

Doing Business 2011

Latvia

**Making
a Difference for
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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Doing Business 2011
Business Reforms

Doing Business 2011: Making a Difference for Entrepreneurs is the eighth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for Latvia. The data used for this economy profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011: Making a Difference for Entrepreneurs* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website (www.doingbusiness.org).

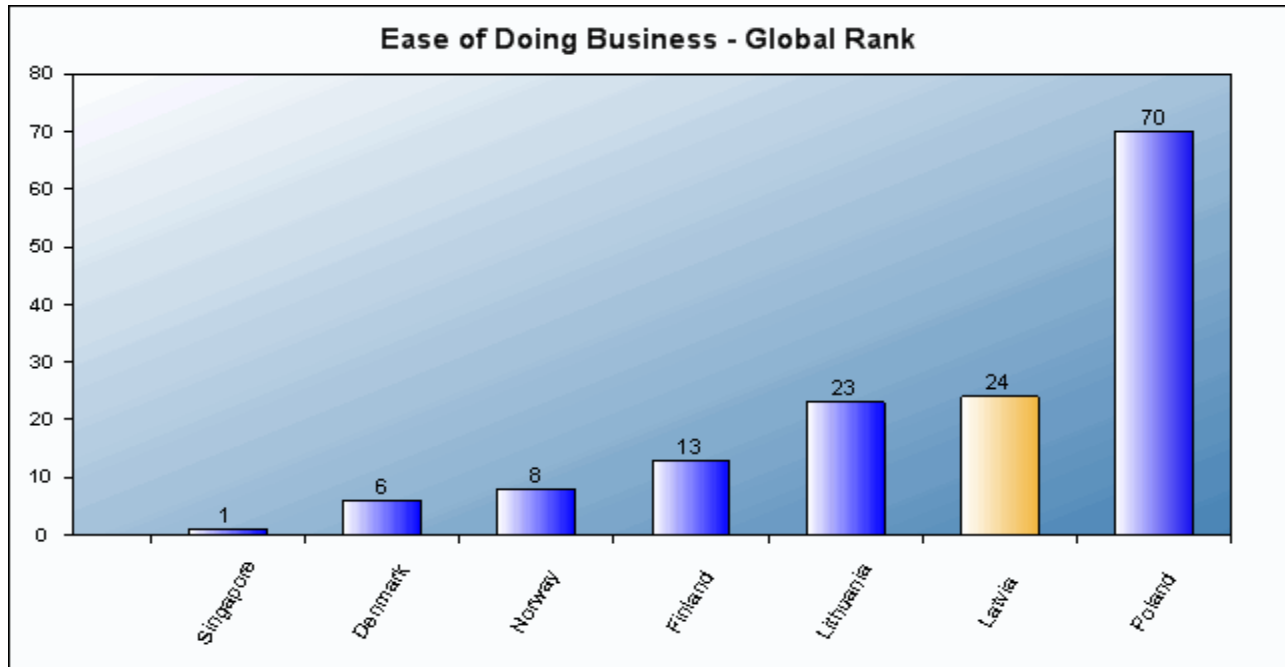
* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

Economy Rankings - Ease of Doing Business

Latvia is ranked 24 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

Latvia - Compared to global good practice economy as well as selected economies:



Latvia's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	24
Starting a Business	53
Dealing with Construction Permits	79
Registering Property	57
Getting Credit	6
Protecting Investors	59
Paying Taxes	59
Trading Across Borders	16
Enforcing Contracts	14
Closing a Business	80

Summary of Indicators - Latvia

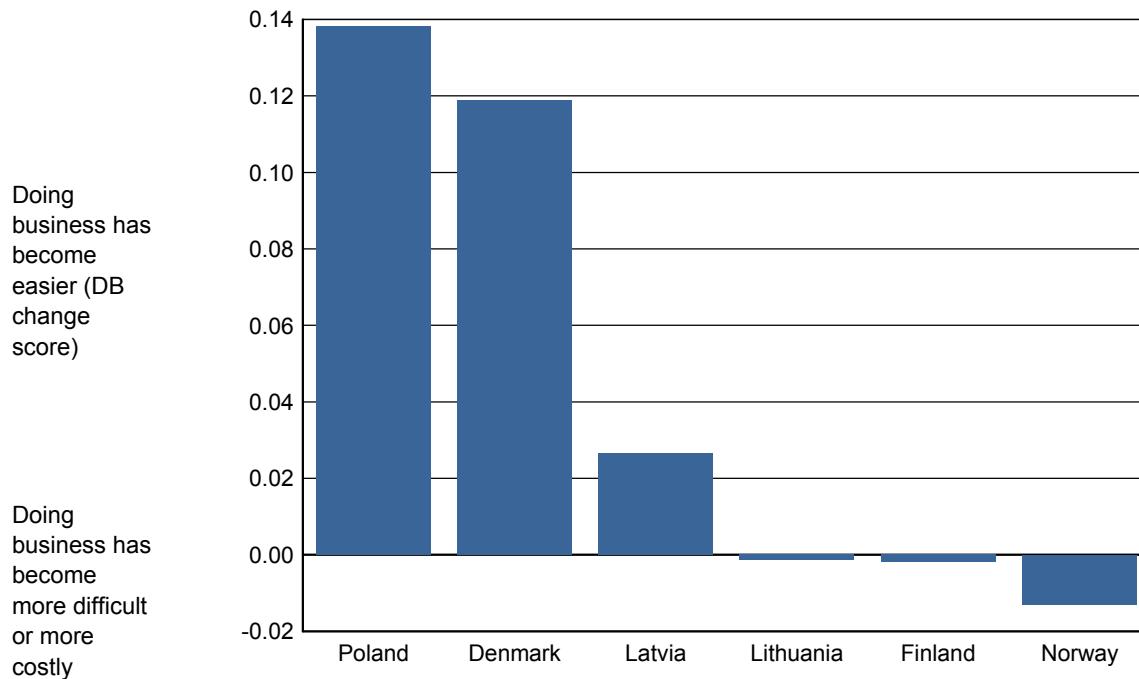
Starting a Business	Procedures (number)	5
	Time (days)	16
	Cost (% of income per capita)	1.5
	Min. capital (% of income per capita)	15.9
Dealing with Construction Permits	Procedures (number)	24
	Time (days)	186
	Cost (% of income per capita)	19.3
Registering Property	Procedures (number)	6
	Time (days)	42
	Cost (% of property value)	2.0
Getting Credit	Strength of legal rights index (0-10)	9
	Depth of credit information index (0-6)	5
	Public registry coverage (% of adults)	57.2
	Private bureau coverage (% of adults)	0.0
Protecting Investors	Extent of disclosure index (0-10)	5
	Extent of director liability index (0-10)	4
	Ease of shareholder suits index (0-10)	8
	Strength of investor protection index (0-10)	5.7
Paying Taxes	Payments (number per year)	7
	Time (hours per year)	293
	Profit tax (%)	6.5
	Labor tax and contributions (%)	27.2
	Other taxes (%)	4.8
	Total tax rate (% profit)	38.5
Trading Across Borders	Documents to export (number)	5
	Time to export (days)	10
	Cost to export (US\$ per container)	600
	Documents to import (number)	6
	Time to import (days)	11
	Cost to import (US\$ per container)	801

Enforcing Contracts	Procedures (number)	27
	Time (days)	309
	Cost (% of claim)	23.1
Closing a Business	Recovery rate (cents on the dollar)	31.9
	Time (years)	3.0
	Cost (% of estate)	13

The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators—such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*



Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

Some reform outcomes

In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.

In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.

In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.

What does Starting a Business measure?

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary prior to registration begins

Starting a Business: getting a local limited liability company up and running
Rankings are based on 4 subindicators



Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

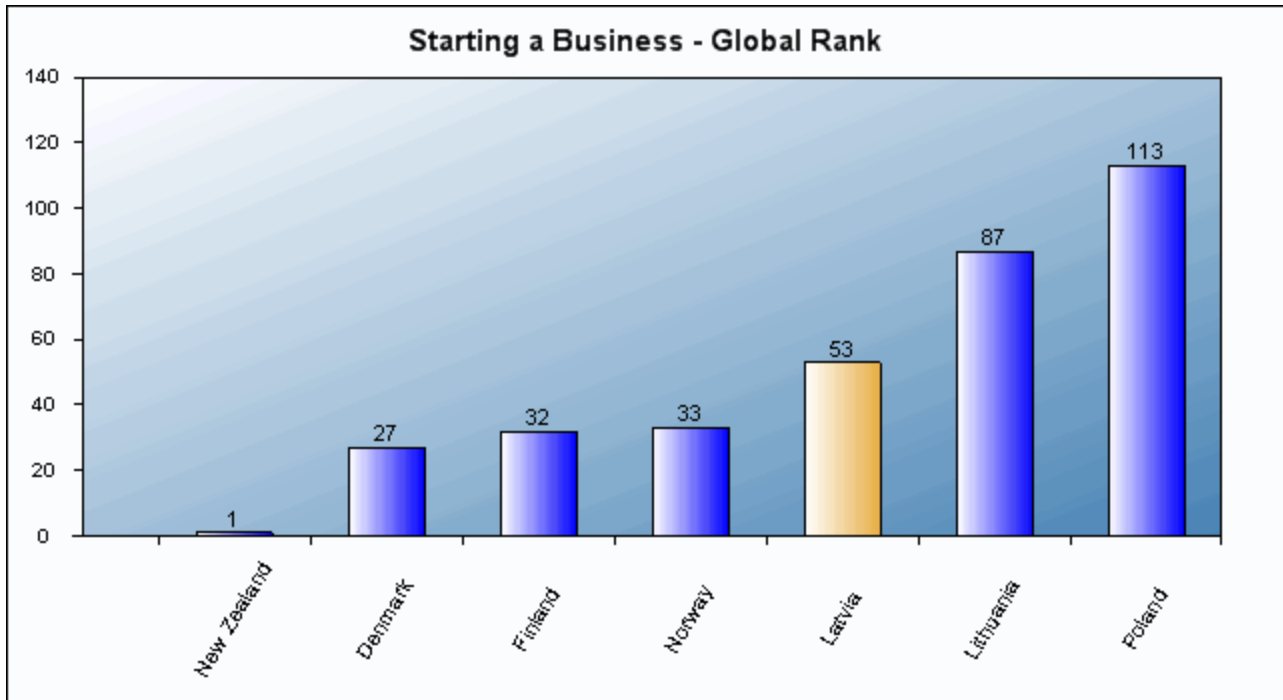
The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

1. Benchmarking Starting a Business Regulations:

Latvia is ranked 53 overall for Starting a Business.

Ranking of Latvia in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Latvia compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)
Denmark*			0.0	
New Zealand*	1	1		0.0

<i>Selected Economy</i>				
Latvia	5	16	1.5	15.9

<i>Comparator Economies</i>				
Denmark	4	6	0.0	26.0
Finland	3	14	1.1	7.9
Lithuania	6	22	2.8	36.1
Norway	5	7	1.8	20.0
Poland	6	32	17.5	14.7

* The following economies are also good practice economies for :

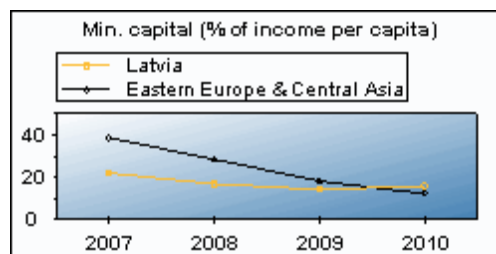
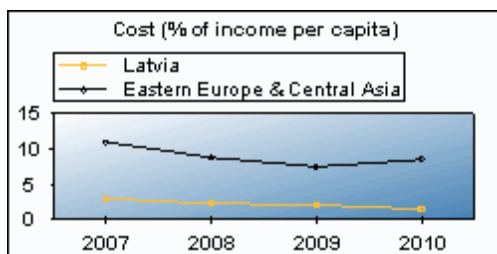
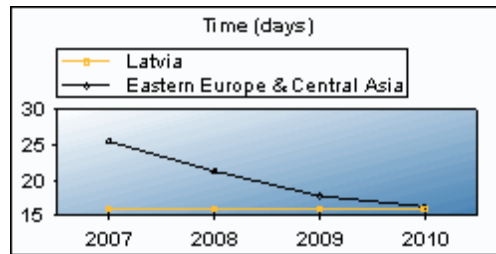
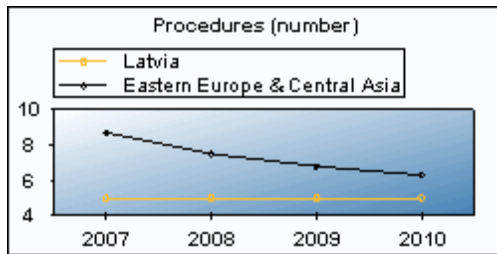
Procedures (number): **Canada**

Cost (% of income per capita): **Slovenia**

2. Historical data: Starting a Business in Latvia

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	51	53
Procedures (number)	5	5	5	5
Time (days)	16	16	16	16
Cost (% of income per capita)	3.0	2.3	2.1	1.5
Min. capital (% of income per capita)	22.0	16.9	14.2	15.9

3. The following graphs illustrate the Starting a Business sub indicators in Latvia over the past 4 years:



What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



This table summarizes the procedures and costs associated with setting up a business in Latvia.

