

DOING BUSINESS IN LATVIA  
2016



# **DOING BUSINESS IN LATVIA 2016**

July 2016

## INTRODUCTION

The aim of this publication, which has been prepared for the exclusive use of BDO Member Firms and their clients and prospective clients, is to provide the essential background information on setting up and running of a business in Latvia. It is of use to anyone who is thinking of establishing a business in Latvia as a separate entity, as a branch of a foreign company or as a subsidiary of an existing foreign company. It also covers the essential background tax information for individuals considering coming to work or living permanently in Latvia.

This publication describes the business environment in Latvia and covers the most common forms of business entity and the taxation aspects of running or working for such a business. For individual taxpayers, the important taxes to which individuals are likely to be subject are dealt with in some detail. The most important issues are included, but it is not feasible to discuss every subject in comprehensive detail within this format. If you would like to know more, please contact the BDO Member Firms with which you normally deal, who will be able to provide you with information on any further issues and on the impact of any legislation and developments subsequent to the date mentioned below.

BDO is an international network of public accounting firms, the BDO Member Firms, which perform professional services under the name of BDO. Each BDO Member Firm is a member of BDO International Limited, a UK company limited by guarantee that is the governing entity of the international BDO network. Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium with its statutory seat in Brussels.

Each of BDO International Limited, Brussels Worldwide Services BVBA and the member firms of the BDO network is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BVBA and/or the member firms of the BDO network.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Founded in Europe in 1963, the BDO network has grown to be the fifth largest in the world - it now has 1.400 offices in 154 countries, with 64.300 partners and staff providing professional auditing, accounting, tax, and consulting services on every continent.

BDO's special skills lie in applying its local knowledge, experience and understanding of the international context to provide an integrated global service. In BDO, common operating and quality control procedures are not a constraint on innovation and independence of thought, but the starting point. It is a vigorous organisation committed to total client service.

BDO's reputation derives from consistently providing imaginative and objective advice within the client's time constraints. BDO Member Firms take pride of their clients' success and their relationships with them. It is a personal relationship that combines the benefits of professional knowledge, integrity and an entrepreneurial approach, with an understanding of the client's business and an ability to communicate effectively. This ensures the highest-quality objective of professional service, tailored to meet the individual needs of every client, whether they be governments, multinational companies, national or local businesses, or private individuals.

The information in this publication is up to date to 1<sup>st</sup> July 2016.

*Doing Business in Latvia 2016* has been written by the Latvian Member Firm of BDO. Its contact details may be found on the back cover of this publication.

## Contents

INTRODUCTION	3
1. WHY INVEST IN LATVIA?	1
<i>Business facility</i>	1
<i>Access to knowledge and skills</i>	1
<i>Gateway to EU and Russia/ CIS</i>	1
<i>Business incentives</i>	2
<i>Cost effective</i>	2
<i>International recognition</i>	3
<i>Temporary residence permits</i>	3
<i>National airline</i>	3
2. THE BUSINESS ENVIRONMENT	4
<i>General information</i>	4
<i>Geography</i>	4
<i>History</i>	4
<i>Government and political powers</i>	4
<i>Population and language</i>	5
<i>Currency</i>	5
<i>Time, weights and measures</i>	5
<i>Business entities</i>	5
<i>Forms of business organisation</i>	5
<i>Limited liability companies</i>	6
<i>Joint stock companies</i>	6
<i>Representative offices</i>	6
<i>Branches of foreign companies</i>	6
<i>Business reorganisation and liquidation</i>	7
<i>Labour relations and working conditions</i>	7
<i>Information on the employment market</i>	7
<i>Employment regulations and laws</i>	7
<i>State Labour Inspectorate</i>	7
<i>Working conditions</i>	8
<i>Working hours</i>	8
<i>Holidays</i>	8
<i>Termination of an employment contract</i>	8
<i>Fringe benefits</i>	9
<i>Social security</i>	9
<i>Foreign employees</i>	9
<i>Visa requirements</i>	9
<i>Schengen visa</i>	9
<i>National or long-term visa</i>	9
<i>Short term entry and stay in connection with employment</i>	9
<i>Visa with work permit</i>	10
<i>Temporary residence permits</i>	10
<i>Procedure for obtaining a temporary residence permit</i>	10
3. FINANCE AND INVESTMENT	10
<i>Banking and local finance</i>	10
<i>Equity market</i>	11
<i>Accounting and audit requirements</i>	12
<i>Accounting and annual financial reporting</i>	12
<i>Accounting records</i>	12
<i>Confidentiality</i>	12

Consolidated reporting .....	12
Statutory audit of financial statements.....	12
Development of the accounting and auditing profession .....	12
Accounting software .....	13
Foreign exchange policy .....	13
Investment opportunities and incentives .....	13
Foreign investors' guarantees and rights .....	13
Performance requirements and incentives .....	13
Repatriation of initial investment and profits .....	13
4. THE TAX SYSTEM .....	13
Introduction.....	14
Direct taxes.....	14
Indirect taxes.....	14
Other taxes .....	14
Payment .....	14
Assessment.....	14
Appeal procedures.....	15
Anti-avoidance principle .....	15
5. TAXES ON BUSINESS .....	16
Corporate tax system .....	16
Scope and extent .....	16
Company residence.....	16
Taxable entities.....	16
Taxable income .....	16
The minimum tax payment .....	17
Deductions .....	17
Tax depreciation.....	17
Capital gains.....	18
Dividends, interest and royalties .....	18
Dividends .....	18
Interim dividends .....	18
Interest and royalties .....	19
Withholding taxes .....	19
Losses .....	21
Group treatment.....	21
Tax incentives .....	21
Micro-company tax .....	22
Thin capitalisation.....	22
Transfer pricing .....	23
Controlled foreign companies .....	23
Tax rate .....	23
Assessment procedure .....	23
Returns and payments .....	23
Returns .....	23
Payment of tax.....	24
Value added tax.....	24
Taxable entities.....	24
Taxable activities.....	24
Place of supply, acquisition and import within the European Union .....	24
Place of supply .....	24
Reverse charge .....	25
Place of acquisition .....	25
Place of import.....	25
Importation of goods.....	25

<i>Intra-Community trade</i> .....	25
<i>Exempt supplies</i> .....	26
<i>Introduction of a cost sharing exemption</i> .....	27
<i>Introduction of new rules for telecom, broadcasting and electronic services as of January 2015</i>	27
<i>Standard, reduced and zero rates</i> .....	27
<i>VAT registration</i> .....	27
<i>Non-deductible input VAT</i> .....	28
<i>VAT returns and payment</i> .....	28
<i>VAT refunds to foreign taxable persons</i> .....	28
<i>Re-application</i> .....	29
<b>6. TAXES ON INDIVIDUALS</b> .....	<b>30</b>
<i>Income tax</i> .....	30
<i>Territoriality and residence</i> .....	30
<i>Structure of income tax</i> .....	30
<i>Exempt income</i> .....	31
<i>The family unit</i> .....	32
<i>Taxation of employment income</i> .....	32
<i>Pensions</i> .....	33
<i>Salary tax</i> .....	33
<i>Employment or self-employment</i> .....	33
<i>Taxation of personal business income</i> .....	33
<i>Income from a business</i> .....	34
<i>Lump-sum taxation does not in force from the 1<sup>st</sup> January, 2016</i> .....	34
<i>The income-minus-expenditure basis</i> .....	34
<i>Losses</i> .....	34
<i>Taxation of investment income</i> .....	34
<i>Dividends</i> .....	34
<i>Interest</i> .....	34
<i>Royalties</i> .....	34
<i>Property income</i> .....	34
<i>Capital gains</i> .....	35
<i>Deductions and allowances</i> .....	35
<i>Personal allowances</i> .....	35
<i>Tax rates</i> .....	35
<i>The taxation of non-residents</i> .....	36
<i>Withholding taxes</i> .....	36
<i>Returns and payment</i> .....	37
<i>Returns</i> .....	37
<i>Payment</i> .....	37
<i>Personal property declaration</i> .....	38
<i>Appeals</i> .....	38
<i>Inheritance and gift tax</i> .....	38
<b>7. OTHER TAXES</b> .....	<b>39</b>
<i>Natural Resources Tax</i> .....	39
<i>Tax on lotteries and games of chance</i> .....	39
<i>Real property tax</i> .....	39
<i>Property transfer duty</i> .....	40
<i>Excise tax</i> .....	40
<i>General provisions</i> .....	40
<i>Customs duties</i> .....	41
<i>Vehicle taxes</i> .....	41
<i>Electrical energy tax</i> .....	41

8. SOCIAL SECURITY CONTRIBUTIONS .....	42
<i>Introduction</i> .....	42
<i>Employee contributions</i> .....	42
<i>Employer contributions</i> .....	42
<i>Self-employed contributions</i> .....	42
9. SOLIDARITY TAX.....	42
APPENDIX .....	43
<i>Double Taxation Agreements</i> .....	43
<i>Estate tax treaties</i> .....	43
<i>Social security treaties</i> .....	43
BDO WORLDWIDE .....	44
BDO LATVIA.....	45
BDO TAX .....	45

## 1. WHY INVEST IN LATVIA?

Over the last 10 years Latvia has experienced extensive economic growth in all sectors. The global economic crisis led to many economic challenges. The Latvian government has expressed its determination to meet these challenges and it prepared a development program. The highest priority of the program is direct foreign investment (FDI), which it sees as the key to a fast and successful economic recovery.

