed description | Type of tax | ESA code | Accounting principle | Adoption Status | Budgetary impact |              |              |              |
|------------------|----------------------|-------------|----------|----------------------|-----------------|------------------|--------------|--------------|--------------|
|                  |                      |             |          |                      |                 | 2025             | 2026         | 2027         | 2028         |
|                  |                      |             |          |                      |                 | % of GDP         |              |              |              |
| <b>TOTAL</b>     |                      |             |          |                      |                 | <b>0.46</b>      | <b>-0.33</b> | <b>-0.09</b> | <b>-0.19</b> |

**Table 5.a.ii) Discretionary expenditure measures taken by General Government**

| Title  | ESA Code       | Accounting principle | Adoption Status        | Budgetary impact |              |             |              |
|--|----------------|----------------------|------------------------|------------------|--------------|-------------|--------------|
|  |                |                      |                        | 2025             | 2026         | 2027        | 2028         |
|  |                |                      |                        | % of GDP         |              |             |              |
| <b>Priority measures related to national security</b>  |                |                      |                        | <b>0.61</b>      | <b>-0.17</b> | <b>0.05</b> | <b>-0.20</b> |
| Strengthening the priority areas of the National Security Service  | D.1            | Cash flow            | Approved by government | 0.01             | 0.01         | 0.00        | 0.00         |
| Ensuring the functioning of the Office for the Protection of the Constitution  | D.1. P.2. D.62 | Cash flow            | Approved by government | 0.01             | 0.00         | 0.00        | 0.00         |
| Capacity building of the Crisis Management Centre (State Chancellery)  | D.1            | Cash flow            | Approved by government | 0.00             | 0.00         | 0.00        | 0.00         |
| Strengthening the core functions of the Emergency Medical Service, including emergency preparedness  | P.2            | Cash flow            | Approved by government | 0.01             | 0.00         | 0.00        | 0.00         |
| Ensuring the continuity of operations of the Permanent Mission of the Republic of Latvia to the UN in New York   | D.1. P.2       | Cash flow            | Approved by government | 0.00             | 0.00         | 0.00        | 0.00         |
| Strengthening cyber security (horizontal; from EU funds)   | P.2. P.51g     | Cash flow            | Approved by government | 0.03             | 0.00         | -0.01       | 0.00         |
| Support to Ukraine (in accordance with the concluded agreement on military support)  | D.7            | Cash flow            | Approved by government | 0.11             | -0.11        | 0.00        | 0.00         |
| Improvement of the access road to the military training ground <i>Selija</i> and reconstruction of the unit bridge in Daugavpils to improve mobility (from EU funds)   | P.51g          | Cash flow            | Approved by government | 0.01             | 0.01         | 0.00        | -0.02        |
| Replenishment of ammunition stocks and provision of individual equipment   | P.2            | Cash flow            | Approved by government | 0.05             | 0.10         | -0.03       | -0.07        |
| Purchase of additional radars for the development of wind farms  | P.51g          | Cash flow            | Approved by government | 0.03             | 0.00         | 0.00        | -0.04        |
| Purchase of additional radars for the development of wind farms  | P.51g          | Cash flow            | Approved by government | -0.03            | 0.00         | 0.09        | -0.06        |
| Increase of the remuneration of the Interior Ministry and Prison Administration officials with special service ranks, as well as the State Revenue Service Tax and Customs Police Administration by 10% and introduction of a new service bonus (MoI, MoJ and SRS) | D.1            | Cash flow            | Approved by government | 0.20             | -0.01        | -0.01       | -0.01        |
| Extension of the reinforced regime for border surveillance (reserved in 74 <sup>th</sup> budget unit)  | D.1. P.2       | Cash flow            | Approved by government | 0.01             | -0.01        | 0.00        | 0.00         |
| Acquisition, updating and maintenance of State Material Reserves (horizontal MoI, MoF, MoT, MoW, MoJ, MoH)   | P.2            | Cash flow            | Approved by government | 0.01             | 0.00         | 0.00        | 0.00         |

| Title   | ESA Code                          | Accounting principle | Adoption Status               | Budgetary impact |              |              |              |
|---|-----------------------------------|----------------------|-------------------------------|------------------|--------------|--------------|--------------|
|   |                                   |                      |                               | 2025             | 2026         | 2027         | 2028         |
|   |                                   |                      |                               | % of GDP         |              |              |              |
| Implementation of the Plan of Measures for Support to the Civilian Population of Ukraine in the Republic of Latvia 2025 (reserved in 74 <sup>th</sup> budget unit)    | D.7                               | Cash flow            | Approved by government        | 0.15             | -0.15        | 0.00         | 0.00         |
| Transfer of the function of escorting arrested and convicted persons (function from the State Police is taken over by the MoJ)  | P.2                               | Cash flow            | Approved by government        | 0.01             | 0.00         | 0.00         | 0.00         |
| <b>Fiscally neutral measures</b>  | <b>D.1, P.2, P.51g, D.62, D.7</b> | <b>Cash flow</b>     | <b>Approved by government</b> | <b>0.10</b>      | <b>-0.05</b> | <b>0.00</b>  | <b>0.00</b>  |
| MoT expenses, financed from the Road user charge  | P.2, P.51g                        | Cash flow            | Approved by government        | 0.05             | 0.00         | 0.00         | 0.00         |
| Ministry of Economy and Ministry of Agriculture measures (financed from JSC <i>Latvenergo</i> dividends)  | P.2, D.62                         | Cash flow            | Approved by government        | 0.04             | -0.04        | 0.00         | 0.00         |
| Revision of benefits  | D.62                              | Cash flow            | Approved by government        | -0.03            | -0.04        | -0.01        | -0.01        |
| Adjustment of 74 <sup>th</sup> budget unit  | D.1, P.2, P.51g, D.7              | Cash flow            | Approved by government        | 0.00             | 0.00         | -0.02        | -0.02        |
| Pension indexation, social rehabilitation and others  | D.62                              | Cash flow            | Approved by government        | 0.03             | 0.04         | 0.03         | 0.03         |
| Revision of general budget expenditure  | D.1, P.2, D.7                     | Cash flow            | Approved by government        | -0.05            | 0.00         | 0.00         | 0.00         |
| 20 <sup>th</sup> program of 74 <sup>th</sup> budget unit "Implementation of health care measures"   | P.2                               | Cash flow            | Approved by government        | 0.00             | 0.00         | 0.00         | 0.00         |
| Reimbursable medicines and laboratory expertise in oncology   | D.7                               | Cash flow            | Approved by government        | 0.05             | -0.01        | 0.00         | 0.00         |
| Support for restoration of cultural monuments (dividends from JSC <i>Latvijas Loto</i> )  | P.2, P.51g                        | Cash flow            | Approved by government        | 0.01             | 0.00         | 0.00         | 0.00         |
| Adjustment of 74 <sup>th</sup> budget unit  | D.1, P.2, P.51g, D.7              | Cash flow            | Approved by government        | -0.01            | 0.00         | 0.00         | 0.00         |
| Revision of the funding of the vocational education base  | D.1                               | Cash flow            | Approved by government        | 0.01             | -0.01        | 0.00         | 0.00         |
| <b>Funding for independent bodies</b>   | <b>D.1, P.2</b>                   | <b>Cash flow</b>     | <b>Approved by government</b> | <b>0.01</b>      | <b>0.00</b>  | <b>-0.01</b> | <b>0.00</b>  |
| <b>For the enforcement of the Constitutional Court's judgement and laws</b>   | <b>D.1, D.61, P.2</b>             | <b>Cash flow</b>     | <b>Approved by government</b> | <b>0.08</b>      | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  |
| <b>Compensatory expenditure measures</b>  | <b>D.1, P.2, P.51g, D.62</b>      | <b>Cash flow</b>     | <b>Approved by government</b> | <b>-0.33</b>     | <b>0.02</b>  | <b>0.01</b>  | <b>-0.12</b> |
| Limiting salary increases for elected officials and parliamentary appointees (base cuts for ministries, other central government bodies and independent institutions) | D.1                               | Cash flow            | Approved by government        | -0.01            | 0.00         | 0.00         | 0.00         |
| Horizontal cuts in expenditure by ministries and other central authorities (% cut in goods and services used in the calculation (11% to 50 million EUR))              | P.2                               | Cash flow            | Approved by government        | -0.11            | 0.01         | 0.01         | 0.00         |

| Title  | ESA Code               | Accounting principle | Adoption Status               | Budgetary impact |              |              |              |
|--|------------------------|----------------------|-------------------------------|------------------|--------------|--------------|--------------|
|  |                        |                      |                               | 2025             | 2026         | 2027         | 2028         |
|  |                        |                      |                               | % of GDP         |              |              |              |
| Re-programming of expenditure on core functions to EU funds  | P.2, P.51g             | Cash flow            | Approved by government        | -0.03            | -0.01        | 0.01         | 0.02         |
| Revaluation of the impact of classified corporations   | D.1, P.2, P.51g        | Cash flow            | Approved by government        | -0.05            | 0.05         | 0.00         | -0.01        |
| Adjustment of 74 <sup>th</sup> budget unit   | D.1, P.2, P.51g, D.7   | Cash flow            | Approved by government        | 0.03             | -0.05        | 0.01         | -0.13        |
| Revision of expenditure in the Special Budget  | D.62                   | Cash flow            | Approved by government        | -0.04            | 0.04         | 0.00         | 0.00         |
| Revision of general budget expenditure   | D.1, P.2, P.51g        | Cash flow            | Approved by government        | -0.08            | -0.01        | -0.01        | -0.01        |
| Party funding freeze   | P.2                    | Cash flow            | Approved by government        | 0.00             | 0.00         | 0.00         | 0.00         |
| Contributions to the budget of the EU  | D.7                    | Cash flow            | Approved by government        | -0.05            | 0.00         | 0.00         | 0.00         |
| <b>Revision of tax policy</b>  | <b>D.1, D.62</b>       | <b>Cash flow</b>     | <b>Approved by government</b> | <b>0.02</b>      | <b>-0.01</b> | <b>0.00</b>  | <b>0.00</b>  |
| Raising the minimum wage   | D.1                    | Cash flow            | Approved by government        | 0.00             | 0.00         | 0.00         | 0.00         |
| Working parents' allowance   | D.62                   | Cash flow            | Approved by government        | 0.00             | 0.00         | 0.00         | 0.00         |
| <b>Revision of expenditure</b>   | <b>P.2, P.51g</b>      | <b>Cash flow</b>     | <b>Approved by government</b> | <b>0.14</b>      | <b>-0.08</b> | <b>0.00</b>  | <b>0.00</b>  |
| State aid for agriculture and rural development (financed by dividends from JSC <i>Latvijas meži</i> ) | P.2, P.51g             | Cash flow            | Approved by government        | 0.10             | -0.10        | 0.00         | 0.00         |
| Expenditure of the MoF and SRS (financed from revenues from the fight against the shadow economy)      | P.2, P.51g             | Cash flow            | Approved by government        | 0.01             | 0.02         | 0.00         | 0.00         |
| Other expenditure (financed by non-tax revenue)  | P.2, P.51g             | Cash flow            | Approved by government        | 0.02             | 0.00         | 0.00         | 0.00         |
| <b>Other measures</b>  | <b>P.2, P.51g, D.7</b> | <b>Cash flow</b>     | <b>Approved by government</b> | <b>0.02</b>      | <b>0.00</b>  | <b>-0.01</b> | <b>0.00</b>  |
| <b>TOTAL</b>   |                        |                      |                               | <b>0.64</b>      | <b>-0.29</b> | <b>0.04</b>  | <b>-0.33</b> |