STANDARDIZED COMPANY

Legal Form: Sabiedriba ar ierobe otu atbildibu (SIA)

City: Riga

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Complete signatories' cards and companies deeds, certify cards by a notary	1	LVL 18
2	Open a bank account and get a receipt of reference from the bank	1	LVL 5
3	Register at the Commercial Registry	3	LVL 74
4	Register with State Revenue Service (tax authority) for VAT	10	no charge
5	Register employees for mandatory state social insurance contribution with the State Revenue Service	1	no charge

Starting a Business Details - Latvia

Procedure 1 Complete signatories' cards and companies deeds, certify cards by a notary

Time to complete: 1

Cost to complete: LVL 18

Comment: According to the amendments to the Commercial Code effective May 21, 2004, the company charter and the foundation agreement do not require notarization. Only the application to the Commercial Register must be notarized by a notary public.

The amendments to the Commercial Law effective on April 10, 2006, provide that officials of the Companies Registry may verify the signature in case of a sole founder on the company's registration application and the sample signatures of management board members. The fee for the verification of one signature by the official of the Company Register is LVL 2.75. If three and more signatures must be verified in the framework of one company, then the fee for verification of each signature is LVL 2.

Procedure 2 Open a bank account and get a receipt of reference from the bank

Time to complete: 1

Cost to complete: LVL 5

Comment: Most banks levy a small fee to open a bank account and obtaining a deposit notice. The fee is generally about LVL 3, depending on the bank.

Procedure 3 Register at the Commercial Registry

Time to complete: 3

Cost to complete: LVL 74

Comment: The following company incorporation documents must be submitted to the Company Register:

- Registration application, on a special form provided by the Registry (includes information on Board members and company share capital) signed in front of a notary public
- company charter
- foundation agreement (Resolution on foundation in case of one founder)
- Proof of investment
- Consent to the election to the Supervisory Board (if existence of Supervisory Board is provided in company charter)
- Consent to the election to the Management Board
- Sample signatures of the Management Board members
- Notice of the Management Board on legal address of the Company
- Power of Attorney in case any of the founders is signing the Registration application via authorised person
- Document certifying payment of state duty
- Document certifying payment of the publication fee

With the amendments to the Commercial Code (as part of the implementation of EU directives), the rules on the mandatory appointment of the auditor upon establishing the process are withdrawn

for all companies. An auditor is no longer registered with the Commercial Register. Appointment of a sworn auditor is necessary only if two of the three following criteria apply:

- 1) The sum of the balance sheet exceeds LVL 100,000.
- 2) The annual turnover exceeds LVL 200,000.
- 3) During the financial year, the number of employees exceeds 25.

Procedure 4 Register with State Revenue Service (tax authority) for VAT

Time to complete: 10

Cost to complete: no charge

Comment: Regulation Nr 933 On the procedure of application of the norms of the Law On Value Added Tax states that the State Revenue Service reviews the registration application and within 15 working days after receiving of application registers the person in the register of taxable persons or adopts a decision on refusal of registration. As of January 1, 2010 the application form can be submitted to the State Revenue Service also electronically. However, in such cases it must be signed with a secure electronic signature.
In practice, this usually takes 10 days.

Procedure 5 Register employees for mandatory state social insurance contribution with the State Revenue Service

Time to complete: 1

Cost to complete: no charge

Comment: Regulation No 942, On Registration of Persons Performing Mandatory State Social Insurance Contributions and Personal Income Tax of the Cabinet of Ministers of Republic of Latvia (dated 20 November 2008) has been adopted and states that the following persons must register with the territorial agency of the State Revenue Service: employers, self-employed persons, domestic employees working for foreign employers, and foreign employees working for foreign employers. The employer registers each employee with the territorial agency of the State Revenue Service, according to the employer's place of registration, by the fifth date of the month following the month in which the person has acquired employee status. This will be accomplished by submitting to the territorial agency of the State Revenue Service information about the employee on the basis of the Registration Card of Mandatory State Social Insurance Contributions. As advised by the representative of State Revenue Service, the State Revenue Service Revenue usually carries out this registration on the same day. This has been slightly amended on February 6, 2010

In many economies, especially developing ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

Some reform outcomes

In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.

Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.

What does the Dealing with Construction Permits indicator measure?

Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

Case Study Assumptions

The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

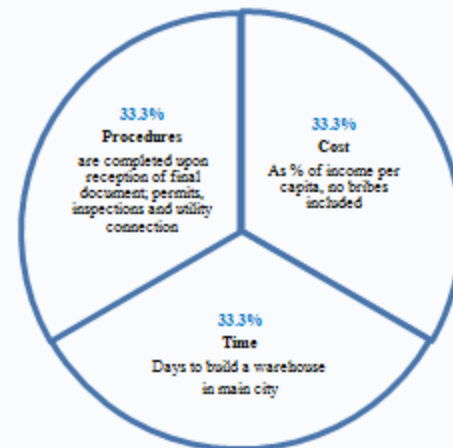
The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

Dealing with Construction Permits:

Building a warehouse

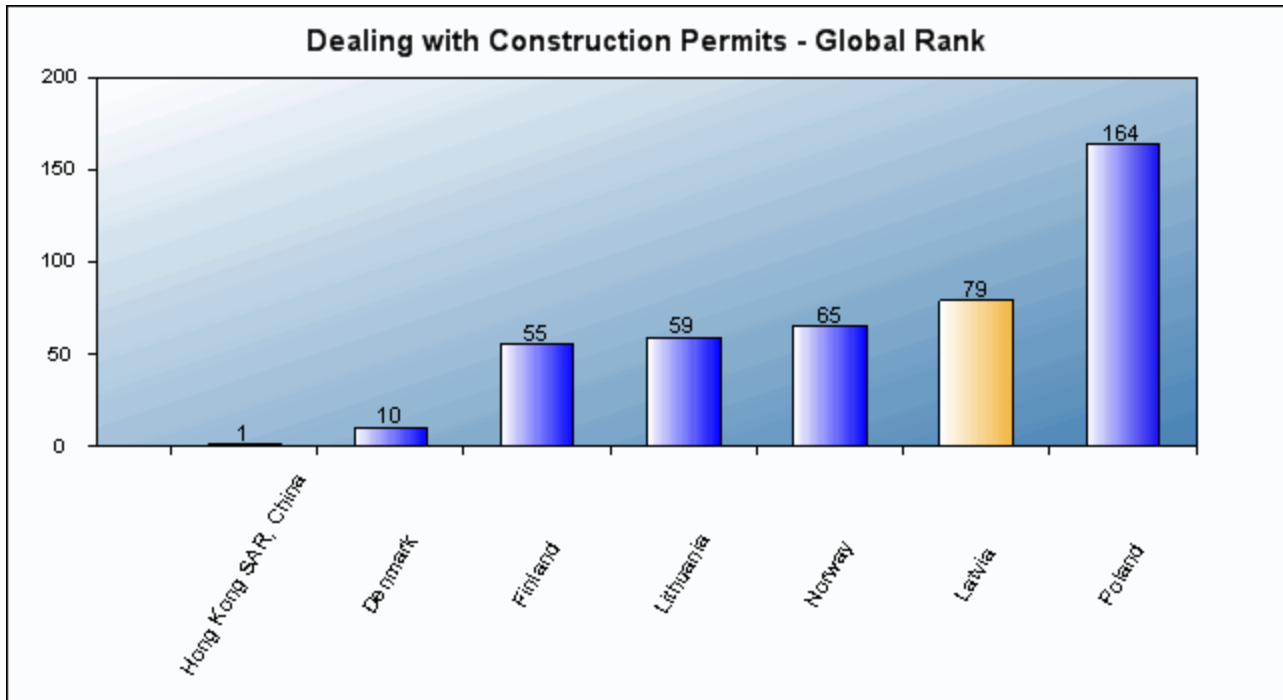
Rankings are based on 3 subindicators



1. Benchmarking Dealing with Construction Permits Regulations:

Latvia is ranked 79 overall for Dealing with Construction Permits.

Ranking of Latvia in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Latvia compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.8
Singapore		25	

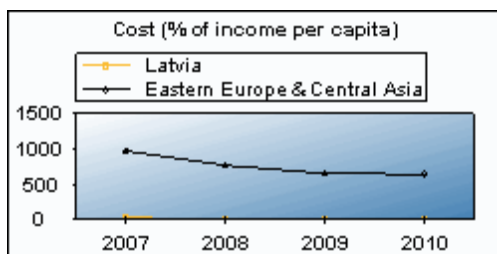
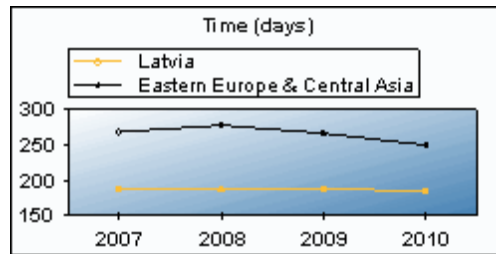
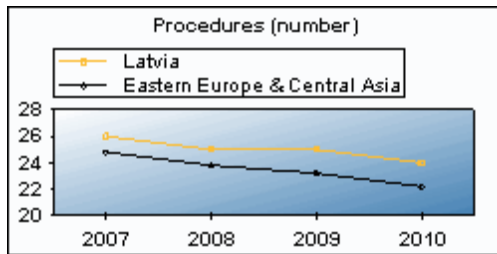
<i>Selected Economy</i>			
Latvia	24	186	19.3

<i>Comparator Economies</i>			
Denmark	6	69	61.7
Finland	18	66	134.2
Lithuania	17	162	68.8
Norway	14	252	43.8
Poland	32	311	121.8

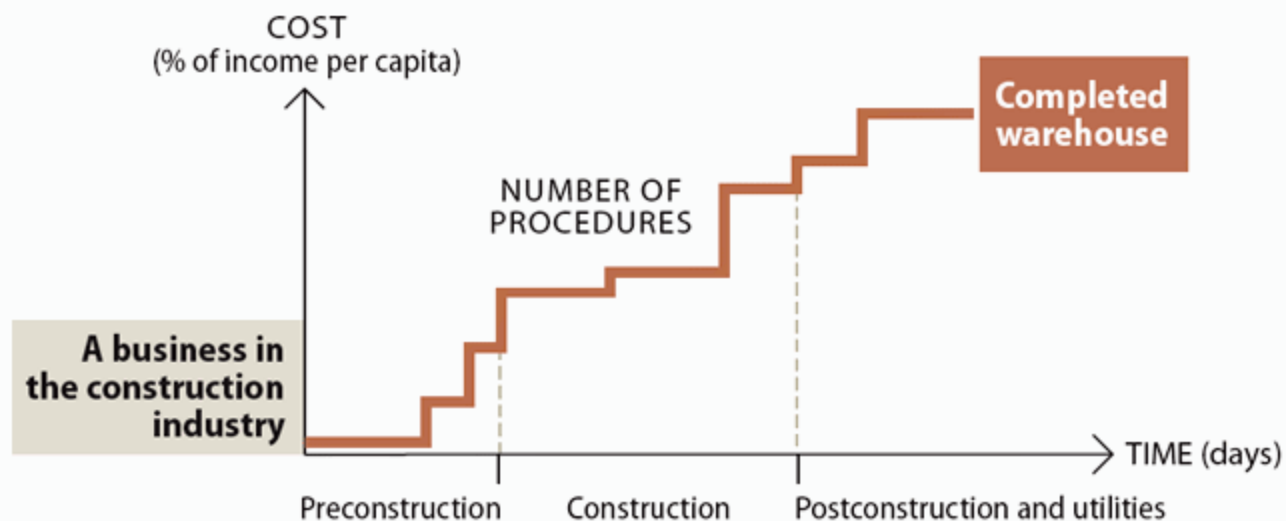
2. Historical data: Dealing with Construction Permits in Latvia

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	77	79
Procedures (number)	26	25	25	24
Time (days)	188	187	187	186
Cost (% of income per capita)	27.5	20.6	17.3	19.3

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in Latvia over the past 4 years:



What are the time, cost and number of procedures to comply with formalities to build a warehouse?



The table below summarizes the procedures, time, and costs to build a warehouse in Latvia.