### Business facility

As a small country in today's globalised world, Latvia knows the importance of attracting foreign investment. It has consistently pursued liberal economic policies and welcomed FDI. Latvia has worked diligently to make doing business in Latvia easy and fast; for example, in Latvia a company can be established in just one day. Other key policies are:

- Fostering of a business without borders environment among EU Member States
- Fostering access to EU Structural funds for business development
- Minimising bureaucratic obstacles
- Ensuring a transparent legal and judicial system.

Latvia also understands that an active dialogue between the government and foreign investors is vital for success. Key investment issues are regularly raised with the government through the Foreign Investors' Council (*Ārvalstu investoru padome*) in Latvia and, less formally, through easy access to officials and decision makers.

### Access to knowledge and skills

The Latvian labour force is multi-lingual and well educated. Workers here are ready to take on new challenges and, even more in the current circumstances, employees are highly motivated. Latvia's workforce is rated in the top five in the world in terms of university students per capita and workers possess a northern European culture and work ethic with excellent skills and discipline. Latvia's history means it has experience and business knowledge of working with Russia and other Commonwealth of Independent States (CIS) countries.

In terms of language proficiency:

- Over 85% of Latvians speak Russian
- 70% of people under age 40 speak English
- German and Scandinavian languages are also widely spoken.

The current economic conditions mean there are a number of attractive merger and acquisition opportunities in a variety of sectors including:

- Renewable energy
- Information and communications technology (ICT)
- Woodworking
- Construction materials; and
- Industrial real estate.

### Gateway to EU and Russia/CIS

In terms of logistics, Latvia is one of the best locations to establish a business in Northern Europe. Riga is the largest city in the Baltic region and is ideally located at the centre of the region.



Latvia also benefits from the following:

- A European Union boarder with Russia
- Ice-free ports
- The fastest growing airport in Europe
- An integrated, well developed transportation infrastructure.

The Trans-Baltic highway (Via Baltica) runs the length of the country, providing a north/south transport corridor. It also connects to the highway leading to Moscow. Riga International Airport is the fastest growing capital city airport in Europe. Riga offers direct flights to more than 87 destinations. Latvia's main asset, though, is its maritime links: Latvia has three major ice-free international ports linked to the country's infrastructure by rail, road and pipeline.

## Business incentives

As Latvia is a relatively new EU member, companies investing here have an ideal opportunity to qualify for EU Structural Funds under the support scheme from 2014 to 2020. Substantial financial grants are available in a variety of key business activities: vocational and other training, support of innovations, R&D, value-added manufacturing and technology/knowledge transfer and more. Additionally new incentives for small and medium sized enterprises have been launched by the European Union - COSME for the competitiveness of the small and medium sized enterprises.

Latvia has four separate Special Economic Zones (three ports and one inland). All are well connected to transportation corridors and have a well-developed infrastructure. Tax benefits are available for businesses that meet certain conditions.

Special government funding programmes are available to assist export-oriented business activities.

Moreover, since 1 January 2011 qualifying investments are eligible for a tax credit in the year the investment project is completed. The credits are as follows<sup>1</sup>:

- 25% of the total initial amount for investments not exceeding €50 million (USD 555.68 million)
- 15% of the total initial amount for investments from €50 million (USD 55.68 million) up to €100 million (USD 113.50 million).

Unused credits can be carried forward for 16 tax years.

## Cost effective

In the current economic climate, all businesses are focussed on reducing costs. Latvia offers an environment where this can be achieved. On top of low business tax rates and an uncomplicated bureaucracy, other costs have decreased significantly, particularly for construction, office space and industrial real estate.

The current economic slowdown is an opportunity to attract qualified labour at better rates. Latvia's labour costs are very competitive, especially compared to those in older EU member countries. The corporate income tax rate is among the lowest in Europe at a flat rate of 15% and dividends paid to EU citizens are not taxed. Personal income tax is also at a low flat rate of 23% (as of 1<sup>st</sup> January 2016).

---

<sup>1</sup> More detailed information may be found in Section 4.

## International recognition

Latvia's membership in NATO and the European Union guarantees political stability and easy access to Europe's most dynamic regional market: the Baltic Sea Region, which provides access to 100 million affluent consumers.

Since 1 January 2014 Latvia's national currency is the Euro.

## Temporary residence permits

In July 2010 Latvia adopted a new regulation providing for additional opportunities for foreign persons to obtain temporary residence permits in Latvia without having to reside in the country for a specific period of time. A foreign natural person may obtain a temporary residence permit on the following basis:

- If they invest at least EUR 35 000 (USD 38 973) in a small Latvian company or EUR 150 000 (USD 167 025) in some other venture
- If they are on the board of a Latvian company that has been in existence for at least one year at the time they apply
- If they pay at least EUR 280 000 (USD 311 780) into the subordinated capital of a Latvian credit institution (bank)
- If they acquire real estate in all regions EUR 250 000 (USD 278 375), minimum cadastral value - EUR 80 000 (USD 89 080).

For more detailed information please see Section 3 below.

## National airline

Air Baltic Corporation (airBaltic) is the Latvian flag carrier airline. Its head office is on the grounds of Riga International Airport.

Currently, airBaltic operates direct flights out of the three Baltic State capitals: Riga, Latvia; Vilnius, Lithuania; and Tallinn, Estonia. airBaltic offers flights to and from more than 50 cities in Europe, Asia and the Middle East, including such cities as Barcelona, Paris, Frankfurt, Moscow, St. Petersburg, Tel Aviv, Rome, Tashkent, and Dubai.

## 2. THE BUSINESS ENVIRONMENT

### General information

#### Geography

Latvia is located in northern Europe on the eastern shores of the Baltic Sea between Estonia and Lithuania. To the east it borders Russia and Belarus and has a maritime border with Sweden.

The climate resembles that of New England.

Latvia has over 12 000 rivers, though only 17 of them are longer than 97 km, and over 3 000 small lakes, most of which are located in the eastern province of Latgale. The major rivers are the Daugava, the Lielupe, the Gauja, the Venta and the Salaca. Woodlands, mostly pine, comprise 41% of the Latvian territory. Other than peat, dolomite and limestone, natural resources are scarce. Latvia has 531 km of sandy coastline and has three main ports: Riga, Liepaja and Ventspils.

With an area of 64 589 km<sup>2</sup> and a population of about 1.962 million, Latvia is a small European country. The capital of the country, Riga (Rīga), has approximately 698 529

inhabitants (official statistics as to place of residence in metropolitan area). The second largest city in Latvia is Daugavpils, with a population of approximately 95 467 .

#### History

The Latvians (or Letts as they are sometimes known) were still organised under separate tribal chieftains when they were conquered and converted to Christianity in the 13th century by German crusaders. Subsequently, the territory of modern Latvia passed under Polish and Swedish suzerainty. During the 18th century, following the conclusion of the Great Northern War in 1721 and the final partition of Poland in 1795, the whole Latvian territory became part of the Russian empire.

