

Bankruptcy of restaurant companies before and during Covid-19 in Latvia

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Abstract

In this particular work, the author is looking in bankruptcy that occurred in the regions of Latvia during the period of the situation with Covid - 19 and the period that was before Covid - 19. The author also examines the increase or decrease in unemployment in the catering business, which appeared due to the bankruptcy of these enterprises. The restaurant business in Latvia is an important part of the service sector, accounting for 2% of the gross domestic product. This topic is very relevant and discussed in Latvia at the moment. Since in Latvia now there are severe restrictions due to the pandemic, a large number of hotels and catering places are closed due to bankruptcy and people are losing their jobs. In this particular work, the author wants to find real statistics of bankruptcy in the areas of restaurant business. As well as the presence of a problem and its possible solution.

1 Introduction

Nowadays, the restaurant business plays an important role in the development of the economy in the country. Since these services are used not only by citizens of Latvia, but also by a large number of visitors from other countries. The restaurant business can be classified as the tourism industry. Since the restaurant business is very developed all over the world, and more precisely in Latvia, new enterprises of this type are constantly being opened. Due to the fact that new enterprises are being opened, new jobs for the population appear. Because of this, the rate of unemployment in the country decreases. According to statistics for 2018, 5,297 enterprises were registered in the catering sector, of which 65.37% chose restaurant and mobile food services, 17.41% - services to order, etc., and 17.22% - bar services. 12.54% of all enterprises have attracted foreign capital. The highest performance in the industry in 2016 was shown by «AS Lido» with a turnover of 36.46 million euros. «SIA PREMIER RESTAURANTS LATVIA», which includes McDonald's restaurants, had a turnover of 36.12 million euros in 2017. The amount of taxes paid by Latvian catering enterprises to the state general budget in 2017 amounted to 109.03 million euros. In turn, the volume of income tax increased by 28.92%, to 22.78 million euros, and social tax - by 22.01%, to 42.79 million euros. At the same time, the number of employees in 2017 compared to 2016 increased by only 5.31% - from 26,759 to 28,179 people. According to these data, it is worth noting the stability in the restaurant business in Latvia. Stability in jobs, income and taxes.

But taking the data that is at the moment, during the pandemic, you can see that things are going badly in the restaurant business. For example, in 2020 alone, due to the pandemic, 734 catering places were closed. At the end of 2019, the unemployment rate in Latvia was 6.2%. Actual unemployment rate in Latvia in January 2021 amounted to 8.8% (84.1 thousand). It's level began to rise in the spring due to the introduction of an emergency regime and restrictions due to the coronavirus pandemic and has now reached a maximum.

2 Overview

This work discusses the problems of restrictions introduced in Latvia due to which the unemployment and bankruptcy in the restaurant business develops.

3 Decision

An example of a solution to this problem would be tax cuts for the restaurant business. Since the tax in the restaurant business is 21%. Considering that in other countries these taxes are much lower (9 and 12%). Also, according to the author, the solution would be to reduce the rent. Since it is very large, for such restrictions that exist in the country now. Also, to help workers who have lost their jobs, it would be good to pay full benefits for unemployment or larger payments for downtime. At the moment in Latvia such payment unemployment benefits: for the first 2 months, the allowance is paid to all unemployed in the allocated amount. In the third and fourth months 75% of the amount of the assigned benefit.

In the fifth and sixth months 50% of the amount of the assigned benefit. In the seventh and eighth months 45% of the amount of the assigned benefit. It should also be remembered that all these problems appeared due to the restrictions introduced due to the coronavirus. Therefore, in order to quickly end this situation in the country and defeat this virus, it is necessary to be more actively vaccinated.

References

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4 Conclusion

In this work, the author wanted to show the urgency of the problem in the restaurant business from the restrictions imposed as a result of the coronavirus. The government should pay attention to the problems in the restaurant business and the large number of unbearable restrictions in the country and take action.

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