BUILDING A WAREHOUSE

City: Riga

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request architectural-planning conditions	45 days	LVL 60
2	Obtain technical requirements from the Latvian environmental agency	28 days	no charge
3 *	Obtain technical requirements from the public health agency	28 days	LVL 13
4 *	Obtain technical requirements from the electricity provider	28 days	no charge
5 *	Obtain technical requirements from the water supply and sewerage company	28 days	no charge
6 *	Obtain technical requirements from the telephone company	28 days	no charge
7	Obtain design clearance from the various agencies that issue technical requirements	7 days	no charge
8 *	Obtain design clearance from the public health agency	7 days	no charge

9 *	Obtain design clearance from the electricity provider	7 days	no charge
10 *	Obtain design clearance from the water and sewerage company	7 days	no charge
11 *	Obtain design clearance from the telephone company	7 days	no charge
12 *	Obtain design clearance from the fire safety and rescue services	7 days	no charge
13	Obtain final approval of the design	30 days	no charge
14	Obtain a building permit	14 days	LVL 1,000
15	Obtain electricity connection	30 days	LVL 20
16 *	Obtain water and sewerage connection	20 days	LVL 26
17 *	Request telephone line connection	10 days	LVL 35
18 *	Receive an inspection by the public health agency	1 day	no charge
19 *	Receive an inspection by the environmental agency	1 day	no charge
20 *	Receive an inspection by the fire safety and rescue department	1 day	no charge
21	Receive an on-site inspection by the state approval commission and issuance of final handover certificate	5 days	no charge
22	Obtain measurements from the special state institution	27 days	LVL 45
23 *	Receive an inspection by the special commission	1 day	no charge
24	Register the building into the land book	20 days	LVL 18

* Takes place simultaneously with another procedure.

Dealing with Construction Permits Details - Latvia

Procedure 1 Request architectural-planning conditions

Time to complete: 45 days

Cost to complete: LVL 60

Agency: Municipal Building Board

Comment: The receipt of architectural-planning conditions from the Municipal Building Board is a prerequisite for the commencement of building activities, such as architectural design. The architectural-planning conditions contain the main requirements for the intended building and lists agencies and institutions from which additional technical requirements must be obtained. The request form for the architectural-planning conditions must contain a brief description of the intended project. Effective November 14, 2006, the Riga City Council adopted new regulations regarding the municipality's paid services. The cost associated with obtaining a building permit is between LVL 13.46 and LVL106.20; the time frame is 30 working days.

Procedure 2 Obtain technical requirements from the Latvian environmental agency

Time to complete: 28 days

Cost to complete: no charge

Agency: Latvian Environment Agency

Comment: Beginning January 2008 the technical requirements from the Latvia Environment Agency are issued free of charge.

Procedure 3 Obtain technical requirements from the public health agency

Time to complete: 28 days

Cost to complete: LVL 13

Agency: Public Health Agency

Comment: In January 2008 Fees for obtaining technical requirements from the public health agency have been reduced from LVL 20 to LVL 13.

Procedure 4 Obtain technical requirements from the electricity provider

Time to complete: 28 days

Cost to complete: no charge

Agency: Latvenergo

Comment:

Procedure 5 Obtain technical requirements from the water supply and sewerage company

Time to complete: 28 days
Cost to complete: no charge
Agency: Riga Water Company (Rīgas Ūdens)
Comment:

Procedure 6 Obtain technical requirements from the telephone company

Time to complete: 28 days
Cost to complete: no charge
Agency: Latvia Telecom
Comment:

Procedure 7 Obtain design clearance from the various agencies that issue technical requirements

Time to complete: 7 days
Cost to complete: no charge
Agency: Engineering Council
Comment: Design clearances are organized in a unified session with the engineering council and completed in one session if the project meets the council's requirements. The project design clearances are necessary only if required in the architectural planning conditions. In most cases, however, they are required.

Procedure 8 Obtain design clearance from the public health agency

Time to complete: 7 days
Cost to complete: no charge
Agency: Public Health Agency
Comment: The unified session does not take place in practice. The applicant must obtain approval from each agency separately.

Procedure 9 Obtain design clearance from the electricity provider

Time to complete: 7 days
Cost to complete: no charge
Agency: Latvenergo
Comment: The unified session does not take place in practice. The applicant must obtain approval from each agency separately.

Procedure 10 Obtain design clearance from the water and sewerage company

Time to complete: 7 days

Cost to complete: no charge

Agency: Riga Water Company (Rīgas Ūdens)

Comment: The unified session does not take place in practice. The applicant must obtain approval from each agency separately.

Procedure 11 Obtain design clearance from the telephone company

Time to complete: 7 days

Cost to complete: no charge

Agency: Latvia Telecom

Comment: The unified session does not take place in practice. The applicant must obtain approval from each agency separately.

Procedure 12 Obtain design clearance from the fire safety and rescue services

Time to complete: 7 days

Cost to complete: no charge

Agency: Fire Safety and Rescue Services

Comment: The unified session does not take place in practice. The applicant must obtain approval from each agency separately.

Procedure 13 Obtain final approval of the design

Time to complete: 30 days

Cost to complete: no charge

Agency: Municipal Building Board

Comment: The final approval of the design is granted by the Municipal Building Board after clearance with all relevant agencies and a general inspection to verify compliance with laws and regulations. Approval of the design does not release the architect from liability. The approved design is valid for 2 years. If upon expiration the building permit has not been received, the design must be re-cleared and re-approved.

A public body in Latvia must deliver a decision within a maximum of 90 days in accordance with the Administrative Procedure Law. In case of repeated approval (after making the necessary corrections indicated by the building authority), the cost of the procedure is LVL 59.

Procedure 14 Obtain a building permit

Time to complete: 14 days

Cost to complete: LVL 1,000

Agency: Municipal Building Board

Comment: The building permit is issued by the Municipal Building Board. Effective November 14, 2006, the Riga City Council adopted new regulations regarding the municipality's paid services. The cost associated with obtaining a building permit is between LVL 800 and LVL1,200.

Procedure 15 Obtain electricity connection

Time to complete: 30 days

Cost to complete: LVL 20

Agency: Latvenergo

Comment: The electrical connection is usually obtained when construction begins; during the construction process, a temporary connection may be obtained; the cost of obtaining the connection usually consists of the cost for the newly installed equipment (for example, transformer, meter, new cables). As of January 1, 2009 Latvenergo eliminated the previous system of cost sharing for the electricity connection to the boundary of the land plot, which was split between the client (60%) and the electricity company (40%). Under the new system clients have to cover 100% of costs. In complicated cases, the time to complete the procedure may be longer. The cost to complete the procedure is reviewed annually.

Procedure 16 Obtain water and sewerage connection

Time to complete: 20 days

Cost to complete: LVL 26

Agency: Riga Water Company (Rīgas Ūdens)

Comment: According to the Construction Regulations, a written application should be submitted to the relevant water and sewerage company (in Riga, the company is Riga Water Ltd.). The documents confirming the ownership should be attached, as well as the topographical plan on a scale of 1:500 with the drawn-in underground communications.

Procedure 17 Request telephone line connection

Time to complete: 10 days

Cost to complete: LVL 35

Agency: Latvia Telecom

Comment: The telephone line connection is not a prerequisite for the final handover of the building; therefore, it may be obtained at any time during or after construction. The indicated cost does not include the cost of building the new telephone line utilities, which depend on the circumstances and may occasionally be partly financed by the client.

Procedure 18 Receive an inspection by the public health agency

Time to complete: 1 day

Cost to complete: no charge
Agency: Public Health Agency
Comment: It takes about 10 working days until the inspector comes to the site.

Procedure 19 Receive an inspection by the environmental agency

Time to complete: 1 day
Cost to complete: no charge
Agency: Environment Agency
Comment: It takes about 10 working days until the inspector comes to the site.

Procedure 20 Receive an inspection by the fire safety and rescue department

Time to complete: 1 day
Cost to complete: no charge
Agency: Fire Safety and Rescue Department
Comment: It takes about 10 working days until the inspector comes to the site.

Procedure 21 Receive an on-site inspection by the state approval commission and issuance of final handover certificate

Time to complete: 5 days
Cost to complete: no charge
Agency: State Acceptance Commission
Comment: Use of the building may begin only after the final handover. The State Handover Commission is formed by the representatives of the State Building Inspection, the Municipality Building Board, the architect of the project, and owner of the project.

Procedure 22 Obtain measurements from the special state institution

Time to complete: 27 days
Cost to complete: LVL 45
Agency: Special State Institution
Comment: Before placing the newly built or renovated building into operation, a special state institution takes the measurements of the building and draws the plans of each floor. This is done within 27 days (in cases with very complicated buildings, this could take longer), and the costs are calculated according to the technical parameters of the building.

Procedure 23 Receive an inspection by the special commission

Time to complete:	1 day
Cost to complete:	no charge
Agency:	Special Commission
Comment:	After the measurements are obtained, a special commission approves the construction.

Procedure 24 Register the building into the land book

Time to complete:	20 days
Cost to complete:	LVL 18
Comment:	After the approval of the building by a special commission, the building can be registered in the land book. If the owner of the building is the same as the owner of the land, the building is registered in the same file as the land and it is deemed an undivided property. If the owners are different for the building, a separate and independent file is opened and the building is considered a separate object of ownership only while the lease is in force. After that, the building is either removed or becomes the property of the land owner. The cost to complete the procedure is LVL 15 for the registration into the land book and LVL 3 for the issuance of the land book certificate.

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

Some reform outcomes

Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.

Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.

What does the Registering Property indicator measure?

Registering Property: transfer of property between 2 local companies

Rankings are based on 3 subindicators

Procedures to legally transfer title on immovable property (number)

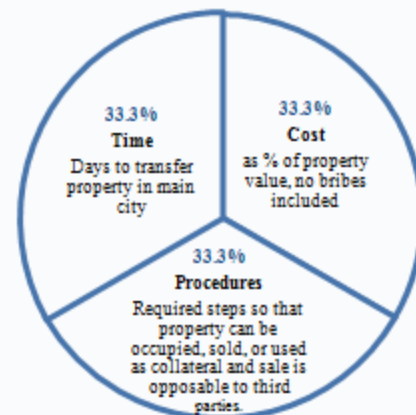
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

Cost required to complete each procedure (% of property value)

- Official costs only, no bribes
- No value added or capital gains taxes included



Case Study Assumptions

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

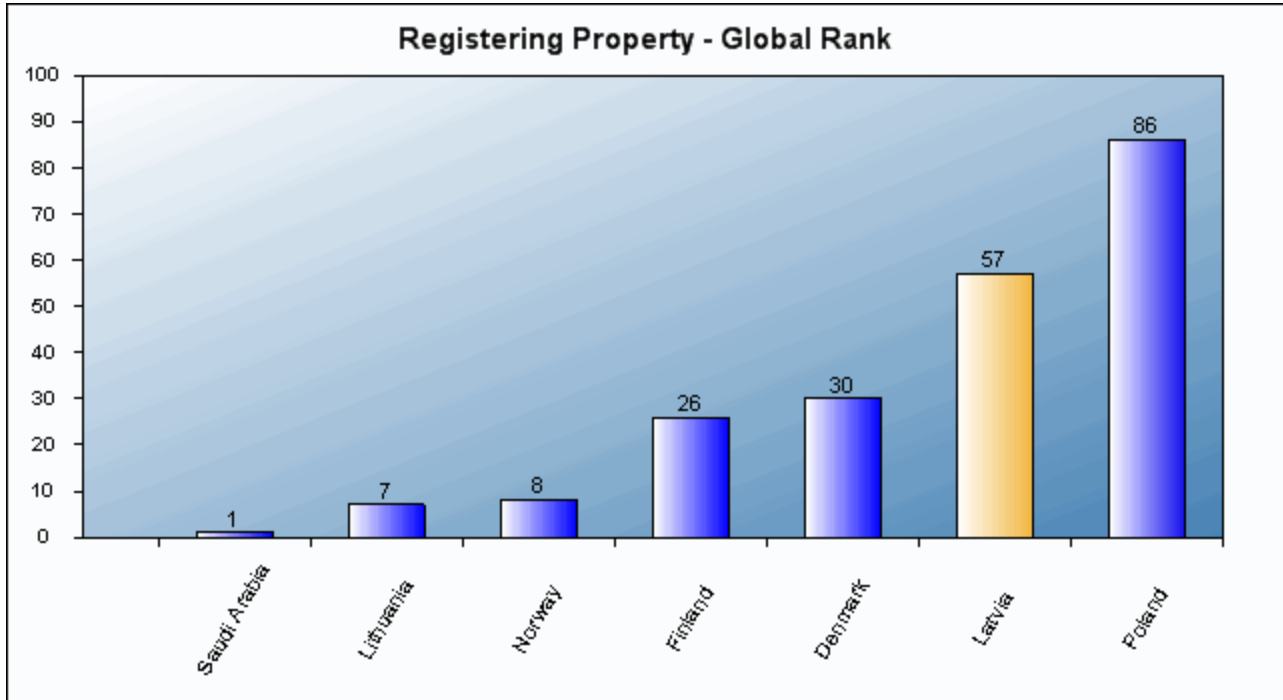
The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

1. Benchmarking Registering Property Regulations:

Latvia is ranked 57 overall for Registering Property.