In the middle of the 19th century a Latvian national revival began and following the collapse of Russia and Germany at the end of World War I, an independent Latvian republic was proclaimed in November 1918. Despite serious devastation as the result of the World War and the subsequent War of Independence, Latvia rapidly recovered economically and culturally, and by 1940 had achieved a standard of living comparable with that of Scandinavia at the time. The Latvian constitution (1922) established a democratic parliamentary republic. In 1934 the Prime Minister, Kārlis Ulmanis, staged a coup d'état. Suspending Parliament indefinitely, he became a virtual dictator. In 1936 he also assumed the position of President. In June 1940, under the provisions of the Nazi-Soviet Non-Aggression Pact, Latvia was occupied by the USSR and was made a Soviet Socialist Republic. In 1941 Latvia was occupied by the German forces and was re-conquered by the USSR in 1944-45.

In May 1990 the parliament of Latvia reasserted Latvia's independence. In 1993, under the restored 1922 constitution, new parliamentary and presidential elections were held.

Latvia became a member of the United Nations in 1991 and in 1993 signed a free-trade agreement with its fellow Baltic States, Estonia and Lithuania. In 2004 the country became a member of NATO. It became a full member of the European Union on 1 May 2004.

#### Government and political powers

According to the Constitution (*Latvijas Satversme*), Latvia is an independent democratic parliamentary republic. It has a unicameral parliament (*Saeima*) composed of one hundred members elected by the list system of proportional representation. The President, who is the head of state, is elected by the *Saeima* for a four-year term. The executive power rests with

the prime minister, who is appointed by the President, and the Cabinet. Currently, the President of Latvia is Raimonds Vejonis and the Prime Minister is Maris Kucinskis, of the “Zaļo un Zemnieku savienība” party. Kucinskis heads a coalition of four centre-right parties. For administrative purposes, the country is divided into 110 counties and 9 municipalities.

### Population and language

The official language is Latvian. Latvian is one of the two surviving languages (the other is Lithuanian) of the Baltic branch of the Indo-European language family. Latvian and Russian are commonly spoken languages. English is also widely spoken. Some 62% of the population is ethnic Latvian and 26% are Russian. No other ethnic group comprises more than 5% of the population.

### Currency

The currency of Latvia is the *Euro* (international abbreviation EUR).

### Time, weights and measures

Latvia uses Eastern European Time, which is two hours ahead of Greenwich Mean Time (GMT+2 hours). Between March and September Latvia introduces Daylight Saving Time (GMT+3 hours).

Latvia uses the metric system of weights and measures and the Celsius scale for temperature.

### Business entities

There are no specific requirements for foreigners wishing to establish a business in Latvia. Investors, whether Latvian or foreign, benefit from equal legal treatment and have the same right to establish business operations in Latvia by incorporating a separate legal entity. The procedure requires the fulfilment of certain legal formalities, such as registration with the Latvian Commercial Register (*Latvijas Republikas Uzņēmumu reģistrs*) and the State Revenue Service (*Valsts ieņēmumu dienests* - abbreviated here as SRS).

### Forms of business organisation

The common form of carrying on a business in Latvia is through a company, mainly a limited liability or a joint stock company. Companies have their own name, share capital (the minimum amount of which is established by law), management, registered office, and bank account. Companies established in Latvia are subject to Latvian law, but agreements concluded by a Latvian company can be governed by any law agreed upon between the parties. No permit is required by foreigners wishing to subscribe for the shares of a company or to be appointed a member of the board of a Latvian company. The legal address has to be local to ensure the delivery of official correspondences.

The activity of Latvian businesses is governed mostly by the Latvian Commercial Code (*Komerclikums*), enacted in 2000 and further amended. The Commercial Code allows for and defines three forms of business entities:

- Individual trader (*Individuālais komersants (IK)*)
- Limited liability company (*Sabiedrība ar ierobežoto atbildību (SIA)*)
- Joint stock company (*Akciju sabiedrība (AS)*).

Other forms of doing business are representative offices and branches of foreign companies. A representative office has limited functionalities and is not allowed to carry on any business activity; therefore, it does not give rise to a permanent establishment in Latvia.

Individuals or partnerships providing professional services (lawyers, tax consultants, insolvency specialists, etc.) have special forms of organisation that may, or may not, be recognised as distinct legal entities. Latvian law recognises two forms of partnership (*personālsabiedrība*):

- General partnership (*pilnsabiedrība*)
- Limited partnership (*komandītsabiedrība*).

Other forms of doing business in Latvia are:

- The European Economic Interest Grouping (*Eiropas ekonomisko interešu grupa*)
- The European company (*Eiropas sabiedrība*)
- The European cooperative society (*Eiropas kooperatīvā sabiedrība*)
- The cooperative society (*kooperatīvā sabiedrība*)

Latvian legislation does not recognise the concept of a trust. However, there is an active discussion about the necessity of introducing this concept in Latvia.

### Limited liability companies

The most common form of doing business in Latvia is the limited liability company. Its name is usually abbreviated SIA.

The share capital of an SIA cannot be less than EUR 2 800 (USD 3 118). Accordingly, since it does not require a considerable initial investment, it is the most common form used when starting a business.

The organisational structure of an SIA requires an executive board (*valde*) of directors, although one director is sufficient. A supervisory board (*padome*) and auditor (*revidents*) are optional, where not expressly required by law (see Chapter 2).

Usually it takes about one week to establish and register a new SIA in Latvia. It costs about EUR 175 (USD 195) in registration and other duties, excluding professional fees. A limited liability company must be registered with the local office of the State Revenue Service (SRS) and it must file tax returns on a regular basis.

### Joint stock companies

A joint stock company must bear the initials AS in its name. It must have a minimum share capital of EUR 35 000 (USD 38 973). The shares can be either registered or in bearer form and they can be freely traded or pledged. The share capital must be paid up no later than 12 months after the incorporation and entry of the AS in the Commercial Register.

A joint stock company may be set up privately or by public subscription. It must have both an executive board and a supervisory board. The members of the supervisory board are elected by the shareholders, but the supervisory board appoints the executive board. Managers or directors do not necessarily need to be shareholders.

Usually it takes about one week to establish a new AS in Latvia. It costs about EUR 390 (USD 434) in registration and other duties, exclusive of professional fees. A joint stock company must be registered with the local office of the State Revenue Service (SRS) and it must file tax returns on a regular basis. If a joint stock company decides to go public there are more requirements to be met before listing.

### Representative offices

Foreign companies can set up a representative office (*pārstāvniecības*) in Latvia in order to carry out non-income generating activities, such as promotion and supervision of the business of the parent company. Representative offices cannot carry out commercial activities in Latvia.

### Branches of foreign companies

A branch (*filiāles*) of a foreign company can be registered with the Latvian Commercial Register (*Uzņēmumu reģistrs*) to carry out business in Latvia. The foreign company will be liable to the

employees and creditors of the branch for the actions of, and debts contracted by, its managers and agents on behalf of the branch. Branches can carry out only those activities for which the parent company is authorised.

Besides registration with the Commercial Register, the branch must also register for tax purposes with the State Revenue Service (SRS) and it is subject to corporate tax as a permanent establishment. There is no branch remittance tax in Latvia.

Usually it takes about one week to establish a new branch in Latvia and costs about EUR 50 (USD 55) in registration and other duties, exclusive of professional fees.

### **Business reorganisation and liquidation**

The liquidation of a company may occur voluntarily by a decision of the company's shareholders or in other cases as prescribed by law. According to the law, the minimal length of the procedure is about six months, but in practice the procedure is very long, taking about two years to obtain the approval from the state institutions.

The company or any creditor may file a bankruptcy petition.

Mergers and acquisitions are regulated by the provisions of the Latvian Commercial Code and EU Directives; it takes approximately six to eight months to finish all formalities. A reorganisation must be approved by all shareholders of the company.

### **Labour relations and working conditions**

With approximately two million inhabitants, Latvia is a small market in Eastern Europe. One of the main advantages of the Latvian labour market is its qualified specialists in: social sciences, economics and law, as well as IT, engineering, manufacturing and construction.

### **Information on the employment market**

According to official statistics, at the end of 1Q 2016 the number of people employed was 875 thousand and unemployment stood at about 10.3 %. The level of unemployment varies greatly between the regions (and is, for example, considerably higher in Latgale, the eastern part of the country).

There is a minimum monthly wage set by law: EUR 370 (USD 412). The average monthly gross wage in the beginning of 2016 was estimated to be EUR 854(USD 951).