**Table 5.b.i): Discretionary revenue measures taken by Central Government**

| List of measures  | Detailed description  | Type of tax    | ESA code | Accounting principle | Adoption Status | Budgetary impact |       |       |       |
|---|---|----------------|----------|----------------------|-----------------|------------------|-------|-------|-------|
|   |   |                |          |                      |                 | 2025             | 2026  | 2027  | 2028  |
|   |   |                |          |                      |                 | % of GDP         |       |       |       |
| <b>Solidarity tax for banks</b>   | Solidarity tax for banks, CIT part  | CIT            | D.5      | Accrual              | Partly approved | 0.00             | -0.04 | 0.00  | 0.04  |
|   | Solidarity tax for banks  | Solidarity tax | D.5      | Accrual              | Partly approved | 0.28             | -0.07 | 0.01  | -0.22 |
| <b>Increase in the natural resources tax rate on coal, coke, and lignite (brown coal)</b> | Increase in the NRT rate on coal, coke, and lignite (brown coal)                              | NRT            | D.2      | Accrual              | Partly approved | 0.00             | 0.00  | 0.00  | 0.00  |
| <b>Increase in VOT rates and changes in payment term</b>                                  | Increase in VOT rates and changes in payment term   | VOT            | D.2      | Accrual              | Partly approved | 0.03             | 0.00  | 0.00  | 0.00  |
| <b>Increasing CCT rates</b>   | Increasing CCT rates  | CCT            | D.2      | Accrual              | Partly approved | 0.00             | 0.00  | 0.01  | 0.00  |
| <b>Increase in Lottery and Gambling Tax rates</b>   | Increasing the lottery tax rate   | LGT            | D.2      | Accrual              | Partly approved | 0.01             | 0.00  | 0.00  | 0.00  |
|   | Increasing the gambling tax rate  | LGT            | D.2      | Accrual              | Partly approved | 0.00             | 0.00  | 0.02  | 0.00  |
| <b>Changes in ED rates</b>  | Gradual increase of ED rates for fuel, including CO <sub>2</sub> components in the ED         | ED             | D.2      | Accrual              | Partly approved | 0.06             | 0.05  | -0.10 | -0.01 |
|   | Gradual increase in ED rates for fuel, natural gas and petroleum gases used as fuel           | ED             | D.2      | Accrual              | Partly approved | 0.01             | 0.01  | 0.01  | 0.00  |
|   | Cancellation of ED exemption for oil products used in electricity production and cogeneration | ED             | D.2      | Accrual              | Partly approved | 0.00             | 0.00  | 0.00  | 0.00  |
|   | Increase of ED for alcoholic beverages and beer   | ED             | D.2      | Accrual              | Partly approved | 0.00             | 0.00  | 0.01  | 0.00  |
|   | Increase of ED for tobacco products and similar products by purpose of use                    | ED             | D.2      | Accrual              | Partly approved | 0.00             | 0.00  | 0.02  | -0.01 |
|   | Increasing the ED for soft drinks with sugar content up to 8 g per 100 ml                     | ED             | D.2      | Accrual              | Partly approved | 0.01             | 0.00  | 0.00  | 0.00  |
| <b>Changes in VAT rates</b>   | Gradual increase of ED rates for fuel, including CO <sub>2</sub> components in the ED         | VAT            | D.2      | Accrual              | Partly approved | 0.01             | 0.01  | -0.02 | 0.00  |
|   | Gradual increase in ED rates for fuel, natural gas and petroleum gases used as fuel           | VAT            | D.2      | Accrual              | Partly approved | 0.00             | 0.00  | 0.00  | 0.00  |
|   | Increase of ED for alcoholic beverages and beer   | VAT            | D.2      | Accrual              | Partly approved | 0.00             | 0.00  | 0.00  | 0.00  |

| List of measures              | Detailed description   | Type of tax | ESA code | Accounting principle | Adoption Status | Budgetary impact |       |       |      |
|-------------------------------|--|-------------|----------|----------------------|-----------------|------------------|-------|-------|------|
|                               |  |             |          |                      |                 | 2025             | 2026  | 2027  | 2028 |
|                               |  |             |          |                      |                 | % of GDP         |       |       |      |
|                               | Increase of ED for tobacco products and similar products by purpose of use   | VAT         | D.2      | Accrual              | Partly approved | 0.00             | 0.00  | 0.00  | 0.00 |
|                               | Increasing the ED for soft drinks with sugar content up to 8 g per 100 ml  | VAT         | D.2      | Accrual              | Partly approved | 0.00             | 0.00  | 0.00  | 0.00 |
|                               | Extension of the application of the VAT rate of 12% for fresh fruits, berries and vegetables characteristic of Latvia until the end of 2028        | VAT         | D.2      | Accrual              | Partly approved | -0.04            | 0.00  | -0.01 | 0.00 |
| <b>Changes in SCSSC</b>       | Expansion of PIT relief for collective agreements  | SCSSC       | D.61     | Accrual              | Partly approved | 0.00             | 0.00  | 0.00  | 0.00 |
| <b>Changes related to PIT</b> | Increasing the non-taxable minimum   | PIT         | D.5      | Accrual              | Partly approved | -0.25            | -0.05 | -0.01 | 0.01 |
|                               | Changes in PIT rates and income thresholds   | PIT         | D.5      | Accrual              | Partly approved | 0.20             | 0.02  | 0.00  | 0.00 |
|                               | Increasing the pensioner's non-taxable minimum   | PIT         | D.5      | Accrual              | Partly approved | -0.07            | 0.00  | 0.00  | 0.00 |
|                               | Additional PIT rate of 3% for income (dividends, capital) over EUR 200,000 per year, when declaring annual income                                  | PIT         | D.5      | Accrual              | Partly approved | 0.00             | 0.01  | 0.00  | 0.00 |
|                               | Maintenance of the PIT relief for received amounts disbursed as the State or the EU aid for agriculture and rural development after 2024           | PIT         | D.5      | Accrual              | Partly approved | 0.00             | -0.01 | 0.00  | 0.00 |
|                               | Expansion of PIT relief for collective agreements  | PIT         | D.5      | Accrual              | Partly approved | 0.00             | 0.00  | 0.00  | 0.00 |
|                               | Increasing the amount exempted from PIT for employer-paid funeral benefits and child birth benefits  | PIT         | D.5      | Accrual              | Partly approved | 0.00             | 0.00  | 0.00  | 0.00 |
|                               | Increase in PIT eligible expenses for education and medical expenses, as well as donations due to the increase in the PIT rate from 20.0% to 25.5% | PIT         | D.5      | Accrual              | Partly approved | 0.00             | 0.00  | 0.00  | 0.00 |
|                               | Change of PIT ratio from 25/75 to 22/78  | PIT         | D.5      | Accrual              | Partly approved | -0.19            | 0.00  | 0.00  | 0.00 |
|                               | By moving to a basic rate of 25.5%, the PIT rate is equalized for other incomes, which are currently 20.0%   | PIT         | D.5      | Accrual              | Partly approved | 0.01             | 0.00  | 0.00  | 0.00 |
| <b>Changes in non-taxes</b>   | Increase dividends for state-owned companies to 70%  | Non-taxes   | D.4      | Accrual              | Partly approved | 0.00             | 0.01  | 0.00  | 0.00 |
|                               | Increase in revenue from dividend payments from JSC <i>Latvijas Loto</i>   | Non-taxes   | D.4      | Accrual              | Partly approved | 0.00             | 0.00  | 0.00  | 0.00 |
|                               | Increase in revenue from dividend payments from AS <i>Latvenergo</i>   | Non-taxes   | D.4      | Accrual              | Partly approved | 0.04             | -0.04 | 0.00  | 0.00 |
|                               | Increase in revenue from dividend payments from AS <i>Latvijas valsts meži</i>   | Non-taxes   | D.4      | Accrual              | Partly approved | 0.10             | -0.10 | 0.00  | 0.00 |



| List of measures | Detailed description   | Type of tax | ESA code               | Accounting principle | Adoption Status | Budgetary impact |              |              |              |
|------------------|------------------------|-------------|------------------------|----------------------|-----------------|------------------|--------------|--------------|--------------|
|                  |                        |             |                        |                      |                 | 2025             | 2026         | 2027         | 2028         |
|                  |                        |             |                        |                      |                 | % of GDP         |              |              |              |
|                  | Review of various fees | Non-taxes   | P.11,<br>P.12,<br>P.13 | Accrual              | Partly approved | 0.02             | 0.00         | 0.00         | 0.00         |
|                  | Road user charge       | Non-taxes   | P.11,<br>P.12,<br>P.14 | Accrual              | Partly approved | 0.06             | 0.00         | 0.00         | 0.00         |
| <b>TOTAL</b>     |                        |             |                        |                      |                 | <b>0.29</b>      | <b>-0.22</b> | <b>-0.06</b> | <b>-0.20</b> |