Ranking of Latvia in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Latvia compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of property value)
New Zealand*		2	
Norway*	1		
Saudi Arabia			0.0

<i>Selected Economy</i>			
Latvia	6	42	2.0

<i>Comparator Economies</i>			
Denmark	3	42	0.6
Finland	3	14	4.0
Lithuania	3	3	1.9
Norway	1	3	2.5
Poland	6	152	0.4

* The following economies are also good practice economies for :

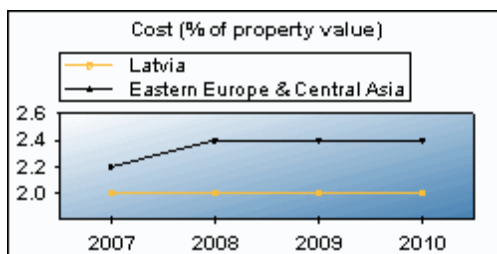
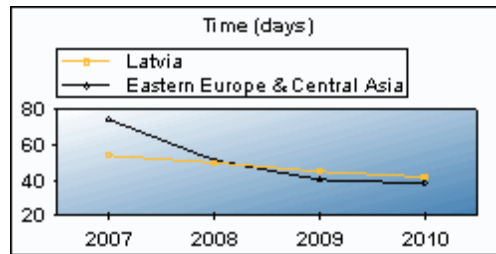
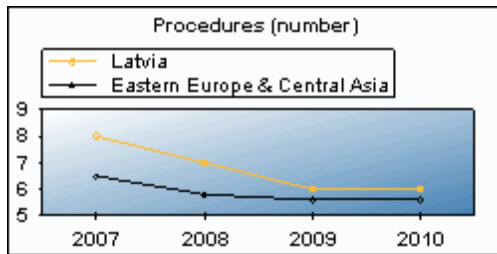
Procedures (number): United Arab Emirates

Time (days): Saudi Arabia, Thailand, United Arab Emirates

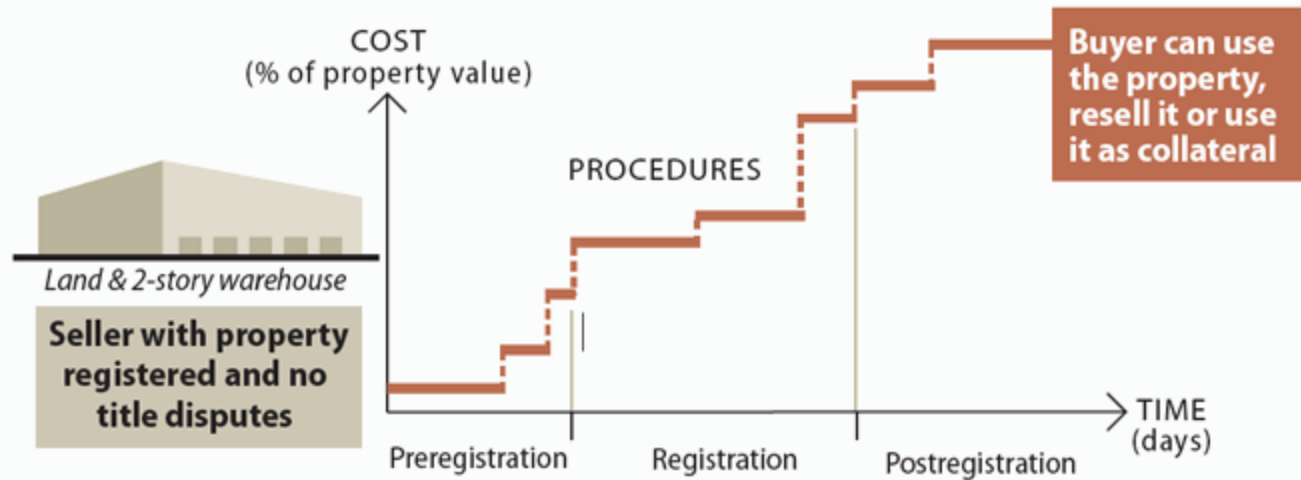
2. Historical data: Registering Property in Latvia

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	61	57
Procedures (number)	8	7	6	6
Time (days)	54	50	45	42
Cost (% of property value)	2.0	2.0	2.0	2.0

3. The following graphs illustrate the Registering Property sub indicators in Latvia over the past 4 years:



What are the time, cost and number of procedures required to transfer a property between 2 local companies?



This topic examines the steps, time, and cost involved in registering property in Latvia.

STANDARDIZED PROPERTY

Property Value: 314,666.54

City: Riga

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Verification of title	1 day	LVL 3.63
2	Statement on real estate tax	1-7 days	no cost
3	Municipality's first refusal rights	20 days	no cost
4	Statement on the buyer's shareholders	1 day	no cost

5	Notarization of the sale-purchase agreement	1 day	62,65 LVL (comprising of: certification of the signature of both parties (two persons), 13,20 LVL each; information about the companies - 5,36 each; information from the Citizen's register - 3,80 LVL for each person; information from the Invalid documents' register - 1 LVL for each person; information from the Land Book register - 4,64 LVL. The total sum is being taxed with the VAT (21%). Additionally the state fee - 0,50 LVL is being added.
6	Registration of the buyer's title	15 days	LVL 6 (processing fee for the registration of title)LVL 3 (processing fee for the receipt of the registration certificate)2% of the highest of either the purchase price or the cadastral value of the real estate, with a maximum of LVL 30,000 (Stamp duty for the registration of title)

Registering Property Details - Latvia

Procedure	1	Verification of title
Time to complete:	1 day	
Cost to complete:	LVL 3.63	
Agency:	Land Registry (Land Book)	
Comment:	The buyer should request from the seller or from the Land Register website an updated extract from the relevant folio of the Land Registry, which allows the buyer to verify the title of the seller and the legal rights attached to the real estate. Any credit or debit card holder can obtain information on any real estate registered in the Land Register. Charge for a single entry is LVL 3.63 and information is displayed instantly. Currently, the web site www.eland.lv is providing Land Book information review services.	
Procedure	2	Statement on real estate tax
Time to complete:	1-7 days	
Cost to complete:	no cost	
Agency:	Municipality	
Comment:	<p>The seller shall obtain from the local municipality a confirmation of payment of real estate tax for the property.</p> <p>The purchase agreement can be prepared by the parties, by a lawyer or by a public notary. In the last two cases, the documentation obtained in procedures 2-4 should be presented to the lawyer/notary that will take between 3 and 10 days on average to prepare the sales agreement. The fees will depend on the lawyer/notary. While a lawyer or notary is not required, some parties prefer to hire one to prepare the agreement.</p> <p>In order to receive the statement, the following documents shall be submitted to the municipality:</p> <ul style="list-style-type: none">Real estate sales agreement.Application to the municipality <p>Local municipalities are concluding agreements with the Land Book Department on electronic exchange of tax information where the Land Book checks automatically the municipal tax information data bases. In these cases, this procedure takes less than one day.</p>	
Procedure	3	Municipality's first refusal rights
Time to complete:	20 days	
Cost to complete:	no cost	
Agency:	Municipality	
Comment:	The parties submit the signed real estate sales agreement to the municipality for a decision on its first refusal rights.	

Procedure 4 Statement on the buyer's shareholders

Time to complete: 1 day

Cost to complete: no cost

Comment: The board of the buyer shall issue a statement on the nationality of the buyer's shareholders.

Procedure 5 Notarization of the sale-purchase agreement

Time to complete: 1 day

Cost to complete: 62,65 LVL (comprising of: certification of the signature of both parties (two persons), 13,20 LVL each; information about the companies - 5,36 each; information from the Citizen's register - 3,80 LVL for each person; information from the Invalid documents' register - 1 LVL for each person; information from the Land Book register - 4,64 LVL. The total sum is being taxed with the VAT (21%). Additionally the state fee - 0,50 LVL is being added.

Comment: The parties sign and a notary attests the application for the registration of the buyer's title with the land registry or Land Book. The registration application should contain the authorization to the person that is entitled to perform the registration procedures. If the authorization is not incorporated in the registration application, the parties can:

- 1) issue a notarized power of attorney to this effect, or
- 2) incorporate the authorization in the sales agreement, in which case the sales agreement must be attested by a notary, or
- 3) authorize a notary to process the registration of title.

Procedure 6 Registration of the buyer's title

Time to complete: 15 days

Cost to complete: LVL 6 (processing fee for the registration of title)LVL 3 (processing fee for the receipt of the registration certificate)2% of the highest of either the purchase price or the cadastral value of the real estate, with a maximum of LVL 30,000 (Stamp duty for the registration of title)

Agency: Land Registry (Land Book)

Comment: The parties submit the documents obtained in the previous procedures to the Land Registry Unit of the Land Book. After reviewing all submitted documents a Land Book judge adopts a decision on registration of change of ownership rights and issues a new Land Book Certificate. The payment for registration and the stamp duty can be paid at POS net machines with a credit card at the registry. Receipt of payment should be submitted before the registration of the title.

The documentation shall include:

- Real estate sales agreement signed by parties
- Statement of the payment of real estate tax (Obtained in Procedure 2)
- Municipality's approval of the transfer (Obtained in Procedure 3)
- Notarized application for the registration (obtained in Procedure 5)
- Statement on the shareholders of the buyer (obtained in Procedure 4)
- Receipt of payment of stamp duty and registration fee (obtained in Procedure 6)

Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the ‘information asymmetry’ in lending and enable lenders to view a borrower’s financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor’s rights has been associated with higher ratios of private sector credit to GDP.

Some reform outcomes

After Vietnam’s new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).

In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.

What do the Getting Credit indicators measure?

Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors’ rights through bankruptcy laws

Depth of credit information index (0–6)

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

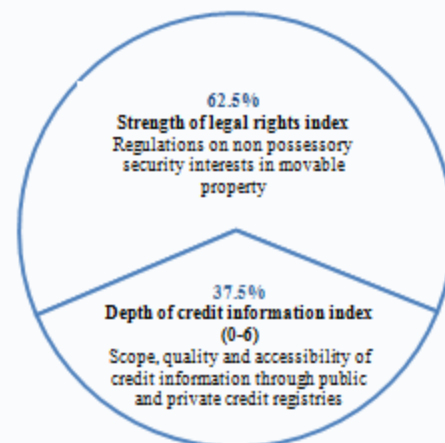
Public credit registry coverage (% of adults)

- Number of individuals and firms listed in public credit registry as percentage of a adult population

Private credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest private credit bureau as percentage of a adult population

Getting Credit: collateral rules and credit information



Note: Private bureau coverage and public credit registry coverage are measured but do not count for the rankings.

Case Study Assumptions (applying to the Legal Rights Index only)

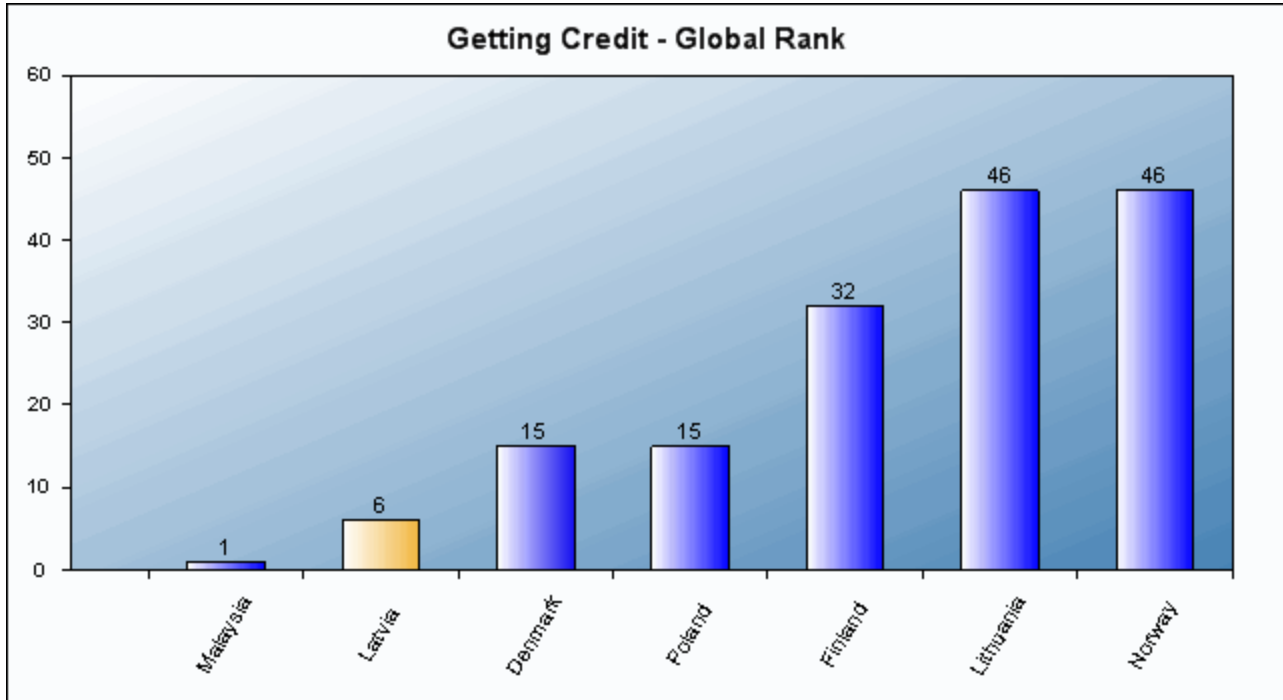
The Debtor

- is a Private Limited Liability Company
- has its Headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both creditor and debtor are 100% domestically owned.