The majority of employees work in the wholesale and retail sector (17%) and in manufacturing (13%). Several sectors are short of qualified employees, most notably, the IT, telecommunications and construction sectors.

### **Employment regulations and laws**

Employment relationships are mainly governed by the Employment Code (*Darba likums*). There are special laws enforcing rules for labour conflicts, trade unions, and employers' organisations, as well as collective employment.

According to the Employment Code, an employment contract has to be in writing. However, a non-written contract will be considered in force if at least one party has fulfilled the provisions of the contract. Some mandatory conditions, like working hours and salary, have to be included in the provisions of the contract.

### **State Labour Inspectorate**

The State Labour Inspectorate (*Valsts Darba inspekcija*) is authorised to supervise employment relationships and the safety of labour and the industrial equipment. Violations of the provisions of the law are penalised.

## Working conditions

### *Working hours*

The normal working period is eight hours per day with a one hour lunch break, five days per week. There are specific rules regarding working conditions for night work, hard labour, and the employment of juveniles. Any overtime work has to be remunerated in addition to regular salary.

### *Holidays*

Employers are obliged to pay holiday pay. The minimum period of annual vacation is 20 days. In addition, the statutory holidays are as follows:

- |                             |                                     |
|-----------------------------|-------------------------------------|
| • 31 December and 1 January | New Year's Holiday                  |
| • 2 days (set yearly)       | Easter                              |
| • 1 May                     | Labour Day                          |
| • 4 May                     | Day of proclamation of Independence |
| • 23 and 24 June            | Midsummer Days                      |
| • 18 November               | National (Independence) Day         |
| • 25 and 26 December        | Christmas                           |

There are also paid absence periods for family events (childbirth, funerals, etc.).

### *Termination of an employment contract*

Cancellation of an employment contract can be effected in one of the following ways:

- By agreement of both parties
- By declaration with notice
- By expiry of the contract, if applicable
- By performance of the specific task covered, if applicable
- Under circumstances prescribed by law.

Under conditions prescribed by the Employment Code, a written notice of termination of the employment must be submitted one month in advance by the employee or the employer, depending on the circumstances.

Employees are not obliged to state their reason for leaving. However, the employer must state the reasons for the termination of the contract.

The maximum probation period prescribed by law is three months. The termination of the employment contract during this period is permissible with a notice of three days. However, the employer is obliged to mention the grounds for the termination of the employment contract exactly as the employer would have to under the usual procedure.

Under certain conditions, dismissal of personnel qualifies as a collective lay-off. Notice of collective by-offs must be provided to the government and must be supervised by the unemployment agencies. For example, there is a collective lay-off if there is a dismissal, within 30 days, of:

- At least 5 employees in a company with a staff of between 20 and 50 people
- At least 10 employees in a company with a staff of between 50 and 99 people
- At least 10% of the employees in a company with a staff of between 100 and 299 people
- At least 30 employees in a company with more than 300 people.

### ***Fringe benefits***

Among the most typical fringe benefits granted to employees are: extra holiday pay, medical insurance, a stock-option plan system, paid subscription for a mobile phone, and public transportation.

### **Social security**

At present, Latvian social security legislation comprises five essential areas:

- Pensions and other social security benefits for employees
- Provision of healthcare services
- Unemployment benefits and assistance
- Allowances and support for the family (child allowance, supplementary allowance for families with children, allowance for single-parent families), and
- Social assistance for disadvantaged individuals, including special protection for disabled persons.

The first three areas are part of the social insurance system for employees has as its principal objective the provision of support to insured persons who cannot obtain regular remuneration in certain risk situations (temporary or permanent incapacity to work, maternity, retirement, unemployment, etc.). The social insurance system is based on collecting funds from insured persons and distributing those funds to those qualifying for the insured benefits.

Unlike the social insurance system, which is contributory, family and social assistance are non-contributory systems; they are financed by the state.

Both Latvian and foreign employees are governed by the same social security, health, pension and unemployment social insurance provisions, subject to any relief given under EU regulations and international social security conventions signed by the Latvian government.

### **Foreign employees**

#### **Visa requirements**

With the exception of EU residents, non-resident individuals who intend to carry on a business, to be employed, or simply to enter Latvia, must obtain a visa.

#### **Schengen visa**

Latvia is a member of the Schengen area - Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, and Switzerland. There is a Uniform or Schengen visa that entitles foreigners to stay in Latvia and the other Schengen countries.

#### **National or long-term visa**

Foreigners staying in Latvia for a period longer than 90 days in any six-month period have to apply for a long-term visa or residence permit, depending on the circumstances of the particular case. This visa is valid only for stay in Latvia. Under general conditions, the maximum term of the long-term visa is one year.

#### **Short term entry and stay in connection with employment**

If the employment of a foreigner is linked to a short term or irregular stay in Latvia, which does not exceed 90 days in any six-month period, the foreign national has to obtain a visa or residence permit for a certain term and a work permit. The requirement of a work permit also applies to foreigners who are not required to obtain an entry visa.



If the employment of a foreigner is linked to a regular stay in Latvia of more than 90 days in any six-month period, the foreign national has to obtain a residence permit for a certain term and a work permit.

### **Visa with work permit**

The competent state institution issues the work permit according to the expiry date of the visa if the foreigner meets certain conditions prescribed by law.

### **Temporary residence permits**

As noted in the introduction, in July 2010 Latvia adopted a new regulation providing for additional opportunities for a foreign person to obtain a temporary residence permit for a five-year period without the need to reside in the country for a specific period of time. According to the provisions, a foreign natural person may obtain a temporary residence permit on the following bases:

- If the foreign person invests at least EUR 35 000 (USD 38 973) in a small Latvian company or EUR 150 000 (USD 167 025) in a large company
- If the foreign person is on the board of a Latvian company that has been in existence for at least one year at the time the person applies for a residence permit
- If the foreign person deposits at least EUR 280 000 (USD 311 780) into the subordinated capital of a Latvian credit institution (bank)
- If the foreign person acquires real estate in all regions EUR 250 000 (USD 278 375), minimum cadastral value- EUR 80 000 (USD 89 080).

### ***Procedure for obtaining a temporary residence permit***

#### ***1. Invitation***

Where a foreign person requests a temporary residence permit on the basis of an investment in a Latvian company or because they are on the board of a Latvian company, the company must provide the individual with an invitation.

No invitation is required in the other situations described above.

#### ***2. Submission of documents***

As soon as the foreigner receives and accepts the invitation, or where there is no need for an invitation, the foreign person submits documents to the Latvian diplomatic mission in his or her country or, in certain cases, in Latvia. The review period is 30 days (a shorter term is possible depending on the amount of the stamp duty paid by the applicant).

#### ***3. Obtaining temporary residence permit***

When the Latvian immigration authorities grant the permit, the applicant receives a one-time visa to Latvia. The visa is issued by the Latvian diplomatic mission in his or her country of residence. Afterwards, but within seven days of entering Latvia, the applicant will personally receive a temporary residence permit from the Office of Citizenship and Migration Affairs (*Pilsonības un migrācijas lietu pārvalde*).

## **3. FINANCE AND INVESTMENT**

### **Banking and local finance**

Banking in Latvia is regulated under The Credit Institutions Act (*Kredītiestāžu likums*), in force as of 24 October 1995.

The central bank of the Republic of Latvia is the Bank of Latvia (*Latvijas Banka*), which is one of the key public institutions that carries out the economic functions as prescribed by law. To ensure the implementation of the monetary policy, the Supreme Council (which predated the Fifth Saeima, elected in 1993) adopted the law founding the Bank of Latvia on 7 September 1992. Its principal objective is to regulate the currency in circulation by implementing a monetary policy so as to maintain price stability in Latvia. The activities of the Bank of Latvia are regulated by the Bank of Latvia Act (*likums "Par Latvijas Banku"*), which has been in force since 19 May 1992.

Currently, the banking system consists of several types of institutions:

- Commercial banks
- Credit institutions
- Mortgage banks
- Subsidiaries, branches and agencies of foreign banks.

The minimum capital required for establishing a bank is the equivalent of EUR 5 million (USD 5.57 million) and it must be subscribed and paid up fully in cash.

