

New private sector legislation has come into force



A fruit seller in Cuba (source: [Adam Cohn/Flickr](#))

New regulations for private companies in Cuba, which were approved by the National Assembly in July, came into force yesterday. The legislative package, which “updates” the framework for non-state actors, took effect 30 days after its publication.

The new provisions include a series of decrees and resolutions that largely reinforce and amend the existing regulations in some respects. They are aimed at the small and medium-sized enterprises (SMEs) introduced in 2021 (in Cuba: *micro, pequeñas y medianas empresas*, MIPYMES), non-agricultural cooperatives, and the self-employed.

In addition to the approximately 11,000 SMEs with almost 300,000 employees, there are currently 590,000 self-employed people in Cuba, which means that the private sector (excluding agriculture) currently provides around a quarter of all jobs.

One important change in the legislation concerns the licensing procedure for private companies. In the future, these are to be issued at the municipal level and no longer centrally by Havana's Ministry of the Economy (MEP). [During the transition phase](#), the 16 provincial capitals will soon begin issuing licenses independently, while the ministry will continue to issue licenses in parallel. From March 2025, the municipalities will take over completely. This should make the process of setting up companies faster and more flexible in the future. In addition, the laws established the creation of a new institute for private economic actors, which will serve as an interface between the sector and the authorities in the future.

Further changes concern the fields of possible business start-ups. The negative list has been slightly extended to 125 items, but, above all, various clarifications have been added to the individual items. For example, the forestry sector (except for charcoal production) is now

off limits to the private sector. Private companies are also no longer allowed to manage sewage systems in communities with more than 1,000 inhabitants, organize international events, or maintain academies. In the field of renewable energies, however, there were expansions: the sale of industrial electricity and the operation of commercial charging stations for electric vehicles based on renewable energies is now allowed. Neither was previously possible due to the blanket ban on private power grids.

The newly introduced requirement that the shareholders of private SMEs must be Cuban residents – i.e. persons who, under the [new migration laws](#), live in the country for more than half of the year or can otherwise prove that they are rooted on the island – has met with some criticism. Foreigners with the status of Permanent residents also fall into this category and can set up companies under the laws. The tightened requirements for private importers, who are now supposed to pay for their goods exclusively through Cuban bank accounts – which is unlikely to be feasible in practice due to US sanctions – have also been criticized. The now vigorously implemented bancarization (i.e. the mandatory offering of cashless payment channels) is proving to be an ongoing challenge in practice for the authorities.

During the discussion of the laws, the government pointed out that it was not waging a “crusade against the private sector”, but rather seeking to “eliminate distortions”, “organize” the ongoing developments in the sector, and take action against tax evasion. In the economic program “[Cuadrando la Caja](#),” Cuban economic journalist Ariel Terrero, known for his sharp pen, advised calm: the essence of the 2021 private sector laws will not be affected by the reform. According to Terrero, above all regulatory gaps that have arisen from three years of practice and whose “exploitation” was never in the spirit of the original laws have been closed. ([Cubaheute](#))

Further information:

- [Gaceta Oficial Ordinaria 78](#): The new private sector laws including negative list as PDF (167 pages)
- [Brochure of the Cuban business consultancy Auge with information about the amendments \(PDF\)](#)