**Table 5.b.ii): Discretionary expenditure measures taken by Central Government**

| Title  | ESA Code          | Accounting principle | Adoption Status        | Budgetary impact |              |             |              |
|--|-------------------|----------------------|------------------------|------------------|--------------|-------------|--------------|
|  |                   |                      |                        | 2025             | 2026         | 2027        | 2028         |
|  |                   |                      |                        | % of GDP         |              |             |              |
| <b>Priority measures related to national security</b>  |                   |                      |                        | <b>0.61</b>      | <b>-0.17</b> | <b>0.05</b> | <b>-0.20</b> |
| Strengthening the priority areas of the National Security Service  | D.1               | Cash flow            | Approved by government | 0.01             | 0.01         | 0.00        | 0.00         |
| Ensuring the functioning of the Office for the Protection of the Constitution  | D.1, P.2,<br>D.62 | Cash flow            | Approved by government | 0.01             | 0.00         | 0.00        | 0.00         |
| Capacity building of the Crisis Management Centre (State Chancellery)  | D.1               | Cash flow            | Approved by government | 0.00             | 0.00         | 0.00        | 0.00         |
| Strengthening the core functions of the Emergency Medical Service, including emergency preparedness  | P.2               | Cash flow            | Approved by government | 0.01             | 0.00         | 0.00        | 0.00         |
| Ensuring the continuity of operations of the Permanent Mission of the Republic of Latvia to the UN in New York   | D.1, P.2          | Cash flow            | Approved by government | 0.00             | 0.00         | 0.00        | 0.00         |
| Strengthening cyber security (horizontal; from EU funds)   | P.2, P.51g        | Cash flow            | Approved by government | 0.03             | 0.00         | -0.01       | 0.00         |
| Support to Ukraine (in accordance with the concluded agreement on military support)  | D.7               | Cash flow            | Approved by government | 0.11             | -0.11        | 0.00        | 0.00         |
| Improvement of the access road to the military training ground <i>Selija</i> and reconstruction of the unit bridge in Daugavpils to improve mobility (from EU funds) | P.51g             | Cash flow            | Approved by government | 0.01             | 0.01         | 0.00        | -0.02        |
| Replenishment of ammunition stocks and provision of individual equipment   | P.2               | Cash flow            | Approved by government | 0.05             | 0.10         | -0.03       | -0.07        |
| Purchase of additional radars for the development of wind farms  | P.51g             | Cash flow            | Approved by government | 0.03             | 0.00         | 0.00        | -0.04        |
| Purchase of additional radars for the development of wind farms  | P.51g             | Cash flow            | Approved by government | -0.03            | 0.00         | 0.09        | -0.06        |

| Title  | ESA Code                          | Accounting principle | Adoption Status               | Budgetary impact |              |              |             |
|--|-----------------------------------|----------------------|-------------------------------|------------------|--------------|--------------|-------------|
|  |                                   |                      |                               | 2025             | 2026         | 2027         | 2028        |
|  |                                   |                      |                               | % of GDP         |              |              |             |
| Increase of the remuneration of the Interior Ministry and Prison Administration officials with special service ranks, as well as the State Revenue Service Tax and Customs Police Administration by 10% and introduction of a new service bonus (MoI, MoJ and SRS) | D.1                               | Cash flow            | Approved by government        | 0.20             | -0.01        | -0.01        | -0.01       |
| Extension of the reinforced regime for border surveillance (reserved in 74th budget unit)  | D.1, P.2                          | Cash flow            | Approved by government        | 0.01             | -0.01        | 0.00         | 0.00        |
| Acquisition, updating and maintenance of State Material Reserves (horizontal MoI, MoF, MoT, MoW, MoJ, MoH)   | P.2                               | Cash flow            | Approved by government        | 0.01             | 0.00         | 0.00         | 0.00        |
| Implementation of the Plan of Measures for Support to the Civilian Population of Ukraine in the Republic of Latvia 2025 (reserved in 74th budget unit)   | D.7                               | Cash flow            | Approved by government        | 0.15             | -0.15        | 0.00         | 0.00        |
| Transfer of the function of escorting arrested and convicted persons (function from the State Police is taken over by the MoJ)   | P.2                               | Cash flow            | Approved by government        | 0.01             | 0.00         | 0.00         | 0.00        |
| <b>Fiscally neutral measures</b>   | <b>D.1, P.2, P.51g, D.62, D.7</b> | <b>Cash flow</b>     | <b>Approved by government</b> | <b>0.10</b>      | <b>-0.05</b> | <b>0.00</b>  | <b>0.00</b> |
| MoT expenses, financed from the Road user charge   | P.2, P.51g                        | Cash flow            | Approved by government        | 0.05             | 0.00         | 0.00         | 0.00        |
| Ministry of Economy and Ministry of Agriculture measures (financed from JSC <i>Latvenergo</i> dividends)   | P.2, D.62                         | Cash flow            | Approved by government        | 0.04             | -0.04        | 0.00         | 0.00        |
| Revision of benefits   | D.62                              | Cash flow            | Approved by government        | -0.03            | -0.04        | -0.01        | -0.01       |
| Adjustment of 74 <sup>th</sup> budget unit   | D.1, P.2, P.51g, D.7              | Cash flow            | Approved by government        | 0.00             | 0.00         | -0.02        | -0.02       |
| Pension indexation, social rehabilitation and others   | D.62                              | Cash flow            | Approved by government        | 0.03             | 0.04         | 0.03         | 0.03        |
| Revision of general budget expenditure   | D.1, P.2, D.7                     | Cash flow            | Approved by government        | -0.05            | 0.00         | 0.00         | 0.00        |
| 20 <sup>th</sup> program of 74 <sup>th</sup> budget unit "Implementation of health care measures"  | P.2                               | Cash flow            | Approved by government        | 0.00             | 0.00         | 0.00         | 0.00        |
| Reimbursable medicines and laboratory expertise in oncology  | D.7                               | Cash flow            | Approved by government        | 0.05             | -0.01        | 0.00         | 0.00        |
| Support for restoration of cultural monuments (dividends from JSC <i>Latvijas Loto</i> )   | P.2, P.51g                        | Cash flow            | Approved by government        | 0.01             | 0.00         | 0.00         | 0.00        |
| Adjustment of 74 <sup>th</sup> budget unit   | D.1, P.2, P.51g, D.7              | Cash flow            | Approved by government        | -0.01            | 0.00         | 0.00         | 0.00        |
| Revision of the funding of the vocational education base   | D.1                               | Cash flow            | Approved by government        | 0.01             | -0.01        | 0.00         | 0.00        |
| <b>Funding for independent bodies</b>  | <b>D.1, P.2</b>                   | <b>Cash flow</b>     | <b>Approved by government</b> | <b>0.01</b>      | <b>0.00</b>  | <b>-0.01</b> | <b>0.00</b> |

| Title   | ESA Code                     | Accounting principle | Adoption Status               | Budgetary impact |              |              |              |
|---|------------------------------|----------------------|-------------------------------|------------------|--------------|--------------|--------------|
|   |                              |                      |                               | 2025             | 2026         | 2027         | 2028         |
|   |                              |                      |                               | % of GDP         |              |              |              |
| <b>For the enforcement of the Constitutional Court's judgement and laws</b>   | <b>P.2</b>                   | <b>Cash flow</b>     | <b>Approved by government</b> | <b>0.00</b>      | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  |
| <b>Grant for the performance of autonomous functions of local governments regarding changes in tax policy</b>   | <b>D.7</b>                   | <b>Cash flow</b>     | <b>Approved by government</b> | <b>0.15</b>      | <b>0.12</b>  | <b>0.03</b>  | <b>-0.02</b> |
| <b>Compensatory expenditure measures</b>  | <b>D.1, P.2, P.51g, D.62</b> | <b>Cash flow</b>     | <b>Approved by government</b> | <b>-0.30</b>     | <b>-0.01</b> | <b>0.01</b>  | <b>-0.12</b> |
| Limiting salary increases for elected officials and parliamentary appointees (base cuts for ministries, other central government bodies and independent institutions) | D.1                          | Cash flow            | Approved by government        | -0.01            | 0.00         | 0.00         | 0.00         |
| Horizontal cuts in expenditure by ministries and other central authorities (% cut in goods and services used in the calculation (11% to 50 million EUR))              | P.2                          | Cash flow            | Approved by government        | -0.11            | 0.01         | 0.01         | 0.00         |
| Re-programming of expenditure on core functions to EU funds   | P.2, P.51g                   | Cash flow            | Approved by government        | -0.03            | -0.01        | 0.01         | 0.02         |
| Revaluation of the impact of classified corporations  | D.1, P.2, P.51g              | Cash flow            | Approved by government        | -0.05            | 0.05         | 0.00         | -0.01        |
| Adjustment of 74th budget unit  | D.1, P.2, P.51g, D.7         | Cash flow            | Approved by government        | 0.03             | -0.05        | 0.01         | -0.13        |
| Revision of general budget expenditure  | D.1, P.2, P.51g              | Cash flow            | Approved by government        | -0.08            | -0.01        | -0.01        | -0.01        |
| Party funding freeze  | P.2                          | Cash flow            | Approved by government        | 0.00             | 0.00         | 0.00         | 0.00         |
| Contributions to the budget of the EU   | D.7                          | Cash flow            | Approved by government        | -0.05            | 0.00         | 0.00         | 0.00         |
| <b>Revision of tax policy</b>   | <b>D.1</b>                   | <b>Cash flow</b>     | <b>Approved by government</b> | <b>0.00</b>      | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  |
| Raising the minimum wage  | D.1                          | Cash flow            | Approved by government        | 0.00             | 0.00         | 0.00         | 0.00         |
| <b>Revision of expenditure</b>  | <b>P.2, P.51g</b>            | <b>Cash flow</b>     | <b>Approved by government</b> | <b>0.14</b>      | <b>-0.08</b> | <b>0.00</b>  | <b>0.00</b>  |
| State aid for agriculture and rural development (financed by dividends from JSC <i>Latvijas meži</i> )  | P.2, P.51g                   | Cash flow            | Approved by government        | 0.10             | -0.10        | 0.00         | 0.00         |
| Expenditure of the MoF and SRS (financed from revenues from the fight against the shadow economy)   | P.2, P.51g                   | Cash flow            | Approved by government        | 0.01             | 0.02         | 0.00         | 0.00         |
| Other expenditure (financed by non-tax revenue)   | P.2, P.51g                   | Cash flow            | Approved by government        | 0.02             | 0.00         | 0.00         | 0.00         |
| <b>Other measures</b>   | <b>P.2, P.51g, D.7</b>       | <b>Cash flow</b>     | <b>Approved by government</b> | <b>0.02</b>      | <b>0.00</b>  | <b>-0.01</b> | <b>0.00</b>  |
|   |                              |                      | <b>TOTAL</b>                  | <b>0.73</b>      | <b>-0.19</b> | <b>0.07</b>  | <b>-0.35</b> |