The supervision of the Latvian banks, insurance companies, participants in the financial instruments market, as well as private pension funds, is carried out by the Financial and Capital Market Commission (*Finanšu un kapitāla tirgus komisija*), which is regulated by the Financial and Capital Market Commission Act (*likums "Par Finanšu un kapitāla tirgus komisiju"*), which has been in force since 1 July 2001.

Since 1 February 2008 Latvia has fully implemented the EU's MiFiD Directive 2004/39/EC, which regulates the financial markets. The central aim of the MiFiD Directive is to ensure the protection of investors' interests and the perfect functioning of the financial instrument market. Therefore, Latvian banks have introduced a number of improvements to ensure better protection of investors and to improve the provision of investment services.

The Association of Commercial Banks of Latvia (*Latvijas Komercbanku asociācija*) (the Association) is a public organisation that unites the 20 banks registered in Latvia and five branches of foreign banks on a voluntary basis. The Association was founded on 23 July 1992. The purpose of the Association is to contribute to the strengthening and development of the banking system in Latvia.

## Equity market

The official Stock Exchange (*Rīgas Fondu birža*) is located in Riga. It is the sole stock exchange operating in Latvia and is owned by OMX, which is part of the NASDAQ OMX Corp.

The Central Depository of Latvia (*Latvijas Centrālais depozitārijs*) administers all publicly issued securities in Latvia. Its operation is supervised by the Financial and Capital Markets Commission. The Central Depository's main functions are as follows:

- To keep safe custody of securities, to perform clearing and settlement for securities trading and management of corporate actions
- To provide other services related to securities
- To keep a register of numerous non-public joint stock companies, private limited companies, and other corporate debt securities
- To keep initial lists of the shareholders of privatised enterprises

- To administer the state-funded pension scheme which is the second pillar of the pension system.

## Accounting and audit requirements

Bookkeeping and financial reporting in Latvia is mainly regulated by the Accounting Act (*likums "Par grāmatvedību"*) and the Annual Financial Statements and Consolidated Annual Financial statements Act (*likums "Gada pārskatu un konsolidēto gada pārskatu likums"*), as well as the Certified Auditors Act (*likums "Par zvērinātiem revidentiem"*) and the International Accounting Standards (*Starptautiskie Grāmatvedības standarti*).

### Accounting and annual financial reporting

#### Accounting records

Accounting records have to be kept so that any person qualified in accounting can clearly identify the financial situation of the company, transactions made during the accounting period, and to ascertain both the beginning and the sequence of each transaction.

Requirements for accounting records are as follows: the measure of value used must be the monetary unit of the Republic of Latvia, the language must be Latvian. However, a second language, if agreed upon by the parties and acceptable to the auditors, may be used.

The accounting records and all relevant mandatory documentation have to be stored in Latvia.

The reporting period is normally 12 months.

#### Confidentiality

The information included in annual reports, consisting of the financial statements and the management report, is not considered a trade secret of the company and is also available publicly upon request. All other information in the accounting records is confidential. An exception regarding access to confidential information is made with respect to the auditors, to the tax administration reviewing reported taxes, and to other state institutions in circumstances directly prescribed by law.

#### Consolidated reporting

Preparation of a consolidated annual report is an obligation of the parent company if, for two successive years, figures for the parent company together with its subsidiaries have exceeded any two of the following criteria:

- Total assets: EUR 4 000 000 (USD 4 461 600)
- Net turnover: EUR 8 000 000 (USD 8 923 200)
- Average number of employees in the reporting year: 50.

#### Statutory audit of financial statements

The financial statements have to be audited by a certified auditor or by a firm of certified auditors if the company exceeds two of the following criteria:

- Total assets: EUR 800 000 (USD 892 320)
- Net turnover: EUR 1600 000 (USD1784 640)
- Average number of employees in the reporting year: 50.

#### Development of the accounting and auditing profession

All the largest international audit firms are represented in the Latvian market and they have also the dominant position in servicing large companies. About 30 local audit firms operate in

the largest cities of Latvia, mostly in Riga. Unlike the large networks, local firms rarely provide business consulting.

### **Accounting software**

According to the law, computerised accounting is allowed only if the law is not violated. Moreover, the data output must be understandable to an independent third person.

Foreign and local accounting software packages are used; foreign packages are generally designed for large and medium-sized enterprises and locally developed packages are used for small and medium-sized enterprises.

### **Foreign exchange policy**

The foreign reserves of the Bank of Latvia are comprised of gold, convertible foreign currencies, and SDRs (Special Drawing Rights). The Bank of Latvia invests in safe and liquid financial instruments, predominantly in government and government agencies' securities of the United States of America, Germany, France, the United Kingdom, and Japan, as well as in securities of international institutions.

## **Investment opportunities and incentives**

As a small country with limited private capital resources, Latvia appreciates the impact of foreign direct investment on its continuing economic development. The government and local authorities, cooperating with different business organisations, are committed to further improve the legal and administrative environment for foreign and local business ventures wishing to establish themselves in the country, by a number of methods and means. As an example, Latvia was one of the first countries to execute a gradual reduction of the standard rate of corporate income tax from 25% in 2001 to 15% from January 2004.

### **Foreign investors' guarantees and rights**

The Latvian constitution guarantees the right to private ownership. Both domestic and foreign private entities have the right to establish and own business enterprises and engage in all forms of commercial activity, except those prohibited by law. Private enterprises have competitive equality with public enterprises with respect to access to markets and business operations.

### **Performance requirements and incentives**

The government extends national treatment to foreign investors. Therefore, most investment incentives and requirements apply equally to local and foreign businesses. The Latvian government has a series of incentive schemes for investment, both foreign and domestic, in several free ports, special economic zones, and in special assisted regions. Two other incentive packages apply to companies producing hi-tech products and to projects that have received the status of a "state-supported investment". In addition, all investors are exempt from VAT and customs duties on fixed assets imported as long-term investments.

### **Repatriation of initial investment and profits**

Latvia's foreign investment law provides for unrestricted repatriation of profits associated with an investment. Investors can freely convert local currency into foreign exchange at market rates and have no difficulty obtaining foreign exchange from Latvian commercial banks for investment remittances.

## **4. THE TAX SYSTEM**

## Introduction

The system of taxes and duties in Latvia consists of:

- State taxes, the object and rate of which are set by the Saeima
- State duties, which are applicable under the Taxes and Duties Act (*likums "Par nodokļiem un nodevām"*) and other laws and regulations of the Cabinet of Ministers
- Local duties, applicable under the Taxes and Duties Act and binding regulations issued by the local authorities concerned
- Directly applicable taxes and other obligatory payments set by the European Union's regulatory enactments.

The following taxes are governed by the Taxes and Duties Act:

### Direct taxes

- Corporate income tax (*uzņēmumu ienākuma nodoklis*)
- Personal income tax (*iedzīvotāju ienākuma nodoklis*)
- Mandatory social insurance contributions (*valsts sociālās apdrošināšanas obligātās iemaksas*)
- Real property tax (*nekustamā īpašuma nodoklis*)
- Corporate light vehicle tax (*uzņēmumu vieglo transportlīdzekļu nodoklis*)

### Indirect taxes

- Value added tax (*pievienotās vērtības nodoklis*)
- Excise duty (*akcīzes nodoklis*)
- Electrical energy tax (*elektroenerģijas nodoklis*)
- Subsidised electrical energy tax (*subsidētās elektroenerģijas nodoklis*)
- Tax on cars and motorcycles (*vieglo automobiļu un motociklu nodoklis*)
- Car operation tax (*transportlīdzekļu ekspluatācijas nodoklis*)
- Customs duty (*muitas nodoklis*)
- Microcompany tax (*mikrouzņēmumu nodoklis*)

### Other taxes

- Natural resources tax (*dabas resursu nodoklis*)
- Lottery and gambling tax (*izložu un azartspēļu nodoklis*)

### Payment

Taxes and duties are assessed and paid in Euro.

The tax administration may not waive its right to unpaid tax, nor may it transfer to any other person its rights to claim taxes, duties and related payments, with the exception of tax debts recovered and the sale of confiscated and inventoried property in cases provided under other tax laws.

The set-off of taxes, duties and payments related to taxes and duties against other liabilities is not permitted. The due date for payment is provided by the legislation regulating the tax or duty.