1. Benchmarking Getting Credit Regulations:

Latvia is ranked 6 overall for Getting Credit.

Ranking of Latvia in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Latvia compared to good practice and comparator economies:

Good Practice Economies	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
New Zealand*				100.0
Portugal			67.1	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Latvia	9	5	57.2	0.0

<i>Comparator Economies</i>				
Denmark	9	4	0.0	5.4
Finland	7	5	0.0	14.9
Lithuania	5	6	20.0	67.8
Norway	7	4	0.0	100.0
Poland	9	4	0.0	91.7

* The following economies are also good practice economies for :

Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia

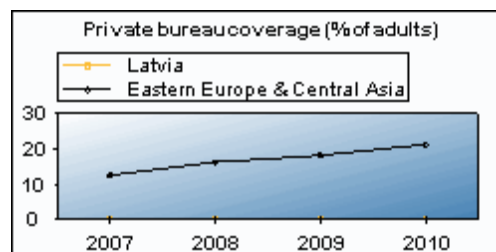
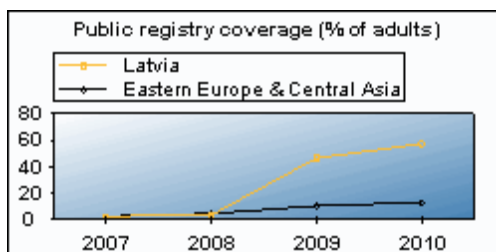
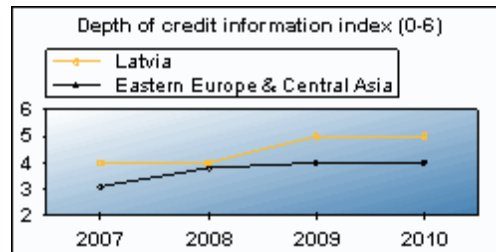
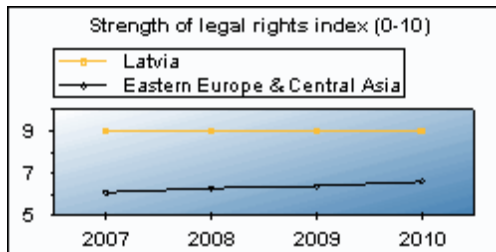
Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

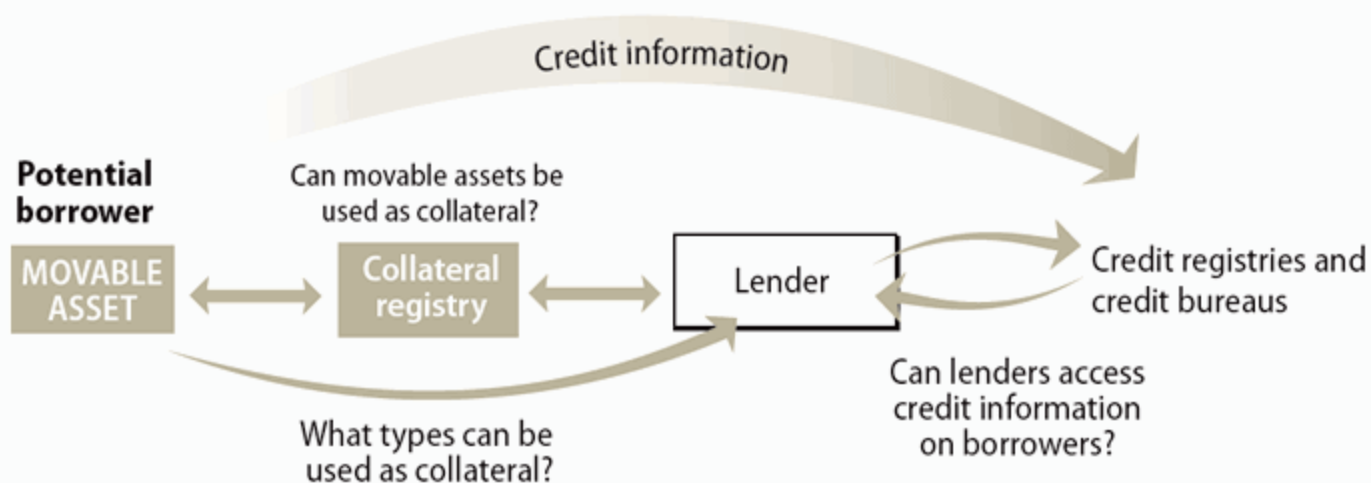
2. Historical data: Getting Credit in Latvia

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	6	6
Strength of legal rights index (0-10)	9	9	9	9
Depth of credit information index (0-6)	4	4	5	5
Private bureau coverage (% of adults)	0.0	0.0	0.0	0.0
Public registry coverage (% of adults)	2.6	3.5	46.5	57.2

3. The following graphs illustrate the Getting Credit sub indicators in Latvia over the past 4 years:



**Do lenders have credit information on entrepreneurs seeking credit?
Is the law favorable to borrowers and lenders using movable assets as collateral?**



The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Latvia.

Getting Credit Indicators (2010)			Indicator
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	5
Are data on both firms and individuals distributed?	No	Yes	1
Are both positive and negative data distributed?	No	Yes	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	No	Yes	1
Is data on all loans below 1% of income per capita distributed?	No	Yes	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	Yes	1
Coverage	0.0	57.2	
Number of individuals		0	870,881
Number of firms		0	49,862

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?	Yes
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?	Yes
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?	Yes
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?	Yes
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?	Yes
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?	No
Does the law authorize parties to agree on out of court enforcement?	Yes

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

Some reform outcomes

In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).

After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.

What do the Protecting Investors indicators measure?

Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

Ease of shareholder suits index (0–10)

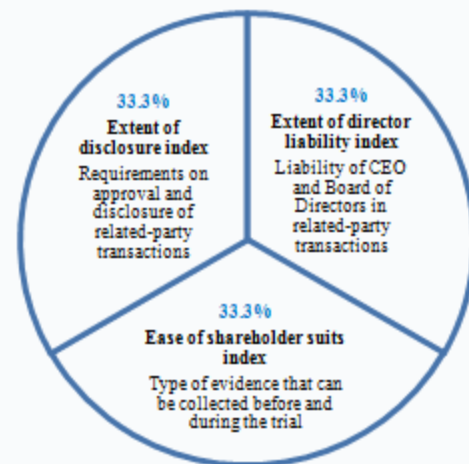
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

Protecting Investors: minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



Case Study Assumptions

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

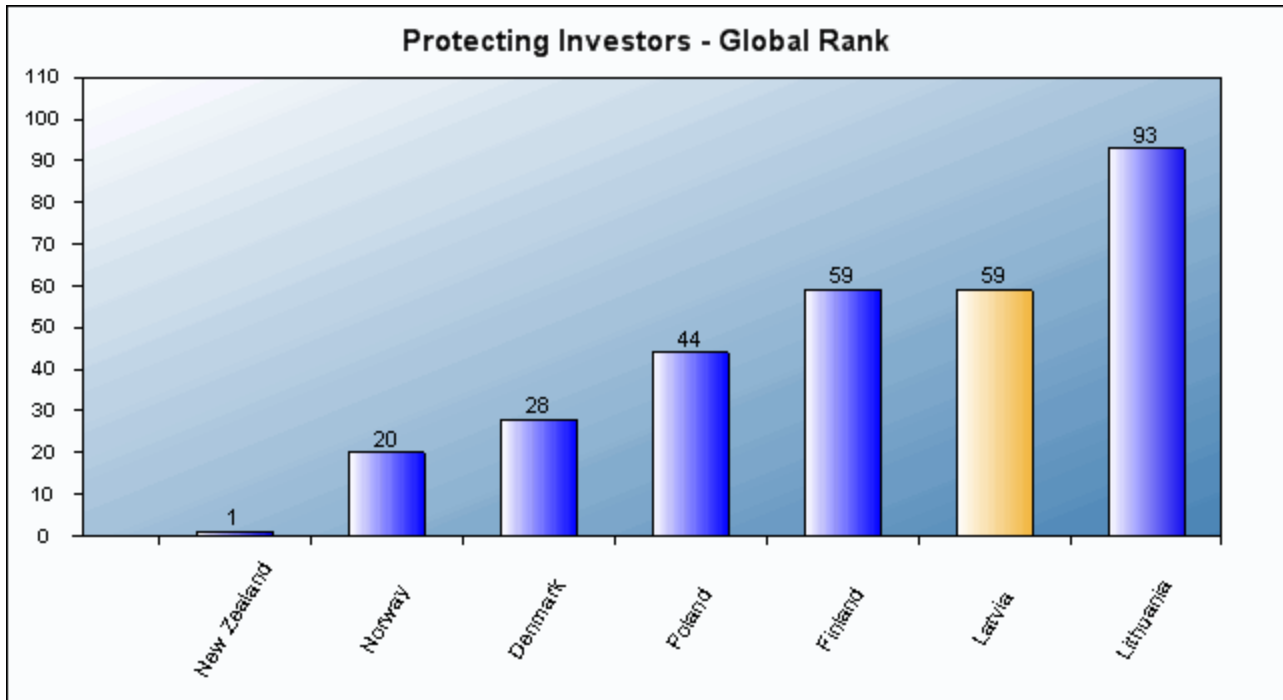
The transaction

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company.
- Shareholders sue the interested parties and the members of the board of directors.

1. Benchmarking Protecting Investors Regulations:

Latvia is ranked 59 overall for Protecting Investors.

Ranking of Latvia in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Latvia compared to good practice and comparator economies:

Good Practice Economies	Strength of investor protection index (0-10)
New Zealand	9.7

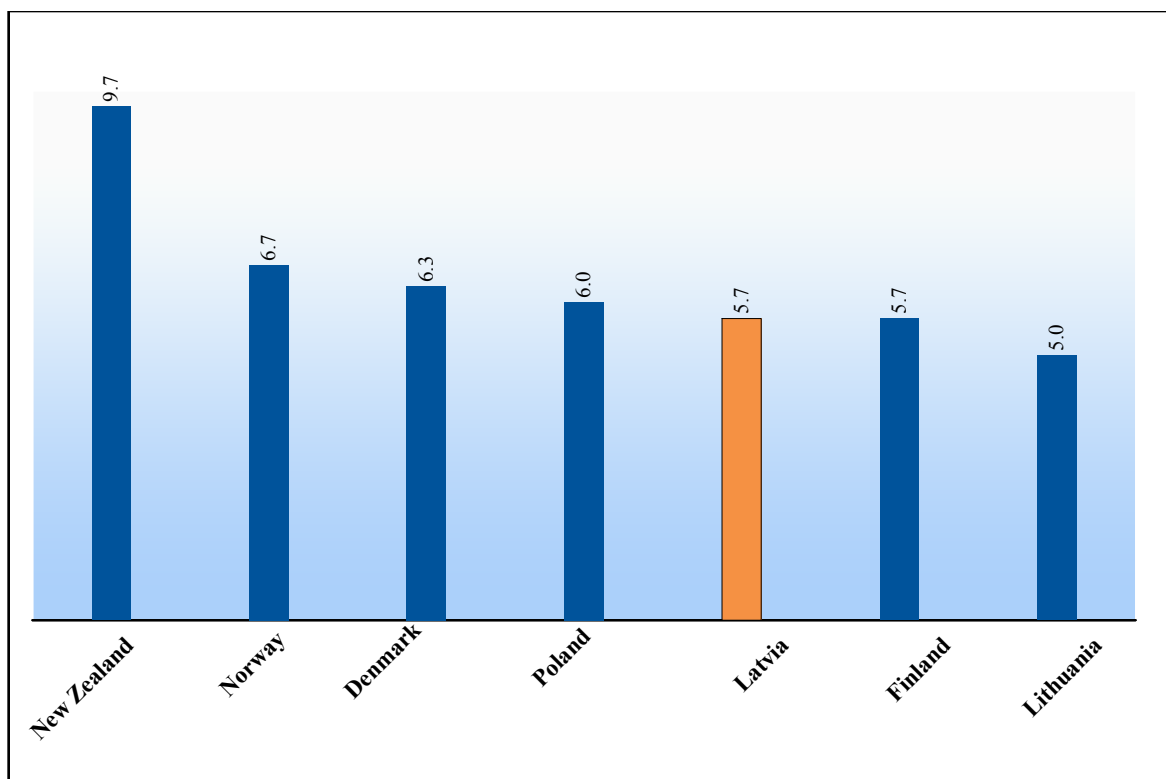
<i>Selected Economy</i>	
Latvia	5.7

<i>Comparator Economies</i>	
Denmark	6.3
Finland	5.7
Lithuania	5.0
Norway	6.7
Poland	6.0

