

Fiscal and tax policies and the shadow economy

23) Deaths due to pollution are among the highest in the OECD. Latvia should eliminate exemptions and make sure that pollutants are taxed at the same rate across fuels and sectors. Which steps should Latvia prioritise in the short term? How about diesel used by farmers?

- Latvia does not support cancellation of excise tax relief for diesel, used in agriculture. We are informing that Latvia has more than once implemented measures to restrict the use of diesel, used in agriculture, which a reduced excise tax rate is applied to.
By 2014, the excise tax rate was 0%. As from 2014, Latvia has introduced the minimum rate of excise tax (in that time it was EUR 50 per 1000 litres of fuel) and limits for diesel fuel amount. The aim was to limit the consumption of diesel by allocating as many limits as each farmer needs to process his agricultural land depending on the crop grown. The volume limit depends on the crop, from 60 to 130 litres per hectare of cultivated agricultural land that has been declared and approved for the single area payments (SAP). From 2018, the excise tax on diesel fuel applicable to agriculture is 15% of the full rate. From 1 July 2018 to 31 December 2019, the rate is EUR 55.8 per 1 000 litres, and from 1 January 2020, EUR 62.1 per 1 000 litres.
We have observed that the consumption of diesel, used in agriculture per ha is not increasing. But the total consumption of diesel is increasing because in Latvia, areas of cultivated agricultural land is increasing every year. Therefore, cancellation of excise tax relief will not restrict the consumption of diesel because farmers need it for tillage of agricultural land.

Requests for additional information

153) Are there reports or data on the effectiveness of measures to support Latvian agriculture (for example, the promotion of sales of dairy products to non-EU countries)?

- All the evaluations (ex-ante, ex-post, ongoing in particular on the effectiveness of the EU funds (that form lion's share of the public spending in Agriculture sector) can be found here: <https://www.arei.lv/lv/lauku-attistibas-novertesanas-dala>
- Evaluation of the results of the promotion of dairy products in third countries can be found here: <https://www.arei.lv/sites/arei/files/files/lapas/Taste%2BMilk%2Bm%C4%81jas%2Blapai%20%281%29.docx>
- As part of the ongoing evaluation of Institute of Agricultural Resources and Economics, a thematic evaluation has been carried out on the effectiveness of the implementation of various Rural Development Program support measures. https://www.arei.lv/sites/arei/files/files/lapas/LAP_2020_novertejums_AREI.pdf
- Other separate evaluations have also been carried out, for example, "Results - based agri - environment measure assessment of implementation possibilities" made by Baltic Environmental Forum Latvia. http://petijumi.mk.gov.lv/sites/default/files/title_file/Gala_parskats_BEF.pdf

The role of FDI and GVCs in export development

170) Are there still restrictions on foreign ownership of agriculture and forestry land?

- Restrictions on purchase of agriculture land have been amended as stipulated in the agreements when Latvia joined the OECD as a result of which restrictions to all the OECD member states are equal to those of local private individuals and enterprises.