### Assessment

The Latvian tax system is generally one of self-assessment. Taxpayers are responsible for computing their own tax payable on the basis of their tax return as well as for deduction of the

amount of tax payable as provided for in the specific tax laws. Taxpayers - except for those individuals who are not economic actors - must file tax and information returns in electronic format. Generally, taxpayers must retain documents verifying income from, and expenditures on, financial and economic activities for at least five years (there might be exceptions).

The tax administration has the right to perform tax audits provided that it informs the taxpayer that it is conducting a tax review (audit). The tax administration must indicate the taxes, duties, or other mandatory payments to be examined, the tax returns to be examined, and the taxable periods under review.

The tax administration has the right, after a tax review (audit), to adjust the amount of taxes and to impose fines.

### **Appeal procedures**

Any person who disagrees with a fiscal administrative document (including an assessment) or a refusal to issue such a document has the right to submit an appeal.

Decisions taken by local authority officers regarding tax issues may be appealed within 1 month of receipt of the decision.

If the taxpayer is dissatisfied with the result of the first-stage appeal, the taxpayer may appeal the decision to the courts.

### **Anti-avoidance principle**

Latvia has specific anti-avoidance rules. As a matter of principle, where tax liability is not calculated or is calculated on a taxable basis that differs from that existing in reality, thereby avoiding the scope of the tax law, tax liability is to be recalculated on the real taxable base (“substance over form principle”).

## 5. TAXES ON BUSINESS

### Corporate tax system

#### Scope and extent

Corporate income tax is applicable to worldwide profits realised by Latvian legal persons and to profits derived by non-resident legal persons through a permanent establishment in Latvia. Non-resident legal persons without a permanent establishment in Latvia are liable to corporate income tax on income and capital gains sourced in Latvia.

#### Company residence

For the purposes of tax legislation, a taxpayer who is not a natural person is considered a resident of Latvia if it is established and registered or if it should have been established and registered in accordance with the laws of the Republic of Latvia. Hence, a Latvian company is resident even if its management and control are situated abroad, and it is not possible for a Latvian company to change its residence without being dissolved and reincorporated abroad.

#### Taxable entities

Persons liable to corporate income tax are:

- Resident entities carrying on a business (performing economic activities)
- Foreign companies and other foreign legal persons deriving income or capital gains in Latvia
- Permanent establishments of non-residents carrying on a business in Latvia.

The following are not liable to corporate income tax:

- Individual (family) undertakings that do not have to submit annual accounts in accordance with the Annual Financial Statements and consolidate Annual Financial Statement Act (Gada pārskatu un konsolidēto gada pārskatu likums)
- Institutions financed by State or local-government budgets whose income from economic activity is provided for in the relevant budget
- Private pension funds
- Associations ( *biedrības* ) or foundations ( *nodibinājumi* ) if the disclosed or undisclosed aim of the foundation is not the acquisition of profit or the growth of capital for the benefit of their members and
- Religious organisations, trade unions, and political parties.

Investment funds, general and limited partnerships, and cooperative associations are transparent for corporate income tax purposes. Their partners are liable to income tax or corporate tax on their share of the enterprise's profits.

#### Taxable income

Latvian tax authorities levy corporate income tax on the worldwide profits of Latvian legal entities and on the profits sourced in Latvia and derived by foreign legal entities either through a permanent establishment or an association that does not give rise to a legal person.

Most types of business income, interest income, royalties (with some exemptions), and rental income are subject to corporate income tax. From 1 January 2013 the following types of income are exempt:

- Dividends (outgoing and incoming)
- Capital gains from the sale of shares.

Taxable income is calculated by adjusting accounting profit for non-taxable items and non-deductible items and any other adjustments required by law.

### **The minimum tax payment**

As from 2015 a minimum tax of EUR 50 (USD 56) is introduced. The taxpayer must pay the minimum payments if he has not paid PIT & SSC payments for employees; he is not required to pay CIT for a taxation year if the amount of tax payable is less than 50 EUR (USD 56) (including situations where the result of the tax year taxpayer is a loss). This provision will not apply in the year of registration of a start-up company. Neither does it apply in the company's liquidation year.

### **Deductions**

As a general rule, an expense is deductible only if it is directly related to the company's business. There are expenses with limited deductibility and wholly disallowed expenses. For instance, representation expenses are only partially deductible (40%). As of 1 January 2014, the threshold for the purchase of a representative vehicles is raised to 50 000 EUR (USD 55 675) (excl. VAT), thus replacing the previous limit of 36 175 EUR (USD 40 281). Expenses incurred for the purchase of a vehicle exceeding the limit are not treated as deductible for tax purposes, unless sufficient evidence is provided for the vehicle to be used in provision of commercial activities.

Expenses not directly related to the company's business are generally not deductible. These expenses include: entertainment, relaxation, pleasure trips and recreational events for owners or employees; private (not business-related) travel in company vehicles of the taxpayer; grants, gifts, gratuitous loan waivers; and other disbursements in cash or in kind to owners or employees that are not by way of remuneration for work performed or that are not related to the economic activity of the company.

Furthermore, a company's taxable income is increased by an amount that is 1.5 times the cost of expenses (the so-called 1.5 coefficient) not directly related to the company's business and losses incurred as a result of maintaining social infrastructure objects.

### **Tax depreciation**

There are two primary methods used to compute depreciation:

- *Straight-line*. The straight-line method consists of depreciating fixed assets at a uniform rate over their useful life. Intangibles (concessions, patents, licences, and trademarks) are depreciable on a straight-line basis over their estimated life. Depreciation of other intangible investments is not deductible for tax purposes.
- *Declining-balance method*. All tangible fixed assets are depreciated for tax purposes by applying the declining-balance method.

The Corporate Income Tax Act specifies depreciation rates for five different classes of fixed asset. Depreciation is calculated using the declining-balance method by applying twice the rate prescribed by the Act (except vehicles where the 1.5 coefficient applies). The applicable rates are as follows:



Table 1

Type of asset	Effective depreciation rate (%)
Class 1: buildings, constructions and long-term plantations	10
Class 2: railway rolling stock and technological equipment, technical equipment of the merchant marine and harbours; energy equipment	20
Class 2: marine and river vessels	20
Class 3: computers and peripheral equipment, information systems, software, data-storage systems, means of communication, copiers and ancillary equipment	70
Class 4: aircraft, light motor vehicles in general	40
Class 4: other fixed tangible assets, excluding those in Class 5	40
Class 5: oil exploration and extraction platforms, oil exploration and extraction vessels	15

### Capital gains

Latvia has no separate capital gains tax. Capital gains derived in Latvia by persons subject to corporate income tax are taxed at the same rate as ordinary income.

As of 2013 income or loss from the sale of shares has no effect on a company's taxable income unless a company in which the company holds shares is located in a country or territory recognised by Latvia as a low-tax or tax-free territory (in such case the applicable tax rate is 15%).

### Dividends, interest and royalties

#### Dividends

As of 2013 both dividends paid to a non-resident legal entity and received from a non-resident legal entity are not be taxed in Latvia unless the dividends are paid by a company in which the company holds shares is located in a country or territory recognised by Latvia as a low-tax or tax-free territory (in such case the applicable tax rate is 15%).

#### Interim dividends

As of 2014 based on amendments in the Commercial law, companies are allowed to distribute *interim dividends*.

#### Conditions:

- ✓ Dividends cannot exceed 85% of the company's current profit;
- ✓ The company cannot have tax liabilities at the date of the shareholders' meeting;
- ✓ The company has not deferred or divided tax payments and the company's advance tax payments are not reduced at shareholders' meeting date;

A withholding tax of 30% applies to *interim* dividends paid to low-tax or tax-free countries (off-shores).

If *interim* dividends are paid, but the company has a loss at year-end, it will be deemed that the *interim* dividends have been paid unduly. The amount of interim dividend will be treated as an expenses not related to an economic activity, thus the taxable income of the legal entity will be increased by the amount of interim dividends distributed multiplied by 1,5.

### Interest and royalties

Starting 1 July 2013 the interest and royalties paid by a Latvian company to a related EU company are exempt from withholding tax. And, starting 1 January 2014 the above mentioned treatment applies also to non-EU companies unless the interest or royalties are paid by a company in which the company holds shares located in a country or territory recognised by Latvia as a low-tax or tax-free territory (in such case the applicable tax rate is 15%).