**Table 5.c.i1): Discretionary revenue measures taken by Local Government**

| List of measures   | Detailed description   | Type of tax | ESA code | Accounting principle | Adoption Status | Budgetary impact |             |             |             |
|--|--|-------------|----------|----------------------|-----------------|------------------|-------------|-------------|-------------|
|  |  |             |          |                      |                 | 2025             | 2026        | 2027        | 2028        |
|  |  |             |          |                      |                 | % of GDP         |             |             |             |
| <b>Increase in Lottery and Gambling Tax rates</b>  | Increasing the gambling tax rate   | LGT         | D.2      | Accrual              | Partly approved | 0.00             | 0.00        | 0.00        | 0.00        |
| <b>Changes related to PIT</b>  | Increasing the non-taxable minimum   | PIT         | D.5      | Accrual              | Partly approved | -0.76            | -0.15       | -0.03       | 0.02        |
|  | Changes in PIT rates and income thresholds   | PIT         | D.5      | Accrual              | Partly approved | 0.60             | 0.06        | 0.00        | 0.00        |
|  | Increasing the pensioner's non-taxable minimum   | PIT         | D.5      | Accrual              | Partly approved | -0.20            | 0.00        | -0.01       | -0.01       |
|  | Additional PIT rate of 3% for income (dividends, capital) over EUR 200,000 per year, when declaring annual income                                  | PIT         | D.5      | Accrual              | Partly approved | 0.00             | 0.02        | 0.00        | 0.00        |
|  | Maintenance of the PIT relief for received amounts disbursed as the State or the EU aid for agriculture and rural development after 2024           | PIT         | D.5      | Accrual              | Partly approved | 0.00             | -0.04       | 0.00        | 0.00        |
|  | Expansion of PIT relief for collective agreements  | PIT         | D.5      | Accrual              | Partly approved | -0.01            | 0.00        | 0.00        | 0.00        |
|  | Increasing the amount exempted from PIT for employer-paid funeral benefits and child birth benefits  | PIT         | D.5      | Accrual              | Partly approved | 0.00             | 0.00        | 0.00        | 0.00        |
|  | Increase in PIT eligible expenses for education and medical expenses, as well as donations due to the increase in the PIT rate from 20.0% to 25.5% | PIT         | D.5      | Accrual              | Partly approved | 0.00             | -0.01       | 0.00        | 0.00        |
|  | Change of PIT ratio from 25/75 to 22/78  | PIT         | D.5      | Accrual              | Partly approved | 0.19             | 0.00        | 0.00        | 0.00        |
|  | Grant for the performance of autonomous functions of local governments regarding changes in tax policy   | PIT         | D.7      | Accrual              | Partly approved | 0.15             | 0.12        | 0.03        | -0.02       |
| By moving to a basic rate of 25.5%, the PIT rate is equalized for other incomes, which are currently 20.0% | PIT  | D.5         | Accrual  | Partly approved      | 0.03            | 0.01             | 0.00        | 0.00        |             |
| <b>TOTAL</b>   |  |             |          |                      |                 | <b>-0.01</b>     | <b>0.00</b> | <b>0.00</b> | <b>0.00</b> |

**Table 5.c.ii1): Discretionary expenditure measures taken by Local Government**

| Title  | ESA Code | Accounting principle | Adoption Status        | Budgetary impact |             |             |             |
|--|----------|----------------------|------------------------|------------------|-------------|-------------|-------------|
|  |          |                      |                        | 2025             | 2026        | 2027        | 2028        |
|  |          |                      |                        | % of GDP         |             |             |             |
| For the enforcement of the Constitutional Court's judgement and laws | D.1      | Cash flow            | Approved by government | 0.07             | 0.00        | 0.00        | 0.00        |
| <b>TOTAL</b>   |          |                      |                        | <b>0.07</b>      | <b>0.00</b> | <b>0.00</b> | <b>0.00</b> |

**Table 5.c.i2): Discretionary revenue measures taken by Social Security Funds**

| List of measures | Detailed description  | Type of tax | ESA code | Accounting principle | Adoption Status | Budgetary impact |             |             |             |
|------------------|---|-------------|----------|----------------------|-----------------|------------------|-------------|-------------|-------------|
|                  |   |             |          |                      |                 | 2025             | 2026        | 2027        | 2028        |
|                  |   |             |          |                      |                 | % of GDP         |             |             |             |
| Changes in SCSSC | Expansion of PIT relief for collective agreements   | SCSSC       | D.61     | Accrual              | Partly approved | -0.02            | 0.00        | 0.00        | 0.00        |
|                  | Increasing the amount exempted from PIT for employer-paid funeral benefits and child birth benefits | SCSSC       | D.61     | Accrual              | Partly approved | 0.00             | 0.00        | 0.00        | 0.00        |
|                  | 1% transfer from the funded pension scheme to the first level                                       | SCSSC       | D.61     | Accrual              | Partly approved | 0.35             | 0.00        | 0.00        | 0.00        |
| <b>TOTAL</b>     |   |             |          |                      |                 | <b>0.33</b>      | <b>0.00</b> | <b>0.00</b> | <b>0.00</b> |

**Table 5.c.ii2): Discretionary expenditure measures taken by Social Security Funds**

| Title   | ESA Code                     | Accounting principle | Adoption Status               | Budgetary impact |              |             |             |
|---|------------------------------|----------------------|-------------------------------|------------------|--------------|-------------|-------------|
|   |                              |                      |                               | 2025             | 2026         | 2027        | 2028        |
|   |                              |                      |                               | % of GDP         |              |             |             |
| <b>For the enforcement of the Constitutional Court's judgement and laws</b> | <b>D.1, D.61, P.2</b>        | <b>Cash flow</b>     | <b>Approved by government</b> | <b>0.01</b>      | <b>0.00</b>  | <b>0.00</b> | <b>0.00</b> |
| <b>Compensatory expenditure measures</b>                                    | <b>D.1, P.2, P.51g, D.62</b> | <b>Cash flow</b>     | <b>Approved by government</b> | <b>-0.04</b>     | <b>0.04</b>  | <b>0.00</b> | <b>0.00</b> |
| Revision of expenditure in the Special Budget                               | D.62                         | Cash flow            | Approved by government        | -0.04            | 0.04         | 0.00        | 0.00        |
| <b>Revision of tax policy</b>   | <b>D.62</b>                  | <b>Cash flow</b>     | <b>Approved by government</b> | <b>0.02</b>      | <b>-0.02</b> | <b>0.00</b> | <b>0.00</b> |
| Working parents' allowance  | D.62                         | Cash flow            | Approved by government        | 0.02             | -0.02        | 0.00        | 0.00        |
| <b>TOTAL</b>  |                              |                      |                               | <b>0.00</b>      | <b>0.02</b>  | <b>0.00</b> | <b>0.00</b> |

Table 6.a: Country Specific Recommendations

| No. | EU Council Recommendation 2024  | Description  |
|-----|---|--|
| 1.  | Submit the medium-term fiscal-structural plan in a timely manner. In line with the requirements of the reformed Stability and Growth Pact, limit the growth in net expenditure in 2025 to a rate consistent with maintaining the general government deficit below the 3% of GDP Treaty reference value and keeping the general government debt at a prudent level over the medium term. Broaden taxation, including of capital and property, and strengthen the adequacy of healthcare and social protection. | <p>According to Regulation (EU) 2024/1263 of the European Parliament and of the Council of April 29<sup>th</sup>, 2024 on effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No. 1466/97, <b>the Fiscal Structural Plan of Latvia for 2025-2028</b> has been prepared and will be submitted to the EC on October 15<sup>th</sup>, 2024 together with this document. The Draft Budgetary Plan for 2025 has been prepared respecting the fiscal trajectory defined in the Fiscal Structural Plan for 2025-2028.</p> <p><b>In the context of taxation</b>, in line with the changes approved by the CoM, it is foreseen that:</p> <ul style="list-style-type: none"> <li>☒ replace the differentiated non-taxable minimum with a single (fixed) non-taxable minimum that applies to all employees regardless of the amount of gross income and determine that the non-taxable minimum in 2025 is 510 EUR per month, in 2026 – 550 EUR per month, and from 2027 – 570 EUR per month;</li> <li>☒ from 2025, set the PIT rate at 25,5% for annual income up to 105 300 EUR and 33% for the part of annual income exceeding 105 300 EUR that is actually collected by paying solidarity tax;</li> <li>☒ from 2025, the non-taxable minimum for a pensioner should be increased from 500 EUR per month to 1 000 EUR per month;</li> <li>☒ from 2025, introduce an additional PIT rate of 3% for income (taxable income of the tax year with PIT (including income from capital gains and income from capital other than capital gains) and dividends exempted from PIT and liquidation quota) over 200 000 EUR per year when declaring income;</li> <li>☒ from 2025, increase the ED rates for fuel, natural gas, petroleum gases, non-alcoholic beverages with sugar content up to 8 g, alcoholic beverages, tobacco products, chewing tobacco, tobacco leaves, liquid used in electronic smoking devices and tobacco substitute products, as well as abolish the ED exemptions for petroleum products used in electricity production and cogeneration;</li> <li>☒ from 2025, increase the rates of Lottery Tax, Gambling Fees for the re-registration of the license to organize gambling, vehicle operation, CCT and NRT;</li> <li>☒ from 2027 increase Gambling Tax rates;</li> <li>☒ from 2025, to equalize the PIT rates for other income (to which the progressive PIT rates do not apply) by increasing them from 20% to 25.5% (including income from capital, capital gains, dividends already subject to PIT until now);</li> <li>☒ from 2025 to 2028, transfer 1 pp from the funded pension scheme (second level) to the first level of pensions.</li> </ul> <p><b>In the context of strengthening health care</b>, existing and additionally committed funding provides for:</p> <ul style="list-style-type: none"> <li>• to strengthen the health sector's emergency preparedness;</li> <li>• improve the availability of medicines for the citizens;</li> </ul> |

