



LATVIJAS REPUBLIKAS FINANŠU MINISTRIJA  
MINISTRY OF FINANCE OF THE REPUBLIC OF LATVIA

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Riga, 4 June 2009  
No. 5-03/2039

Dear Mr. Veryga

Thank you for your letter of 12 May 2009 in which you expressed your concerns regarding Latvian position on Proposal for a Council Directive amending Directives 92/79/EEC, 92/80/EEC and 95/59/EC on the structure and rates of excise duty applied on manufactured tobacco (hereinafter – Proposal for a Council Directive).

I should point out that during discussions in the Economic and Financial Affairs Council Latvia did not oppose the Proposal for a Council Directive. In general, Latvia supports Proposal for a Council Directive but in the light of current economic situation I see the need to ask for a longer transitional period to reach proposed minimum excise tax on cigarettes. Nevertheless, I would like to stress that longer transitional period would not mean introduction of minimum excise tax before the end of given transitional period. Taking into account changes in economic situation it can be done even earlier, as was the case this year when Latvia reached the European Union excise tax minimum on cigarettes one year before the end of transitional period.

In your letter you mentioned the fact that the increase in taxes on tobacco is an effective measure to reduce demand for tobacco and increase national budget revenue. I should mention the situation this year – despite significant increase in excise tax on cigarettes on 1 January 2009 and increase in excise tax on other smoking tobacco on 1 February 2009 in 4 month period excise tax revenue was 39.5 mln lats or 8.5 % less comparing with the same period last year. At the same time the amount of tobacco products released for consumption in Latvia is decreasing – 38 % less cigarettes and 23% less cigars and cigarillos were

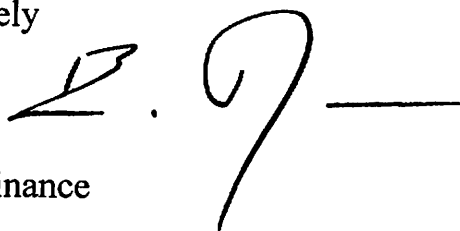
released for consumption in the first three months this year comparing with the same period last year; therefore health objectives are met by excise tax increase.

Due to frequent missions abroad and uptight schedule I will not be able to meet you in the nearest future.

I really appreciate your personal interest in previously mentioned issue and look forward to cooperate with you in the future also.

Yours Sincerely

Einars Repše  
Minister of Finance

A handwritten signature in black ink, consisting of a stylized 'E' followed by a large, looped 'R' and a horizontal line extending to the right.