### Withholding taxes

Table 2 shows withholding tax rates for non-resident legal entities that are applicable if a double tax treaty does not state otherwise.

Table 2

Type of payment	EU or EEA recipient	Third-country recipient
Dividends	0%	15% <sup>1</sup>
Interim dividends	0%	30% <sup>2</sup>
Interest	0%	5% / 15% <sup>3</sup>
Royalties	0%	15% <sup>4</sup>
Rent	5%	5% / 15% <sup>5</sup>
Goods	0%	15% <sup>6</sup>
Securities	0%	0% / 15% <sup>7</sup>
Remittances of partnership profits	15% / 23% <sup>8</sup>	15% / 23% <sup>8</sup>
Management and consultancy fees	10% <sup>9</sup>	10% / 15% <sup>9</sup>
Proceeds from the alienation of Latvian immovable property <sup>10</sup>	2%	2%

### Notes

<sup>1</sup> Dividends paid to a non-resident company located in a country or territory recognized by Latvia as a low-tax or tax-free territory will be subject to withholding tax at a rate of 15%.

<sup>2</sup> Starting from 2014 it is allowed for companies to distribute interim dividends, Withholding tax at a rate 30% is applied to dividends distributed to the recipient company located in a country or territory recognized by Latvia as a low-tax or tax-free territory.

<sup>3</sup> Starting from 2014 the zero rate applies for a third-country recipient unless the recipient company is located in a country or territory recognized by Latvia as a low-tax or tax-free territory (in such case the applicable tax rate is 15%) or 5% if the interest payment is made by a credit institution registered in Latvia).

<sup>4</sup> As from 1 January 2014 the rate is zero unless the royalties are paid to a recipient in a territory that Latvia recognises as a low- tax or tax-free territory (in such case the applicable tax rate is 15%).

<sup>5</sup> Tax at a rate of 15% from payments to the recipient company located in a country or territory recognized by Latvia as a low-tax or tax-free territory shall be withheld.

<sup>6</sup> Tax at a rate of 15% from payments to the recipient company located in a country or territory recognized by Latvia as a low-tax or tax-free territory shall be withheld in case the goods are not acquired at market price.

<sup>7</sup> No tax shall be withheld on securities traded in the EU or EEA from payments to the recipient company located in a country or territory recognized by Latvia as a low-tax or tax-free territory, in case the securities have been acquired at market price. Tax at a rate of 15% from payments to the recipient

company located in a country or territory recognized by Latvia as a low-tax or tax-free territory shall be withheld in case the securities are not acquired at market price.

<sup>8</sup> In case the partner is a legal entity, the withholding tax amounts to 15%; the rate is 23% if the partner is a private individual. In all cases, if the payments are made to persons resident in a tax haven, the rate of withholding tax is 15%, unless the State Revenue Service has confirmed that the transaction has not been entered into with the purpose of avoiding Latvian tax.

<sup>9</sup> Not taxable when stipulated in a tax treaty. If paid to a recipient in a territory that Latvia recognizes as a low- tax or tax-free territory the applicable tax rate is 15%.

<sup>10</sup> Includes proceeds from the alienation of shares in a company more than 50% of whose assets in the current or immediately previous taxable period consist of Latvian immovable property. If paid to a recipient in a territory that Latvia recognizes as a low- tax or tax-free territory the applicable tax rate is 15%. Return with supporting justification documentation can be submitted to the Latvian tax authorities by the payer and overpaid amount can be requested if the amount is less than the withholding tax applied.

In all cases, if payments are made to persons resident in a tax haven, the rate of withholding tax is 15% unless the State Revenue Service is satisfied that the transaction has not been entered into with the purpose of avoiding Latvian tax.

The jurisdictions considered to be tax havens are prescribed by regulation and are listed in Table 3.

**Table 3**

Andorra	Guatemala	Niue
Anguilla	Guernsey	Olderne
Antigua and Barbuda	Hong Kong	Panama
Aruba	Isle of Man	Qatar
Bahamas	Jamaica	Saint Martin
Bahrain	Jersey	St Helena
Barbados	Jordan	St Kitts and Nevis
Belize	Kenya	St Lucia
Bermuda	Kuwait	St Pierre et Miquelon
British Virgin Islands	Labuan	St Vincent and the Grenadines
Brunei	Lebanon	Samoa
Cayman Islands	Liberia	San Marino
Cook Islands	Liechtenstein <sup>1</sup>	São Tomé and Príncipe
Costa Rica	Macao	Seychelles
Curacao	Maldives	Tahiti
Djibouti	Marshall Islands	Tonga
Dominica	Mauritius	Turks and Caicos Islands
Ecuador	Monaco	Uruguay
Gibraltar	Montserrat	US Virgin Islands
Grenada	Nauru	Vanuatu
Guam	New Caledonia	Venezuela
		Zanzibar

#### Note

<sup>1</sup> A State or Territory is not treated as a tax-free or low-tax country or territory, beginning with the year in which in that country or territory an international treaty for the avoidance of double taxation and prevention of fiscal evasion applies or the date when in that country or territory an agreement on exchange of information for tax purposes enters into force.

Latvia has concluded a number of double taxation treaties with other countries double taxation treaties with other countries (see Appendix). If a double tax treaty is in force, the most favourable rates are applied.

### Losses

Tax losses incurred thought 2007 may be carried forward for eight years. Tax losses incurred from 2008 may be carried forward indefinitely. Carry-back of losses is not allowed. Taxpayers registered in Special Economic Zones have a 10 year carry forward limit.

Losses on securities (other than shares) publicly traded in the EEA, are not deductible; Expenses connected with the acquisition, disposal or holding of shares and securities publicly traded in the EEA countries, are not deductible; and the gains from the disposal of securities (other than shares) publicly traded in the EEA countries, are not taken into account for corporate income tax purposes.

### Group treatment

As from 1 January 2014 tax losses are not transferrable between group companies within Latvia. Losses incurred in 2013 can still be transferred, but this incentive is cancelled for losses incurred as from 2014.

### Tax incentives

There are certain general incentives available in Latvia, including free ports, special economic zones, special depreciation rules for new technology equipment, and investment in agriculture. Here are some other general tax incentives:

1. A company may deduct the profit realised on the disposition of a fixed asset if it acquires a functionally similar asset at any time within a period beginning 12 months before the date of disposition and ending 12 months after the date of disposition. The amount thus deducted is also deducted from the acquisition cost of the new asset.
2. The acquisition or manufacturing cost of new production equipment may be multiplied by 1.5 for tax depreciation purposes. This rule applies to fixed assets acquired between 2009 and 2020.
3. As of 1 January 2011 qualifying investments are eligible for a tax credit in the year the investment project is completed, as follows:
  - 25% of the total initial amount for investments not exceeding €50 million (USD 55.68 million)
  - 15% of the total initial amount for investments from €50 million (USD 55.68 million) up to €100 million (USD 111.4 million).

The project should be approved by the Minister of Economic Affairs (*Ekonomikas ministrs*) and should not distort the competition.

Unused credits can be carried forward 16 tax years.

An investment qualifies when:

- The initial investments totals at least € 10 million (USD 11.14 million)
- The total initial amount is invested within five years of the date the Cabinet approved the investment aid
- The investment is made in a “priority sector”, as defined in Council regulation (EC) 1893/2006 amending Council Regulation (EEC) 3017/90

- The investments result in a fundamental change of a business processes, the opening or upgrading of existing operations, or their expansion

For property belonging to an investor, when leased, it should be a long term lease of at least 13 years and the rights should be registered in the Land Register.

- Buildings and structures must be used in Latvia for at least 10 years; machinery and equipment for at least five years - beginning in the tax year in which the investment project was completed.
4. From 1 July 2014 a CIT relief for research and development has been introduced, which allows to reduce the taxable income by the amount of expenses incurred multiplied by a coefficient 3, but only if directly relevant to: labor costs, research services and the acquisition of specialized scientific institutions and the development of economic activities.

*Conditions:*

- The taxpayer himself performs the R&D, and is able to document it (documentation requirements to be determined by the Cabinet of Ministers);
- Expenses can be written off immediately or can be capitalized;
- Intellectual property rights are not alienated for minimum 3 years.