2. Historical data: Protecting Investors in Latvia

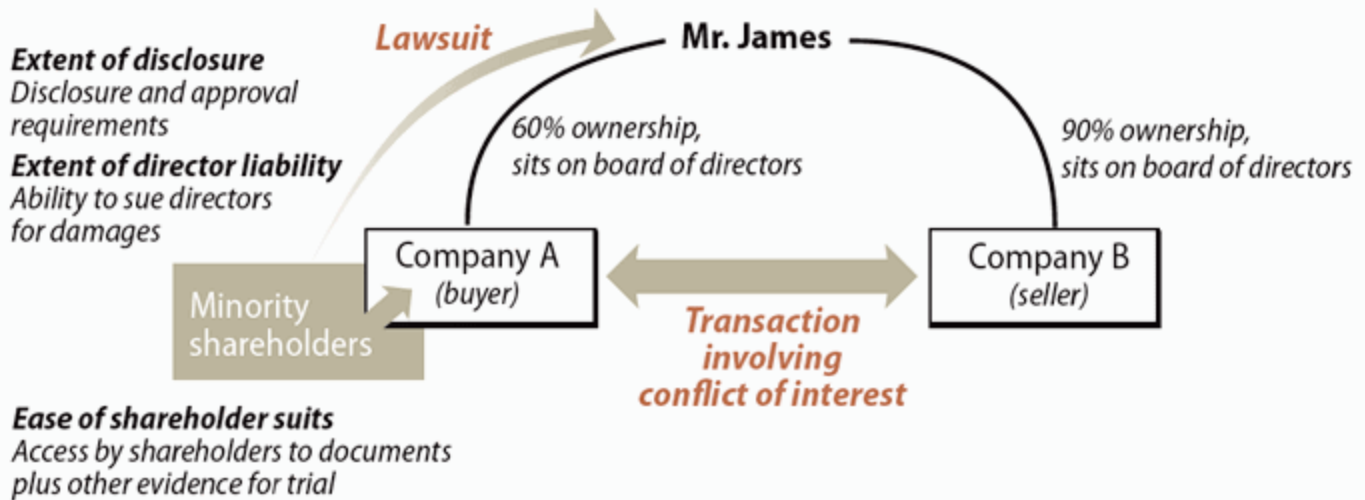
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	57	59
Strength of investor protection index (0-10)	5.7	5.7	5.7	5.7

3. The following graph illustrates the Protecting Investors index in Latvia compared to best practice and selected Economies:



Note: The higher the score, the greater the investor protection.

How well are minority shareholders protected against self-dealing in related-party transactions?



The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Latvia.

Protecting Investors Data (2010)	Indicator
Extent of disclosure index (0-10)	5
What corporate body provides legally sufficient approval for the transaction?	2
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	1
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	1
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	1
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	4
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	0
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
Ease of shareholder suits index (0-10)	8
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	4
Whether the plaintiff can directly question the defendant and witnesses during trial?	2
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	1
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1
Whether the level of proof required for civil suits is lower than that of criminal cases?	0
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0
Strength of investor protection index (0-10)	5.7

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

Some reform outcomes

Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.

Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.

What do the Paying taxes indicators measure?

Tax payments for a manufacturing company in 2009
(number per year adjusted for electronic or joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

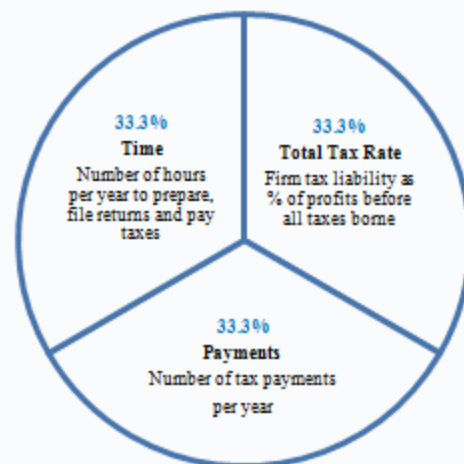
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

Total tax rate (% of profit)

- Profit or corporate income tax
- Mandatory social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

Paying Taxes: tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



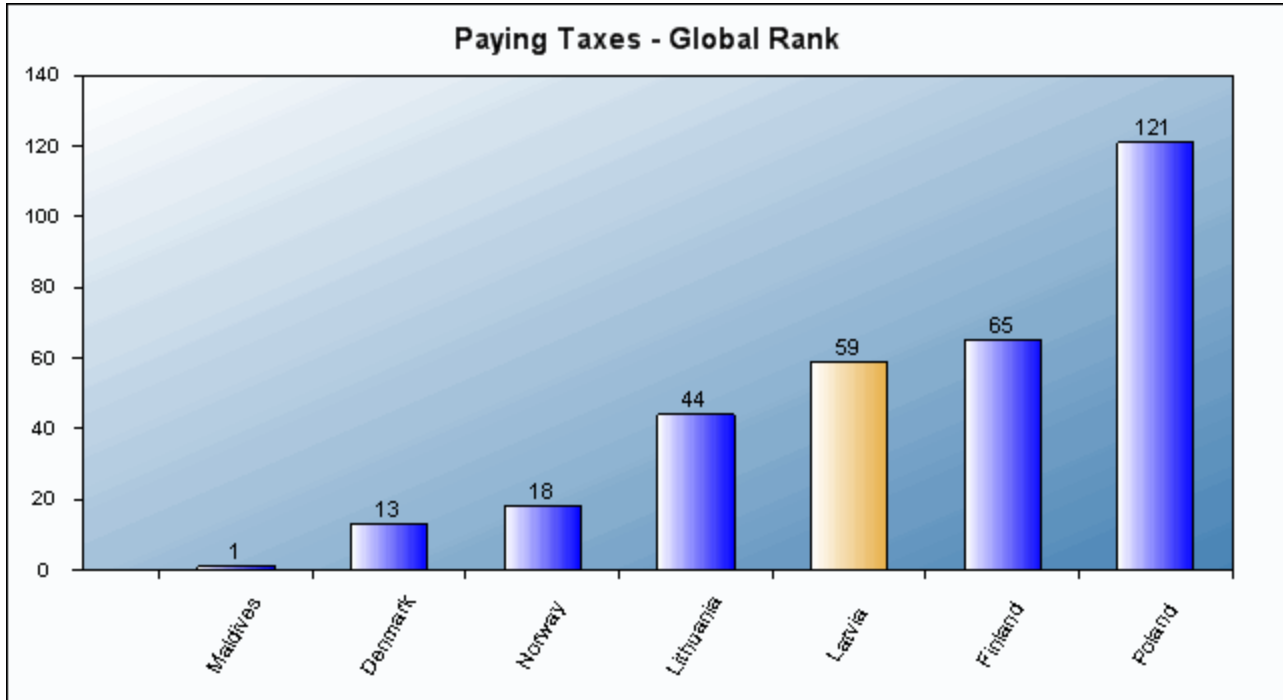
Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as a standard list of transactions that the company completed during the year.
- Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

1. Benchmarking Paying Taxes Regulations:

Latvia is ranked 59 overall for Paying Taxes.

Ranking of Latvia in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Latvia compared to good practice and comparator economies:

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	3	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Latvia	7	293	38.5

<i>Comparator Economies</i>			
Denmark	9	135	29.2
Finland	8	243	44.6
Lithuania	11	175	38.7
Norway	4	87	41.6
Poland	29	325	42.3

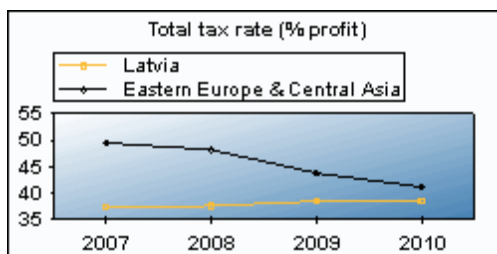
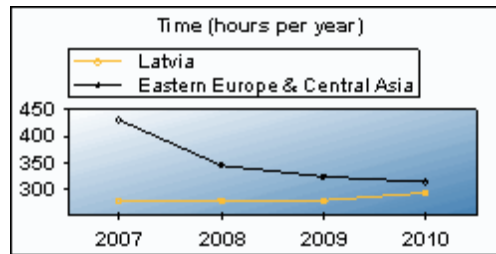
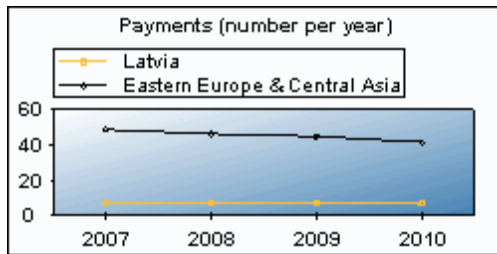
* The following economies are also good practice economies for :

Payments (number per year): Qatar

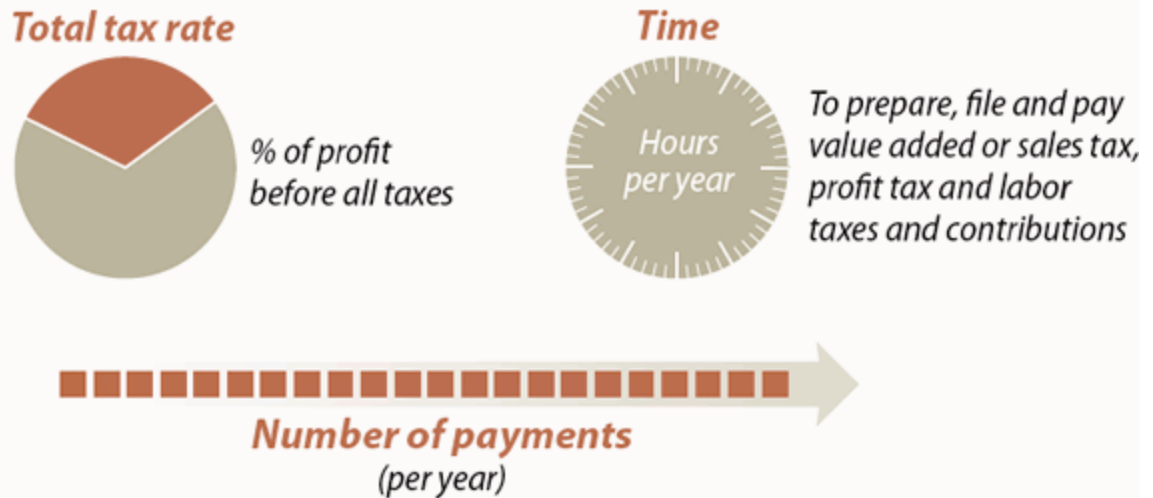
2. Historical data: Paying Taxes in Latvia

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	56	59
Total tax rate (% profit)	37.3	37.6	38.5	38.5
Payments (number per year)	7	7	7	7
Time (hours per year)	279	279	279	293

3. The following graphs illustrate the Paying Taxes sub indicators in Latvia over the past 4 years:



What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Latvia, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Value added tax (VAT)	1	online filing	97	21.0%	value added		
Unemployment insurance contribution	0	paid jointly		Ls 0.25 per employee	per employee	0.00	
Vehicle tax	1			12-360 Ls	depends on weight	0.10	
Fuel tax	1				included in the price of fuel	1.10	
Environmental tax	1	online filing		various rates	per kilo	1.60	
Real estate tax	1	online filing		1.5%	property value	2.10	
Corporate income tax	1	online filing	31	15.0%	taxable profit	6.50	
Social security contributions	1	online filing	165	24.1%	gross salaries	27.20	
Totals	7		293			38.5	

Making trade between countries easier is increasingly important for business in today's globalized world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

Some reform outcomes

In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.

In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.

What do the Trading Across Borders indicators measure?