- ◉ implement health promotion and disease prevention measures, ensuring coordinated activities of participating institutions and organizations;
- ◉ to reduce the risks of the spread of infectious diseases and their impact on health, including to implement measures to increase vaccination coverage in society, to promote targeted and effective restriction and combating of the development and spread of antimicrobial resistance;
- ◉ continue to improve the quality of the healthcare system;
- ◉ to improve primary healthcare, improve quality and accessibility;
- ◉ promote the development of the hospital network through measures aimed at monitoring the quality of treatment processes and efficient management of the hospital network;
- ◉ develop a plan to improve the health care of the mother and child for 2025-2027;
- ◉ develop a plan to reduce the risk of cardiovascular disease, improve the diagnosis, treatment and care of these diseases for 2025-2027;
- ◉ develop a plan to improve the situation in the field of oncology for 2025-2027;
- ◉ implement measures to reduce the spread of addictive substances and processes;
- ◉ implement measures for digitization and integration of healthcare data in the European Health Data Space;
- ◉ improve the quantity, efficiency and quality of healthcare staff required by the healthcare system by launching the measures included in the Health workforce Development Strategy by 2029;
- ◉ to attract and retain medical practitioners for work in the sector of state-paid health care services, especially in hospitals, throughout the territory of Latvia and to provide opportunities for improvement and maintenance of qualification of medical practitioners, using the financing of EU funds;
- ◉ implement health sector infrastructure development projects under the Latvian RRF Plan and the EU Structural Funds 2021-2027 programming period.

**In the context of increasing social adequacy, the following is foreseen:**

- ◉ Increasing the adequacy of social transfers, in particular for the most exposed groups of the population at risk of poverty and/or social exclusion – low income and under-incomes, pensioners, persons with disabilities, children in out-of-family care:
  - 1) improving the minimum income system - that is, from January 1<sup>st</sup>, 2025, raising the lowest minimum income threshold from 20% to 22%, correspondingly increasing the amounts of benefits and rewards related to it;
  - 2) from 2024, providing for the gradual granting of supplements to old-age and invalidity pensions in respect of insurance periods completed before December 31<sup>st</sup>, 1995. In 2024, they are granted to people who retired in 2012, 2013 and 2014 (1.52 EUR for each year). In 2025, supplements will be granted to people who retired in 2015, 2016 and 2017, in 2026 for people who retired in 2018, 2019 and 2020, in 2027 for people who retired in 2021, 2022 and

|    |   |  |
|----|---|--|
|    |   | <p>2023, in 2028 for people who will retire in 2024, 2025 and 2026, in 2029 for people who will retire in 2027, 2028 and 2029. From 2029 onwards, a supplement will be granted at the same time as the pension. The amount of the supplement is indexed annually, as are pensions;</p> <ol style="list-style-type: none"> <li>3) by improving the pension indexation mechanism from 2025, namely by providing for an increase in the proportion (limit) of pensions to be indexed from 50% of the average wage subject to insurance contributions in the country of the previous calendar year to 100% of the average wage subject to insurance contributions in the country, as well as by providing for indexation of the whole amount of the pension for persons who have been granted an old-age pension before reaching the general retirement age due to the care and upbringing of a child with a disability, or due to the care and upbringing of five or more children, regardless of the amount of the pension;</li> <li>4) by increasing the State material support for persons with children from 2024 (supplement to the family State allowance, special care allowance for adults (allowance since childhood)).</li> </ol> <p>• Increasing the availability and expanding the range of social services and support:</p> <ol style="list-style-type: none"> <li>1) establishing a common minimum basket of social services which all local governments, regardless of the size of the local government and the number of people (both counties and national cities), must provide to their residents;</li> <li>2) extending the opportunity for 852 persons of retirement age to receive a long-term care service closer to a family environment;</li> <li>3) increasing accessibility of the environment and infrastructure for persons with disabilities, including ensuring accessibility of the environment of 63 state and local government buildings, ensuring support for adapting housing for 259 persons with disabilities.</li> </ol> |
| 2. | <p>Continue with the swift and effective implementation of the RRF plan, including the <i>REPowerEU</i> chapter, ensuring completion of reforms and investments by August 2026. Accelerate the implementation of cohesion policy programmes. In the context of the mid-term review continue focusing on the agreed priorities, taking action to better address persistent regional disparities and inequalities while considering the opportunities provided by the Strategic Technologies for Europe Platform initiative to improve competitiveness.</p> | <p>In order to ensure the successful implementation of Latvia's RRF Plan and investments, <b>a second supplement to the RRF Plan is being prepared</b> to update the indicators for some reforms and investments to reflect objective changes in external conditions affecting the implementation of reforms and investments. Since July this year, there has been an informal conciliation process with the EC, until the end of October this year it is planned to submit a draft supplement for national conciliation, then submit the CoM for approval and formally submit to the EC at the end of November this year.</p> <p>In 2025, the implementation of <b>RRF Plan investment projects relevant for municipalities will continue:</b></p> <ul style="list-style-type: none"> <li>• contracts have been signed and projects launched to create industrial parks in regions outside the Riga planning region, which will help to attract non-financial investment and create new jobs in the regions;</li> <li>• investments to meet climate targets will continue: by the end of 2025, primary energy consumption in municipal buildings and infrastructure will be reduced by improving energy efficiency and promoting the transition to renewable energy sources (RES) technologies, while;</li> </ul>   |



◉ to improve access to education, deliveries of zero-emission vehicles (electric school buses) to municipalities have started and will be completed by the end of 2025, replacing fossil fuel-powered municipal vehicles.

**In order to promote synchronisation of the electricity transmission system, modernisation and development of electricity transmission and distribution networks, as well as increase of the share of biomethane in final consumption,** implementation of the investments of RRF Repower has been commenced. Overall, RRF funding of 134 743 378 EUR is foreseen to achieve the objectives. In July 2024, the normative framework for implementation of *Repower* investments has been approved (Regulation No. 432 of July 2<sup>nd</sup>, 2024, Regulations for implementation of the reform 7.1.1 “Energy sector Transformation” of the European Union Recovery and resilience Mechanism Plan, 7.1.1.1.i investments “electricity transmission system synchronization”, 7.1.1.2.i investments “Upgrading of electricity transmission and distribution networks” and 7.1.1.3.i investments “increasing the share of biomethane in final consumption”), as well as approved projects in order to start implementation of investments already in 2024.

**Within the framework of the EU Cohesion Policy Programme 2021-2027,** the implementation of projects of major importance for the economy and local governments will continue, including initiatives of public interest such as development of the public outdoor space, reduction of air pollution, development and implementation of nature conservation plans, recycling and separate collection of waste, development of water management, development of environmental monitoring, measures to prevent floods and coastal erosion of national significance and other climate adaptation measures, development of public business infrastructure, promotion of the use of zero-emission vehicles in local governments, development of childcare services, development of infrastructure of pre-school education institutions.

For Latvia, investments in the development of solutions and services of public information and communication technologies and their opening for data exchange and other integration with ICT solutions of the private sector will be used for implementation of priority projects in the field of digital transformation in the EU Cohesion Policy Programme 2021-2027, thus promoting digital transformation of the public and private sectors.

**In order to better address regional disparities and inequalities,** promote investment in regional development and improve competitiveness, it is planned to:

- ◉ to develop the “last mile” infrastructure of the broadband or very high performance network;
- ◉ further reducing emissions in the transport sector, increasing the competitiveness of rail passenger transport in the public transport system;
- ◉ the development of sustainable, climate-resistant, intelligent and secure TEN-T infrastructure.

Justification:

With a view to promoting investment in regional development and reducing regional disparities, further reducing emissions in the transport sector and developing sustainable TEN-T infrastructure:

|    |   |  |
|----|---|--|
|    |   | <ul style="list-style-type: none"> <li>◦ investment 2.4.1.2.i “Development of the “last mile” infrastructure of broadband or very high performance networks” of the EU RRF Plan Reform 2.4 and Investment line “transforming Digital infrastructure” with an implementation deadline of June 30<sup>th</sup>, 2026;</li> <li>◦ CoM on 23.07.2024 approved Regulation No. 507 "Priority 3.1 "Sustainable ETN infrastructure" of the European Union Cohesion Policy Programme 2021-2027 specific support objective 3.1.1 "Develop sustainable, climate-resilient, intelligent, safe and more TEN-T infrastructure" implementing rules for the first round of the selection of project proposals under measure 3.1.1.3 "Development of railway infrastructure in the trans-European transport network";</li> <li>◦ CoM on 11.04.2023 approved Regulation No. 190 on "Component 1 "Climate Change and Environmental Sustainability" of the European Union Recovery and Resilience Mechanism Plan". 1.1. of the reform and investment axis "Emission reduction in the transport sector" 1.1.1.r. of the reform "Greening of the transport system in the Riga metropolitan area", investment 1.1.1.1.i. of the reform "Competitive rail passenger transport in the overall public transport system of Riga", 1.1.1.i.2. and 1.1.1.1.i.3. of the implementation of the related measures.</li> </ul>   |
| 3. | <p>Improve the business environment by reducing the administrative and regulatory burden for companies and improving access to finance for small and medium-sized enterprises, including through public lending and guarantee schemes aimed at facilitating investments of strategic importance and boosting competition in the financial markets. Address labour and skills shortages, in particular in STEM, and in other specialisations needed for the green and digital transition, as well as in the social and healthcare sectors, including through targeted upskilling and reskilling.</p> | <p>In the context of <b>improving the business environment</b>, it is planned to:</p> <ul style="list-style-type: none"> <li>◦ on April 2<sup>nd</sup>, 2024, the CoM approved the Action Plan for reducing administrative burdens in real estate development, which contains more than 60 measures for a faster and more efficient process. The Action Plan contains measures in the following areas: spatial development planning, environmental impact assessment, deforestation, construction, aspects of property rights enforcement. The measures are planned to be implemented by the end of 2025, mostly with a regulatory framework due in 2024. The Action Plan has been developed in cooperation with industry;</li> <li>◦ identification of regulatory and bureaucratic obstacles, work on solutions to identified bureaucratic obstacles (changes in regulatory acts);</li> <li>◦ market supervision in the commercial banking sector, the Competition Council plans to assess, among other things, factors affecting the mobility of clients of commercial banks, as well as the competitive situation in the field of lending in 2026. Upon completion of market surveillance, final conclusions and proposals will be published;</li> <li>◦ improve competition in financial markets. 1) In 2023, the LB launched the publication of commercial banks' lending and deposit rates, thereby improving the availability of information to bank customers, strengthening competition and promoting customer mobility; 2) In 2023, the LB launched the publication of commercial banks' lending and deposit rates. In 2023, following a dialogue with the industry, the LB has carried out a regulatory review, contributing to the reduction of barriers to the development of credit services identified by the industry; 3) The LB's initiative to facilitate the loan refinancing process is being implemented: in 2023, the Refinancing Working Group significantly eased the mortgage loan refinancing process (already in force), thereby significantly enhancing customer mobility and competition in the financial sector. In 2024, work started on easing the refinancing process for corporate loans; 4) In 2024, a license was issued to a new market player - <i>Indexo</i> bank; 5) LB regularly supports IDAL in negotiations with potential market players for their entry into the Latvian financial market. 6) Competition in payment services will be promoted by providing non-bank payment service providers with access to central banks' payment systems; 7) LB maintains a regular dialogue with entrepreneurs, including in the regions, on access to finance, including by encouraging entrepreneurs to make more active use of small banks' services, which will promote competition in the market;</li> </ul> |

- reducing administrative and regulatory burdens through changes to the Court of Economic Justice. Steps to be taken in 2025: 1) evaluation and definition of additional competences of the Economic Court in relation to premises and human resources; 2) drafting of the Law on Amendments to the Law on Civil Procedure and the Law on Amendments to the Law on Criminal Procedure, defining additional competences of the Economic Court.

- modernisation of the Business Register in 2026. The plans include migration and synchronization of the existing database, provision of data analytics with business analysis tools and an assessment of the possibilities of using artificial intelligence to improve the business processes of the Register of Enterprises. The implementation of the project is expected to be financed by the RRF for the amount of 2.3 million EUR.

**In the context of labour shortages and skill gaps, it is intended to:**

- increase the labour market participation of disadvantaged unemployed and economically inactive people, contribute to extending the working life of the employed over the 2023-2029 period (support 57 762 people to participate in training activities, support 7 846 people, in particular the long-term unemployed and disabled unemployed, to participate in employment support measures, support 148 social enterprises, improve the working environment for 2 477 older employed people). The measures will be financed by the RRF with 28.7 million EUR (3.1.2.5. i); ESF+ with 125.3 million EUR; and the national budget with 23.5 million EUR;

- improvement of qualifications and skills (re-skilling/up-skilling) of the employed population, including those with a low level of education, as well as development of systems for monitoring the quality of formal and non-formal adult education within the framework of ESF+ 4.2.4.2 “support for adult learning based on the individual needs of adults”. Objective of measures - to provide support to 28 000 employed persons, including 14 000 employable persons with a low level of education to acquire or improve the skills or qualifications needed in the labor market, with the intention of developing also the description of the Conceptual solution and the action plan for reaching, informing and motivating the employees with a low level of education to engage in training;

- development and piloting of skills funds (second round of ESF+ 4.2.4.1 “support for sector-based adult learning”) Objective – to develop a model for financing and operation of skills funds corresponding to Latvia, with the intention to become a self-regulating and self-financing structure in the long term, developing a system based on social dialogue for the development of skills of employees of the sector enterprise, including self-employed persons and potential labour force of the sector for rapid and efficient adjustment of labour force to labour market development needs;

- improve the availability of professional education and ensure the compliance of the offer of professional education with the requirements of the labor market. On September 19<sup>th</sup>, 2024, the CoM approved the increase of costs per student, partly updating the costs of educational programmes according to their actual implementation costs. The increase in the funding of the professional education base provides for an increase in the normal costs per student per year from 425.15 EUR to 502.46 EUR and an increase in the maintenance costs (non-programmable costs) of service hotels per student per year from 282.23 EUR to 317.15 EUR. MoES has developed amendments to Regulation No. 655 of 02.10.2007, Regulations regarding minimum costs for the implementation of professional education programmes per student, and will ensure the progress of the draft Regulations for approval in the CoM in 4<sup>th</sup> quarter of 2024;

◦ stronger work-based training for improvement of professional education and training in Latvia. Within the framework of the project of the support programme “stronger work environment-based training for improvement of professional education and training in Latvia” of the second period of the Latvian-Swiss Cooperation Programme until 2029, it is planned to: 1) development of sector-based qualification, including examination 2) development of digital learning aids in professional education; 3) preparation of new teachers of professional education;

◦ EU Funds 2021-2027 action 4.2.2.6 the "Implementation of cyclical institutional accreditation in higher education". The objective is to support the transition to cyclical institutional accreditation of universities and colleges to improve the quality of higher education. The support will include: 1) preparation of the normative and informative base (proposals, methodologies, guidelines) necessary for the implementation of cyclical institutional accreditation; 2) supplementation and improvement of the functionality of the accreditation agency e-platform (simulations); 3) validation of cyclical institutional accreditation, including implementation of pilot accreditations; 4) training of accreditation experts, accreditation agency and higher education institutions' staff to ensure institutional accreditation; 5) support measures for the improvement of the internal quality assurance system of higher education institutions;

◦ Round 2 of the EU Funds 2021-2027 programming period measure 4.2.1.5 "Provision of educational institutions for quality implementation of the improved general education content at primary and secondary education level". The objective is to improve the learning environment in general education institutions, thereby improving access to quality education services. The measure will support the establishment or development of STEM classrooms;

◦ ESF+ programme "Improve the quality, inclusion, efficiency and labour market relevance of education and training systems, including through the validation of non-formal and informal learning, to support the acquisition of key competences, including entrepreneurship and digital skills, and by promoting the introduction of dual learning systems and apprenticeships" (action 4.2.2.5). Participation in international education research and programmes implemented by international organizations for the development of education policies and for the evaluation of the implementation and impact of policies and (action 4.2.2.4) the development of an Education Quality Monitoring System (EQMS) for monitoring, assessing and ensuring the quality of education at national, municipal and educational institution level and at individual level, as well as strengthening data literacy capacity for the full use of the EQMS for data-based decisions for monitoring, assessing and ensuring the quality of education;

◦ ESF+ "Integrated school-community cooperation programme to reduce the risk of exclusion in educational institutions" (action 4.2.3.1) plans to support learners who have only received a certificate for general basic education and are re-enrolled in grade 9 or enrolled in a professional education institution. As a result, the continuation of education, the acquisition of general basic education, of a trade, of a profession will be promoted;

◦ ESF+ programme “promoting the integration of young NEETs into education and employment” (action 4.2.3.4). The objective of the measure is to develop the skills of young people who, prior to involvement in the project, are between 15 and 29 years of age (including) and who do not learn, work or acquire a trade or are registered with the State Employment Agency as unemployed persons, and to promote their involvement in education and training activities, including the acquisition of a trade with a master, employment or activities implemented by the State agency, as well as activities of non-governmental organizations or youth centres;

- ESF+ programme “improvement of the quality of the teaching process by implementing the development of the support system for the professional activities of educators, ensuring of the activities of excellence of educatees and development of methodological support materials for the educator” (action 4.2.2.3) focuses on a) establishment of the professional support system for educators, b) improvement of professional competence for educators in matters of didactics, methodology, etc., management teams of educational institutions, other persons involved in the implementation of education, C) provision of methodological support materials, especially in stem subjects, as well as d) support for talented educatees for their participation in regional, national, international competitions in general education;

- ESF+ programme “implementation of quality and up-to-date education in pre-primary, primary and secondary education” (4.2.2.1) provides support for learners to acquire more learning experience in STEM and civic participation.

**For the development of green and digital skills,** it is intended to:

- ESF+ SAM (specific objective of the support) Measure 6.1.1.5 "Improvement of skills of the employed and support for the acquisition of qualifications, support for workforce training". Improvement of skills and support for vocational qualification of employees in the peat sector and related sectors to adapt to the labour market needs resulting from the green transformation of the economy. Number of employees supported in the Kurzeme, Latgale, Vidzeme and Zemgale statistical regions - 3 950; Number of learners in professional training - 1 609;

- Upgrading the skills of local and regional authorities in climate-smart economy and socio-economic mitigation of climate change (Programme (TPTP) 6.1.1.8 (without flexibility financing in indicators and funding)). Investments to enhance the skills of planning regions and municipalities to ensure progress towards a climate-neutral economy and mitigate climate change risks in the most affected regions, contributing to socio-economic mitigation. Achievements: 1) 4 regional training programmes implemented; 2) 178 municipal and regional professionals with improved knowledge and skills;

- Digital skills development - development of a self-directed learning approach for ICT professionals (2.3.1.3.i development of a self-directed learning approach for ICT professionals). Objective - to develop a self-directed learning approach in the training of ICT professionals, including the transfer of international experience, with an indicative target of 1 000 persons acquiring ICT professional knowledge and skills outside formal education;

- Digital skills development - development of digital basic skills of society (RRF project No. 2.3.2.1.i.0/1/23/I/CFLA/001 "Development of digital skills of society"). Aim: to promote the development of digital self-service skills in society. Supported 40 000 citizens aged 16-74 years;

- Development of digital skills - development and piloting of the Individual Learning Accounts approach (RRF investment 2.3.1.4.i. "Development of the individual learning accounts approach"). The objective is to develop and pilot a Latvian context-specific Individual Learning Accounts (further - ILA) approach that strengthens the implementation, management and storage of information on individual learning pathways, and to promote adult participation in learning by helping to acquire and improve digital skills in society, involving 3500 adults in the ILA pilot;

- High level digital skills investment 2.3.1.1.i. "Ensuring high level digital skills". Three projects are being implemented under the investment: the Quantum technology initiative, the Language technology initiative and the High Performance Computing (HPC) technology initiative, implemented by Latvian science universities in cooperation with leading

research institutions. The investment will develop at least 21 study modules, train at least 3 000 specialists and create new research-industry collaborations;

- ◉ Development of digital skills for young people 2.3.2.1 investment "Digital skills for citizens, including young people" in project No. 2.3.2.1.i.0/1/23/I/CFLA/002 "Development of digital youth work system in municipalities". The aim is to develop a modern, flexible, sustainable, problem-solving digital youth work system in municipalities, linked to other municipal services (including e-services development) and the needs of the target group, in order to provide young people with ample opportunities to develop and apply their digital skills. As a result, 10 000 young people participated in technological innovation activities in digital youth work;

- ◉ Bridging the digital divide 2.3.2.3.3 investment "bridging the digital divide for socially vulnerable learners and educational institutions". The objective of the investment is to reduce obstacles to the acquisition of the content of general education by ensuring the availability of data transmission for qualitative, meaningful and planned use of digital technologies in the learning process;

- ◉ Digital skills development (ESF+ programme 4.2.4.3). Investments are planned to promote the digital transition in order to improve the digital skills of employees of state and local government institutions and to promote the use of digital opportunities and platforms aimed at society and entrepreneurs, thus increasing the use of information and communication technology opportunities and bridging the digital divide in society. Results to be achieved: 1) at least 25 events have been organised to promote the use of information and communication technology possibilities; 2) at least 1 572 State and local government employees have participated in the training; 3) at least four integrated communication campaigns have been implemented;

- ◉ Investment 2.3.1.2.i of the digital skills development of enterprises aims to provide micro, small, medium and large enterprises with key digital, robotic and automation skills, digital transformation and digital innovations, including skills to facilitate export promotion, key skills in high-level digital governance at enterprise management level and skills to use digital technologies across different business processes. Number of merchants planned to ensure improvement of digital skills – 2521.

- ◉ Support for sector-based adult learning (ESF + programme 4.2.4.1). The aim is to provide support for the acquisition, retraining or acquisition or development of skills of employers' employees in order to promote the increase of labour productivity. As a result, the training involves 1193 employed persons, including self-employed persons.

- ◉ ERDF measure 4.2.1.5 "provision of educational institutions for qualitative implementation of the improved content of general education in the basic and secondary education grades", round 1. The aim is to strengthen the provision of computer hardware to educational institutions, thus improving equal access to inclusive and quality services in the field of education. Within the framework of the event, the use of digital learning platforms will be promoted, which in turn will contribute to the development of digital skills of educators and learners.

**Measures taken and planned in the field of health and social care** for the improvement and retraining of skills are included in the description of the measures of recommendation 1.

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| 4. | <p>Accelerate the deployment of wind and solar energy by improving permit-granting procedures and promoting demand-side flexibility. Foster the transition to a circular economy through eco-innovation and sustainable resource management practices.</p> | <p><b>For the use of solar and wind energy</b>, such financial measures from EU funds are provided as:</p> <ul style="list-style-type: none"> <li>⊙ Investment 1.2.1.1.i. "Improving the energy efficiency of apartment buildings and the transition to renewable energy technologies". Objective - improvement of energy efficiency and purchase and installation of renewable energy technologies (e.g. solar panels - self-consumption) in multi-apartment dwellings;</li> <li>⊙ Measure 2.1.1.1 "Improving energy efficiency in residential buildings, including through the development of a market for energy efficiency services (multi-apartment, private and small number of apartments in building complexes). The measure is currently under development. It is expected to be approved by the CoM in the 4th quarter of 2024;</li> <li>⊙ 2.1.1.6. the second round of measure "Improving the energy efficiency of municipal buildings", which aims to improve the energy efficiency of infrastructure needed to provide public water management services by reducing annual primary energy consumption and increasing the use of renewable energy technologies.</li> </ul> <p><b>In order to facilitate the acceleration of the use of solar and wind energy</b>, within the Emissions Trading Instrument:</p> <ul style="list-style-type: none"> <li>☑ in accordance with the funding foreseen for the implementation of the concluded project contracts but not yet disbursed, the implementation of projects continues within the framework of the second round of the selection of project applications under the open call for proposals "Reduction of greenhouse gas emissions in architectural monuments of national importance" financed by the Emissions Trading Instrument (CoM Regulation No. 35 of January 12<sup>th</sup>, 2016), one of the supported activities of which is the purchase of renewable energy generating equipment;</li> <li>☑ the second round of the open call for proposals for projects financed by the Emission Trading Instrument "Greenhouse gas emission reduction through smart urban technologies" (CoM Regulation No. 333 of June 12<sup>th</sup>, 2018) continues to accept project applications. One of the supported activities is the purchase of smart urban technologies that use renewable energy resources and promote energy efficiency;</li> <li>☑ the acceptance of project applications and the implementation of the activities to be supported under the call for proposals within the framework of the open call for proposals "Reduction of greenhouse gas emissions in households - support for the use of renewable energy sources" (CoM Regulation No. 150 of March 1<sup>st</sup>, 2022), where the purchase of new electricity generation equipment - solar and wind power plants - is identified as one of the supported activities, continues;</li> <li>☑ Development of the regulations for the open call for proposals "Reduction of greenhouse gas emissions in the buildings of the MoI system institutions and municipal police institutions", which includes the purchase of renewable energy equipment as one of the activities to be supported. The rules of procedure for the open call for projects are expected to be approved in the 4th quarter of 2024.</li> </ul> <p>Support for sustainable agricultural practices in agriculture is being implemented for <b>the transition to a circular economy</b>. Support measures aim at promoting sustainable development and efficient management of natural resources such as water, soil and air, including by reducing chemical dependence. 75% of eligible areas have been managed through sustainable practices.</p> |
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|  |  | <p><b>Reuse of construction products.</b> Work on promoting the re-use of construction products continues, amendments to CoM Regulation No. 156 of March 25<sup>th</sup>, 2014, procedures for supervision of the Construction products market, have been developed and transferred for public participation, providing incentives for the re-use of construction products in non-load-bearing structures.</p> |
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**Table 9a. RRF impact on programme's projections – Grants**

| <i>Revenue from RRF grants (% of GDP)</i>            |      |      |      |      |      |      |
|--|------|------|------|------|------|------|
|  | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| RRF grants as included in the revenue projections    |      | 0.0  | 0.4  | 1.2  | 1.6  | 1.3  |
| Cash disbursements of RRF grants from EU             | 0.7  | 0.5  | 0.0  | 0.9  | 0.6  | 1.9  |
| <i>Expenditure financed by RRF grants (% of GDP)</i> |      |      |      |      |      |      |
|  | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| TOTAL CURRENT EXPENDITURE                            |      | 0.0  | 0.1  | 0.5  | 0.6  | 0.3  |
| Gross fixed capital formation P.51g                  |      | 0.0  | 0.3  | 0.7  | 1.0  | 1.0  |
| Capital transfers D.9                                |      |      |      |      |      |      |
| TOTAL CAPITAL EXPENDITURE                            |      | 0.0  | 0.3  | 0.7  | 1.0  | 1.0  |



**Table 10: Net expenditure growth**

|  | ESA Code | 2023   | 2023     | 2024             | 2025             |
|--|----------|--------|----------|------------------|------------------|
|  |          | Levels | % of GDP | % of GDP         | % of GDP         |
| <b>1. Total expenditure</b>  | TE       | 16525  | 41.0     | 44.7             | 44.4             |
| <b>2. Interest expenditure</b>   | D.41p    | 254    | 0.6      | 1.1              | 1.2              |
| <b>3. Cyclical unemployment expenditure</b>  |          | 0      | 0.0      | 0.0              | 0.0              |
| <b>4. Expenditure funded by transfers from the EU</b>  |          | 605    | 1.5      | 1.9              | 2.2              |
| 4a. Of which: Investments (GFCF)   |          | 333    | 0.8      | 1.2              | 1.3              |
| <b>5. National co-financing of EU programmes</b>   |          | 168    | 0.4      | 0.4              | 0.4              |
| <b>6. One-off expenditure (levels, excl. EU funded)</b>  |          | 0      | 0.0      | 0.0              | 0.0              |
| <b>7. Net nationally financed primary expenditure (before DRM) (= 1-2-3-4-5-6)</b>                   |          | 15499  | 38.4     | 41.2             | 40.6             |
| <b>8. DRM (excl. one-off revenue, incremental impact)</b>  |          |        |          | 0.9              | 0.0              |
| <b>9. Net nationally financed primary expenditure (after DRM) (= 7 - 8)</b>                          |          |        |          | 40.4             | 40.6             |
|  |          |        |          | <b>Growth, %</b> | <b>Growth, %</b> |
| <b>10. Nominal GDP growth (g) (growth rate)</b>  |          |        |          | 3.8              | 5.9              |
| <b>11. Net expenditure growth (growth rate)</b><br>$= \frac{ne_t - drm_t}{ne_{t-1}} * (1 + g_t) - 1$ |          |        |          | 9.1              | 4.4              |

## Distributional Impact Assessment

A Distributional Impact Assessment (DIA) is used to assess the impact of government policy measures on income inequality and household equivalised disposable income<sup>11</sup> (hereafter – household income). The DIA is conducted using the EUROMOD – tax-benefit microsimulation model<sup>12</sup>. The data used as input is based on Latvian EU-SILC 2022 data containing information on a representative sample of 5 825 households and 12 347 individuals, adjusted to the population to obtain information on 825 167 households and 1 851 771 individuals. The EU-SILC data on household income is updated on the basis of the MoF’s macroeconomic projections for consumer price inflation and gross wages (see Tables 1b and 1c).