Trading Across Borders: exporting and importing by ocean transport

Rankings are based on 3 subindicators

Documents required to export and import (number)

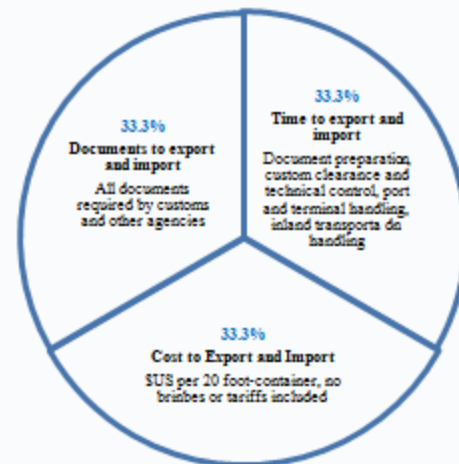
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



Case Study Assumptions

The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

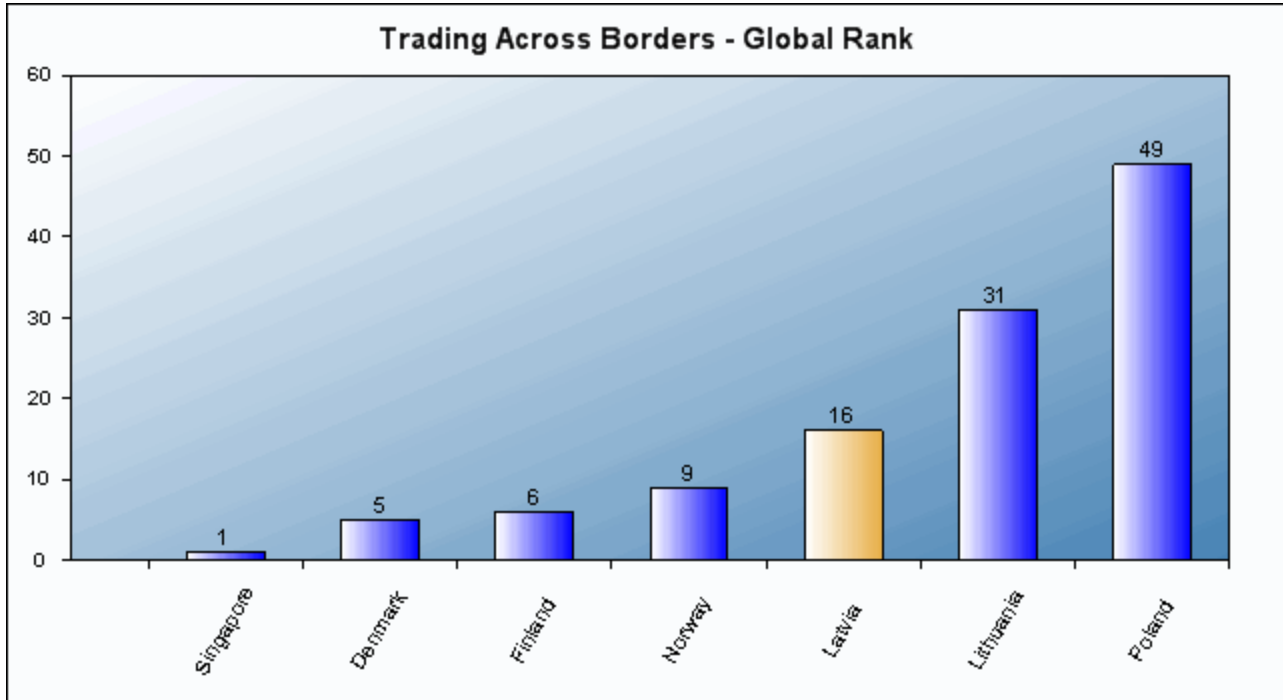
The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

1. Benchmarking Trading Across Borders Regulations:

Latvia is ranked 16 overall for Trading Across Borders.

Ranking of Latvia in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Latvia compared to good practice and comparator economies:

Good Practice Economies	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					4	439

<i>Selected Economy</i>						
Latvia	5	10	600	6	11	801

<i>Comparator Economies</i>						
Denmark	4	5	744	3	5	744
Finland	4	8	540	5	8	620
Lithuania	6	10	870	6	10	980
Norway	4	7	830	4	7	729
Poland	5	17	884	5	25	884

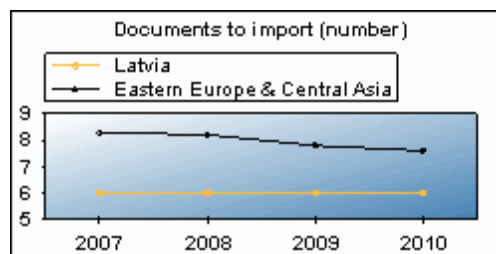
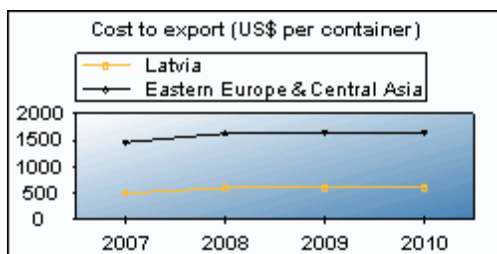
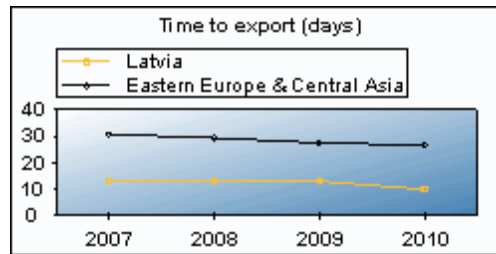
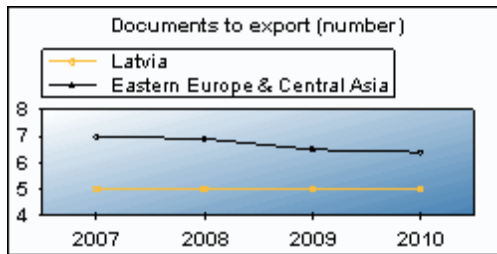
* The following economies are also good practice economies for :

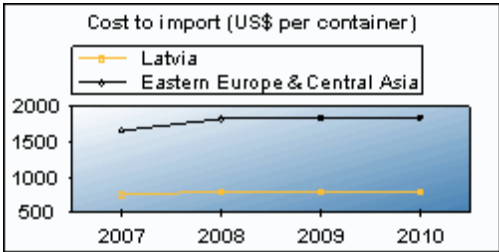
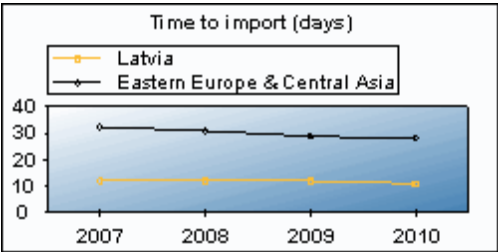
Time to export (days): Estonia

2. Historical data: Trading Across Borders in Latvia

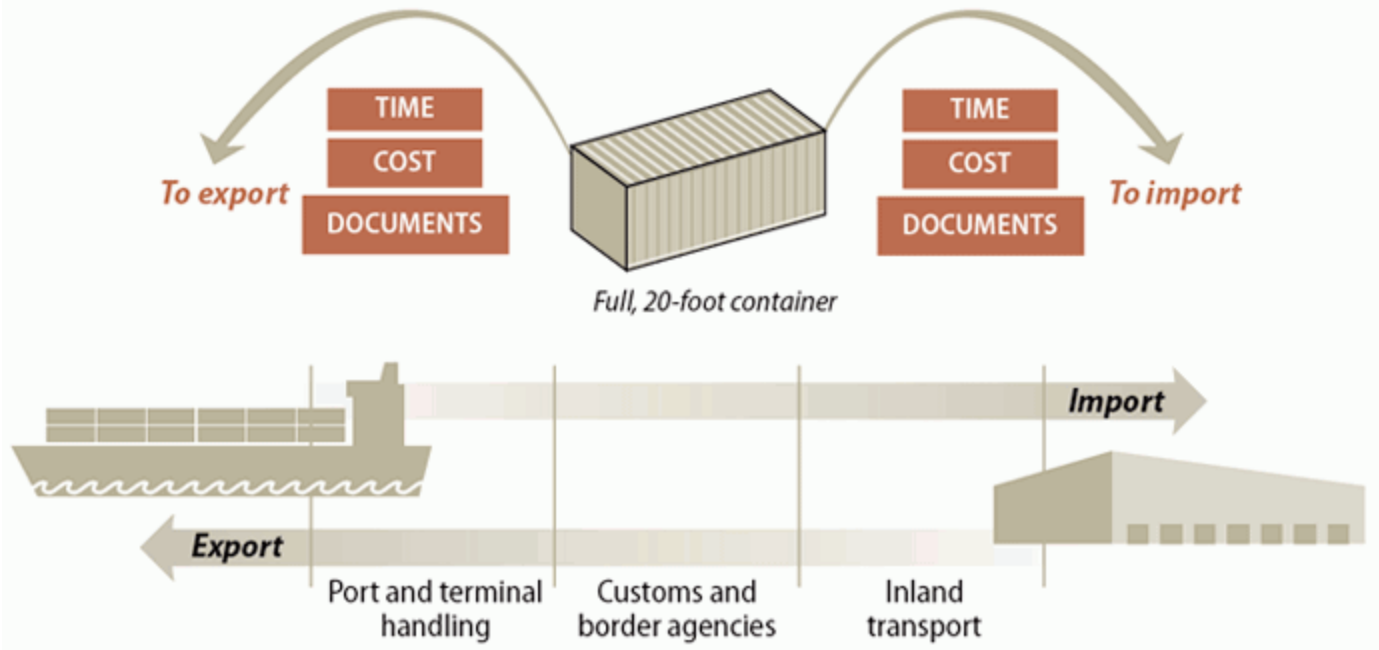
Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	16	16
Cost to export (US\$ per container)	500	600	600	600
Cost to import (US\$ per container)	751	801	801	801
Documents to export (number)	5	5	5	5
Documents to import (number)	6	6	6	6
Time to export (days)	13	13	13	10
Time to import (days)	12	12	12	11

3. The following graphs illustrate the Trading Across Borders sub indicators in Latvia over the past 4 years:





How much time, how many documents and what cost to export and import across borders by ocean transport?



These tables list the procedures necessary to import and export a standardized cargo of goods in Latvia. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	5	200
Customs clearance and technical control	1	100
Ports and terminal handling	3	150
Inland transportation and handling	1	150
Totals	10	600

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	4	365
Customs clearance and technical control	2	100
Ports and terminal handling	3	168
Inland transportation and handling	2	168
Totals	11	801

Documents for Export and Import

Export

- Bill of lading
- Certificate of origin
- Commercial invoice
- Customs export declaration
- Packing list

Import

- Bill of lading
- Certificate of origin
- Commercial invoice
- Container release order
- Customs import declaration
- Packing list

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are collected through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Some reform outcomes

In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.

In Austria a "data highway" for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.

What do the Enforcing Contracts indicators measure?

Enforcing Contracts: resolving a commercial dispute through the courts

Rankings are based on 3 subindicators

Procedures to enforce a contract (number)

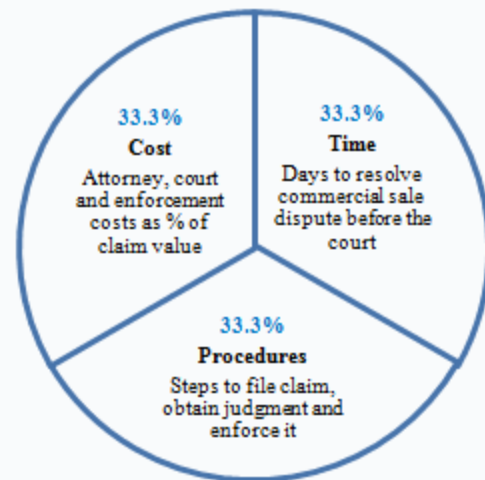
- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

Time required to complete procedures (calendar days)

- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs



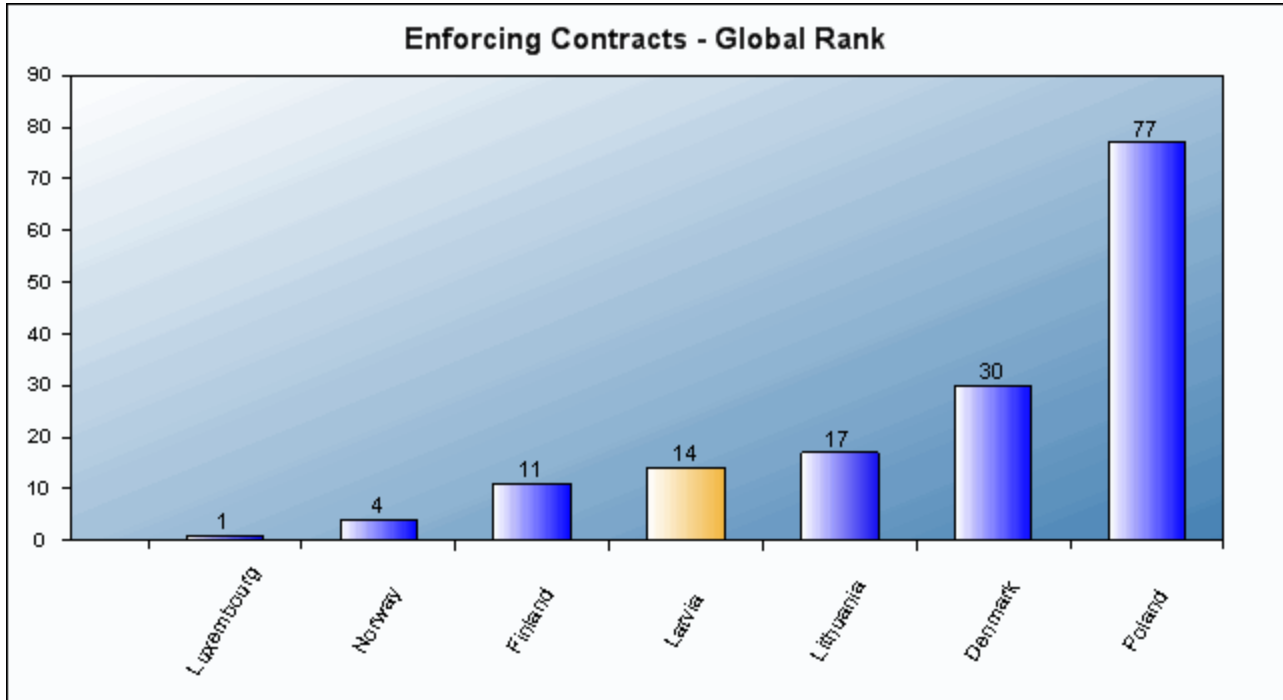
Case Study Assumptions

- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

1. Benchmarking Enforcing Contracts Regulations:

Latvia is ranked 14 overall for Enforcing Contracts.

Ranking of Latvia in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Latvia compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		150	

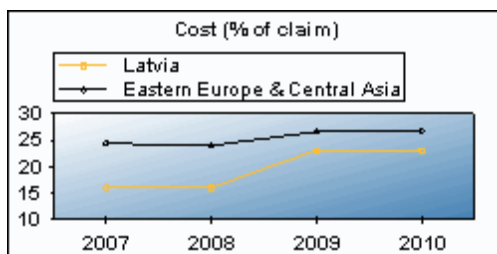
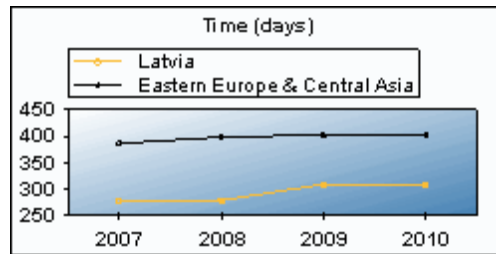
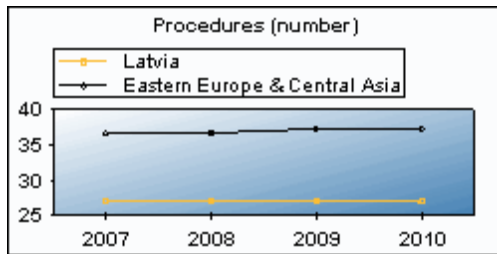
<i>Selected Economy</i>			
Latvia	27	309	23.1

<i>Comparator Economies</i>			
Denmark	35	410	23.3
Finland	32	375	13.3
Lithuania	30	275	23.6
Norway	33	280	9.9
Poland	38	830	12.0

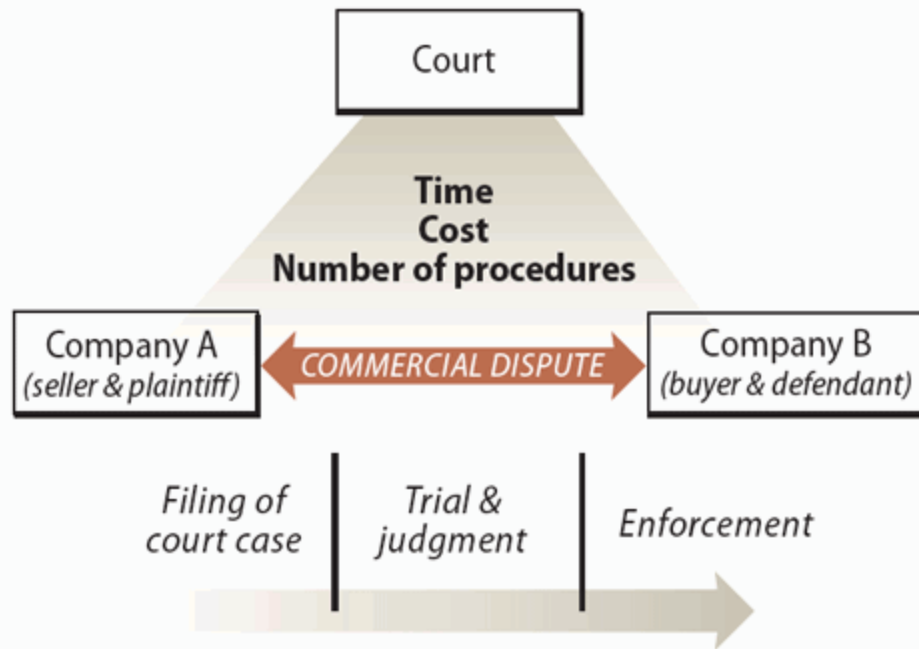
2. Historical data: Enforcing Contracts in Latvia

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	14	14
Procedures (number)	27	27	27	27
Time (days)	279	279	309	309
Cost (% of claim)	16.0	16.0	23.1	23.1

3. The following graphs illustrate the Enforcing Contracts sub indicators in Latvia over the past 4 years:



What are the time, cost and number of procedures to resolve a commercial dispute through the courts?



This topic looks at the efficiency of contract enforcement in Latvia.

Nature of Procedure (2010)	Indicator
Procedures (number)	27
Time (days)	309
Filing and service	49.0
Trial and judgment	140.0
Enforcement of judgment	120.0
Cost (% of claim)*	23.10
Attorney cost (% of claim)	14.3
Court cost (% of claim)	6.4
Enforcement Cost (% of claim)	2.4

Court information: Riga Central District Court ("Rīgas pilsētas Centra rajona tiesa")

* Claim assumed to be equivalent to 200% of income per capita.

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in businesses' speedy return to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses, and thereby improve growth and sustainability in the economy overall.

Some reform outcomes

A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.

Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.

What does the Closing a Business indicator measure?

Closing a Business: insolvency proceedings against local company

Time required to recover debt (years)

- Measured in calendar years
- Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate value)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



Case Study Assumptions

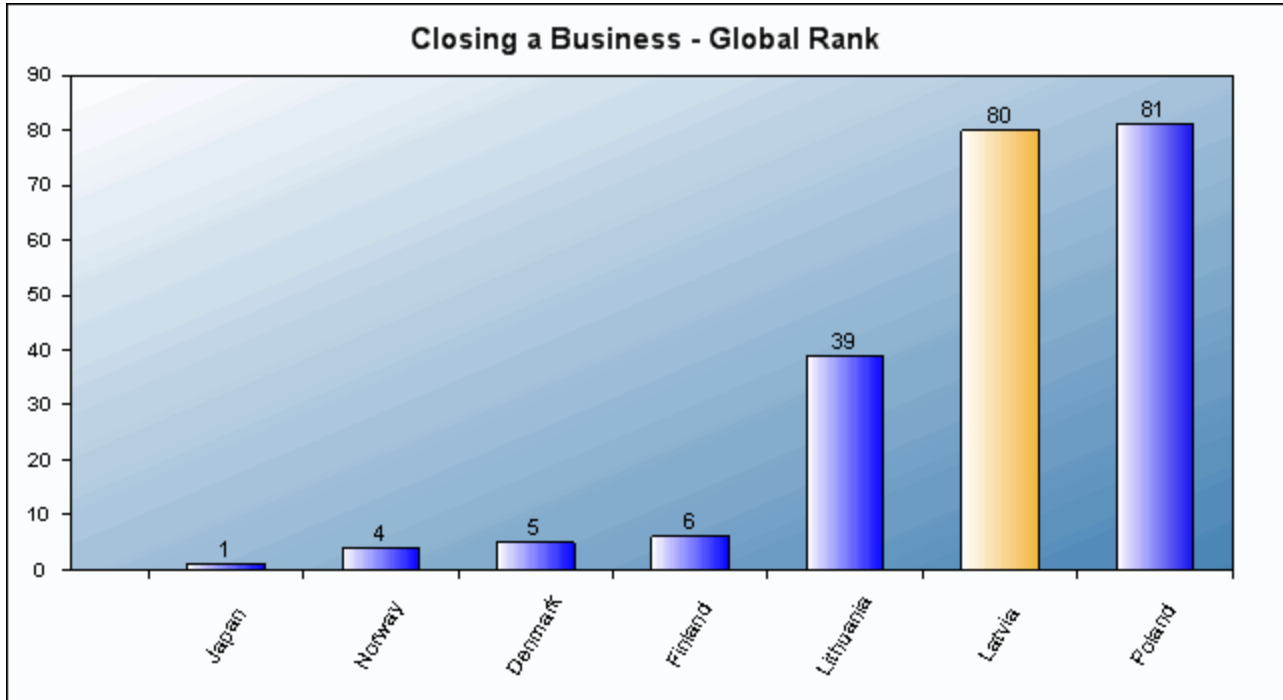
The Company

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

1. Benchmarking Closing Business Regulations:

Latvia is ranked 80 overall for Closing a Business.

Ranking of Latvia in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Latvia compared to good practice and comparator economies:

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.7		
Singapore*			1

<i>Selected Economy</i>			
Latvia	31.9	3.0	13

<i>Comparator Economies</i>			
Denmark	89.4	1.1	4
Finland	89.4	0.9	4
Lithuania	49.6	1.5	7
Norway	90.9	0.9	1
Poland	31.3	3.0	20

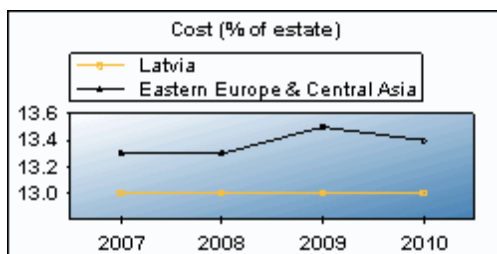
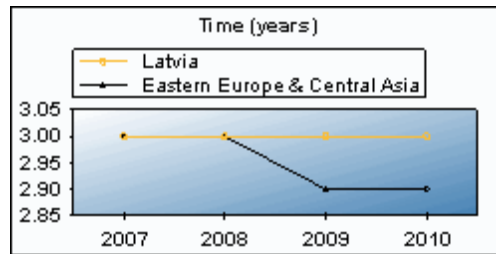
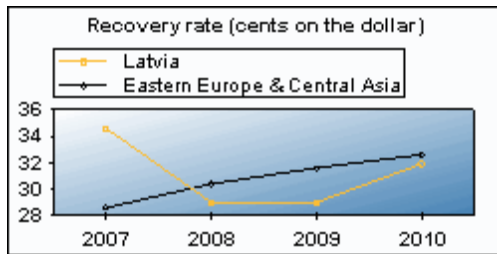
* The following economies are also good practice economies for :

Cost (% of estate): Colombia, Kuwait, Norway

2. Historical data: Closing Business in Latvia

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	89	80
Time (years)	3.0	3.0	3.0	3.0
Cost (% of estate)	13	13	13	13
Recovery rate (cents on the dollar)	34.6	29.0	29.0	31.9

3. The following graphs illustrate the Closing Business sub indicators in Latvia over the past 4 years:



Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets . * Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

The top 10 most-improved in Doing Business 2011

Economy	Indicator									
	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Employing Workers
Kazakhstan	✓	✓				✓	✓			
Rwanda		✓		✓			✓			
Peru	✓	✓	✓				✓			
Vietnam	✓	✓		✓						
Cape Verde	✓		✓				✓			
Tajikistan	✓				✓		✓			
Zambia	✓						✓	✓		
Hungary		✓	✓				✓			✓
Grenada	✓		✓				✓			
Brunei Darussalam	✓						✓	✓		

 Positive Change
 Negative Change

* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.

Brunei Darussalam	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
Cape Verde	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
Denmark	Denmark eased business start-up by reducing the minimum capital requirement for limited liability companies from 125,000 Danish kroner (\$22,850) to 80,000 Danish kroner (\$14,620). Computerization of Denmark's land registry cut the number of procedures required to register property by half.
Grenada	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
Hungary	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
Kazakhstan	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
Latvia	Latvia reduced the time to export and import by introducing electronic submission of customs declarations. Latvia introduced a mechanism for out-of-court settlement of insolvencies to alleviate pressure on courts and tightened some procedural deadlines.
Lithuania	Lithuania tightened the time limit for completing the registration of a company. Lithuania's private credit bureau now collects and distributes positive information on borrowers. Lithuania reduced corporate tax rates. Lithuania reduced the time to import by introducing, in compliance with EU law, an electronic system for submitting customs declarations. Lithuania introduced regulations relating to insolvency administrators that set out clear rules of liability for violations of law.
Peru	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
Poland	Poland eased property registration by computerizing its land registry.
Rwanda	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.

Tajikistan

Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.

Vietnam

Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.

Zambia

Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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