The DIA assesses the impact of several measures on income inequality and household income in 2025. These measures are divided into three groups: changes to tax policy, in accordance with the Informative Report "Review of State Budget Revenue and Tax Policies 2025-2027"<sup>13</sup>, raising minimum income thresholds and improving the pension indexation mechanism, in accordance with the Informative Report "On Priority Measures to be included in the State Budget Law for 2025, 2026, 2027 and 2028"<sup>14</sup>.

Of all the tax policy measures, the Draft Budgetary Plan for 2025 assesses the impact of the following government policy measures on income inequality and household income:

- the introduction of a two-tier personal income tax rate (PIT);
- the replacement of the differentiated non-taxable minimum with a fixed non-taxable minimum;
- the increase in the pensioner's non-taxable minimum;
- the increase in the maximum amount of the state compulsory social security contributions (SCSSC) and voluntary insurance contribution;
- equalisation of the PIT rate for other income (dividends, interest, etc.).

In order to reduce the tax burden on the labour force, a two-tier PIT rate will be introduced from 2025, a tax rate of 25.5% on income will be applied up to the SCSSC ceiling, which will be increased from EUR 6 508 per month to EUR 8 775 per month (or from EUR 78 100 per year to EUR 105 300 per year), while above the SCSSC ceiling, the PIT rate will be 33%. Currently, income up to EUR 20 004 is taxed at a rate of 20%, income between EUR 20 004 and EUR 78 100, at a rate of 23%, and income above EUR 78 100 at a rate of 31%. From 2025, a fixed non-taxable minimum threshold of EUR 510 per month will be introduced for all

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<sup>11</sup> Household disposable income divided by its "equivalent size", which is calculated with the help of the so-called "modified OECD" equivalence scale. This scale gives a weight of 1.0 to the first adult, 0.5 to any other household member aged 14 and over and 0.3 to each child aged less than 14.

<sup>12</sup> EUROMOD. Tax and benefit microsimulation model, available: <https://euromod-web.jrc.ec.europa.eu/>

<sup>13</sup> Informative Report "Review of State Budget Revenue and Tax Policies 2025-2027", approved by the CoM on September 19, 2024, available: [https://tapportals.mk.gov.lv/legal\\_acts/efd239f3-9bcd-4b5c-ae73-60750ace3d9d](https://tapportals.mk.gov.lv/legal_acts/efd239f3-9bcd-4b5c-ae73-60750ace3d9d)

<sup>14</sup> Informative Report "On Proposals for Prioritized Measures of the State Budget for 2025, 2026, 2027 and 2028" approved by the CoM on September 19, 2024, available:

[https://tapportals.mk.gov.lv/legal\\_acts/4b64813a-3464-47ab-b910-33b059e7f284](https://tapportals.mk.gov.lv/legal_acts/4b64813a-3464-47ab-b910-33b059e7f284)

taxpayers regardless of income level, replacing the differentiated non-taxable minimum (EUR 0-500 per month).

In addition, the non-taxable minimum for pensioners will be increased from EUR 500 to EUR 1 000 per month and the rate of PIT on other income will be equalised, increasing from 20% to 25.5%. The results of the DIA of the tax policy changes are presented in Table 11 and Table 12.

On October 5<sup>th</sup>, 2023, in Case No 2022-34-01, the Constitutional Court declared the first and second parts of Section 33 of the Law "Social Services and Social Assistance" and the second and third parts of Section 2.<sup>2</sup> of the Law "On Social Security" as incompatible with Article 1 and Article 109 of the Constitution of the Republic of Latvia and as null and void as of January 1<sup>st</sup>, 2025<sup>15</sup>. The Constitutional Court recognised that the two basic needs established in the Law "Social Services and Social Assistance" - food and clothing - are not provided in the minimum amount to persons in need, and thus do not create an opportunity for every person in need to build a life in accordance with human dignity. Although it is the Guaranteed minimum income (GMI), set at 20% of the median income, that was challenged in the Constitutional Court, the minimum income threshold is set in several legal acts. The DIA assesses the increase in the minimum income threshold to 22% of median income, which is used to determine the GMI threshold and the resulting GMI and housing benefit, state social security benefit, minimum old-age pension, disability and survivors' pensions. The results of the analysis are presented in Table 11 and Table 12.

On October 1<sup>st</sup> of the current year, the amount of a pension or part of a pension that does not exceed 50% of the average national insurance contribution wage for the previous calendar year<sup>16</sup> is reviewed in accordance with the actual consumer price index and a percentage of the real increase in the insurance contribution wage. According to the Informative Report "On Priority Measures to be included in the State Budget Law for 2025, 2026, 2027 and 2028", changes in the pension indexation mechanism are planned, which foresee revision of the state pension or part of a pension that does not exceed the amount of the average national insurance contribution wage of the previous calendar year. The impact of the envisaged changes on income inequality and household income are shown in Table 11 and Table 12.

**Tabula 11: Impact of policy measures on household income in 2025, in EUR and %**

| 2025      |                          |                    |       |                                  |       |                            |       |
|-----------|--------------------------|--------------------|-------|----------------------------------|-------|----------------------------|-------|
|           | Average household income | Tax policy changes |       | Minimum income threshold changes |       | Pension indexation changes |       |
|           | EUR                      | EUR                | %     | EUR                              | %     | EUR                        | %     |
| 1. decile | 3 971                    | 23                 | 0.59% | 148                              | 3.73% | 0                          | 0.00% |
| 2. decile | 6 647                    | 95                 | 1.43% | 32                               | 0.47% | 0                          | 0.00% |
| 3. decile | 8 525                    | 248                | 2.91% | 8                                | 0.09% | 1                          | 0.01% |
| 4. decile | 10 413                   | 372                | 3.58% | 7                                | 0.07% | 2                          | 0.02% |
| 5. decile | 12 063                   | 461                | 3.82% | 5                                | 0.04% | 3                          | 0.03% |
| 6. decile | 14 000                   | 509                | 3.64% | 6                                | 0.04% | 3                          | 0.02% |

<sup>15</sup> Constitutional Court judgement, available: <https://www.vestnesis.lv/op/2023/195.1>

<sup>16</sup> Information on the average national insurance contribution wage is available on the website of the State Social Insurance Agency, available: <http://www.statistika-vsaa.lv/2020/10/11.html>

| 2025       |                          |                    |       |                                  |       |                            |       |
|------------|--------------------------|--------------------|-------|----------------------------------|-------|----------------------------|-------|
|            | Average household income | Tax policy changes |       | Minimum income threshold changes |       | Pension indexation changes |       |
|            | EUR                      | EUR                | %     | EUR                              | %     | EUR                        | %     |
| 7. decile  | 16 407                   | 541                | 3.30% | 4                                | 0.02% | 4                          | 0.02% |
| 8. decile  | 19 213                   | 535                | 2.79% | 3                                | 0.01% | 4                          | 0.02% |
| 9. decile  | 23 439                   | 481                | 2.05% | 1                                | 0.01% | 5                          | 0.02% |
| 10. decile | 38 068                   | 188                | 0.49% | 1                                | 0.00% | 9                          | 0.02% |

Overall, the measures increase household incomes in all income deciles, with the fastest increase in the first decile (the lowest-income households), where the changes in the minimum income threshold have a high impact on household income (see Table 11). The planned measures generally improve income inequality indicators by reducing the Gini coefficient<sup>17</sup> and the income quintile share ratio (S80/S20)<sup>18</sup> and at-risk-of-poverty rate<sup>19</sup> (see Table 12).

**Tabula 12: Impact of policy measures on income inequality in 2025**

| 2025                    |                       |                    |                                  |                            |
|-------------------------|-----------------------|--------------------|----------------------------------|----------------------------|
| Inequality indicator    | The coefficient value | Tax policy changes | Minimum income threshold changes | Pension indexation changes |
| Gini coefficient        | 33.23                 | -0.33              | -0.15                            | 0.002                      |
| S80/S20                 | 5.77                  | -0.003             | -0.10                            | 0.003                      |
| At-risk-of-poverty rate | 20.9%                 | -0.8 pp            | 0.0 pp                           | 0.0 pp                     |

<sup>17</sup> The Gini coefficient characterizes inequality of income. It varies from 0 to 100. The Gini coefficient is 0, if there is absolute equality of income (i.e., all population have the same income), but the closer it gets to 100, the greater is inequality of income.

<sup>18</sup> S80/S20 income quintile share ratio is the ratio of total equivalised disposable income received by the 20% of the country's population with the highest equivalised disposable income (top quintile) to that received by the 20% of the country's population with the lowest equivalised disposable income (bottom quintile).

<sup>19</sup> The at-risk-of-poverty rate is the share of people with an equivalised disposable income (after social transfer) below the at-risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income after social transfers.

## **Annex: Methodological aspects**

Macroeconomic forecasts are developed by applying the medium-term macro-economic model, which ensures proper macroeconomic relationships within the forecasts and employs short-term and medium-term results of econometric models, as well as expert assessment.

In the preparation of tax revenue projections widely known forecasting methods and assumptions are applied, however, the most used is a specially developed tool, i.e., the model LATIM-F. The most frequently used tax revenue forecasting techniques are as follows:

- using detailed tax revenue estimations;
- forecasting of tax revenue share in GDP, %;
- forecasting the actual taxable base/base modelled relationships;
- using expert assessment;
- using other techniques.

In order to project tax revenue, as stated above, the MoF applies the tax revenue forecast model LATIM-F, its main components of which are a data base of macroeconomic indicators, actual tax revenue and legislative changes (including tax rates, etc.). Moreover, in the process of analysis the information from the State Treasury, the SRS, the Central Statistics Bureau and other sources is used.

Minister of Finance

A. Ašeradens