### **Micro-company tax**

A micro-company may be a sole proprietor, sole proprietorship, a farmer or fisherman, an individual who registered with the State Revenue Service as an entrepreneur, or a limited liability company that meets the following criteria:

- All its shareholders are natural persons
- Its turnover in a calendar year does not exceed EUR 100 000 (USD 111 350)
- The number of employees does not exceed five at any time.

The maximum remuneration per employee (including for the owner himself) is EUR 720 (USD 802) per month.

The tax rate on a micro-company is 9% having turnover till EUR 7000 (USD 7795), and includes:

- Social security contributions, personal income tax (PIT) and the business risk fee for employees
- Corporate income tax (CIT), if the micro-company is a CIT-payer
- PIT for micro-company shareholders on their personal activity income (in other words, not on dividends).

Tax rate for a micro-company having turnover from EUR 7000.01 to EUR 100 000 is set at 9% for the first three years after acquisition of particular taxpayer status. For the fourth year of business activity under particular taxpayer status tax rate is set at 12%.

As of 1 January 2017 the tax rate 9% will be changed to 5 % and 12% to 8%, whereas additionally social security contributions have to be paid in accordance with the Law on State Social Insurance.

### **Thin capitalisation**

Interest is not deductible to the extent it exceeds 1.57 times the average annual short-term credit rate.

To the extent that a company's interest-bearing debt exceeds four times its equity capital (so-called excess interest), the excess interest is treated as non-deductible and is re-characterised as a dividend and is taxed accordingly.

Where both rules would otherwise apply, the rule giving rise to the greater restriction is applied.

Neither of the above rules apply to interest paid by credit institutions or insurance companies, or to interest on loans obtained from: credit institutions registered in the Republic of Latvia or in another Member State of the European Union or in a country with which Latvia has concluded a convention or a double tax treaty is in force, the Latvian Treasury, the Nordic Investment Bank, the European Bank for Reconstruction and Development, European Investment Bank, World Bank group, or the Council of Europe Development Bank.

The rule related to excess interest does not apply to the interest on loans obtained from a financial institution meeting both of the requirements listed below:

- a) It is registered in the Republic of Latvia or in another Member State of the European Union or in a country with which Latvia has concluded a convention or a double tax treaty is in force
- b) It provides credit or financial lease services and it is supervised by the financial supervisory authority.

### **Transfer pricing**

Transfer pricing rules apply to residents and non-residents if they are deemed to be related parties. The tax authorities can adjust prices according to market values if goods within a transaction between related parties are sold below market price or bought above market price. As of 2013 companies are required to keep a full set of transfer pricing documentation if net turnover of the company exceeds EUR 1 430 000 (USD 1 592 305) and the amount of transaction with related company exceeds EUR 14 300 (USD 15 923). An advance pricing agreement procedure is available.

### **Controlled foreign companies**

Latvia has controlled foreign companies (CFC) legislation only for individuals. However, as already noted, a withholding tax of 15% is imposed on payments made by Latvian companies to entities or individuals registered or domiciled in tax haven jurisdictions. Certain exceptions apply. Individuals have to declare and pay personal income tax on the distributed profit of companies registered (established) in tax haven jurisdictions.

### **Tax rate**

The current standard rate of corporate income tax on all taxable income is 15%.

### **Assessment procedure**

It is the duty of the company to calculate the tax payable.

### **Returns and payments**

#### **Returns**

A company's corporate income tax return is generally due within four or seven months of the year-end, so for companies with calendar year ends, returns are generally due no later than 30 April or 31 July. Four months is the time period for small companies; seven months is the period for medium-sized and large companies. For this purpose, a medium company is one in respect of which any two of the following indicators is exceeded for the period of account in question:

- Total assets: EUR 4 000 000 (USD 4 454 000)
- Net turnover: EUR 8 000 000 (USD 8 908 000)
- The average number of employees in the reporting year: 50.

Different due dates may apply to credit institutions, insurance companies, and savings and loan institutions.

### ***Payment of tax***

The payment of any tax outstanding is due no later than 15 days after the filing date, hence no later than 15 May or 15 August, in most cases.

However, most companies must also make monthly payments on account. These are due and payable by the 15th of every month. For the first months of the tax year, up to and including the month in which the tax return and annual financial statements are due, the amount of the payment on account is one-twelfth of the final tax liability for the preceding tax year, adjusted for inflation. Thus, if the current tax year is 2016, the first payments on account are based on the liability for the tax year 2015. For the remaining months of the year (May onwards for smaller companies and August onwards for larger companies, in most cases), payments are based by the following formula:

Final tax liability for previous tax year (adjusted for inflation) - tax already paid on account

---

Remaining months of the year

## **Value added tax**

### **Taxable entities**

For value added tax (VAT) a taxable person is any person who, independently, carries out in any place any economic activity, whatever the purpose or results of that activity. The VAT paid may be deducted from the VAT invoiced on deliveries of goods and services provided. A person must be registered in the SRS Register of VAT Taxable Persons within 5 working days of the date of submission of the application.

### **Taxable activities**

As a general rule, value added tax is imposed on all supplies of goods and services that take place in Latvia. VAT is payable on every transaction involving the supply of goods and services for consideration, also on the importation of goods, the intra-Community supply of goods, the intra-Community acquisition of goods, and on the acquisition of new means of transport by non-taxable persons in the territory of the European Union.

### **Place of supply, acquisition and import within the European Union**

#### ***Place of supply***

If the goods are dispatched or transported from one Member State of the European Union to another Member State of the European Union, the place of supply is the Member State of the European Union in which the dispatch or transportation of the goods commences.

The place of supply of installed or assembled goods is the Member State of the European Union in which the goods are installed or assembled.

**Reverse charge**

As of 1 January 2012 Latvia applies the domestic reverse charge mechanism for construction works: the recipient of the service (the VAT Payer) must self-charge the VAT on the purchase invoice, while the construction company issues an invoice without VAT, referring on the invoice to the reverse charge mechanism. The equipment that forms an integral part of the building (heating, plumbing, etc.), the building interior fittings, as well as the external finishing works (carpeting, painting, etc.) are also covered by the reverse charge mechanism. The same reverse charge mechanism has been introduced for electronics since 1<sup>st</sup> april of 2016.

**Place of acquisition**

The place of acquisition is the Member State of the European Union in which the dispatch or transportation of the goods ends.

The place of acquisition of a new means of transport is the Member State of the European Union in which the means of transport is registered.

**Place of import**

The place of import of goods in the territory of the European Union is that Member State of the European Union in which the customs procedure for the release of goods into free circulation is ended (concluded).

**Importation of goods**

According to the Value Added Tax Act (*Pievienotās vērtības nodokļa likums*) the import of goods means the importation of goods onto the territory of Latvia from a third country or a third territory.

A third territory is:

- A part of the European Union customs territory: Mount Athos, the Canary Islands, the overseas departments of the Republic of France, the Aland Islands, the Channel Islands
- The European Union, non-EU Customs territory: the Island of Helgoland, Buesingen Territory, Ceuta, Melilla, Livigno, Campione Italy (Campione d'Italia), the Italian waters of Lake Lugano.

The term "third country" applies to states that are not a Member State of the European Union.

**Intra-Community trade**

Intra-Community supplies and acquisitions are those made between taxpayers in Latvia and another EU Member State. Subject to certain exceptions, intra-Community supplies are VAT-exempt with the right of deduction (that is, zero-rated). The same regime is applicable for transactions with new means of transport (that is, supplies and acquisitions of new means of transport). Namely, if new means of transport are supplied to a customer in another EU country, the same rules as to intra-Community supply of goods (i.e. 0% VAT) apply. In the case of the acquisition of new means of transport, VAT is applied (the VAT registered person applies reverse charge VAT mechanism; the person not registered for VAT purposes pays VAT to the state).  
Regard to transport:

- a) Motorised land vehicles that have been used less than six months or that have travelled less than 6 000 kilometres
- b) Ships or other floating craft that have been used for less than three months or have sailed for less than 100 hours, and



- c) Aircraft that has been used for less than three months or has flown for less than 40 hours.

If the services are rendered by a Latvian taxable person to a taxable person of another EU Member State, the recipient of the services must account for the VAT due. If the services are rendered by a Latvian taxable person to a non-taxable person of another EU Member State, the VAT is due by the supplier of the services. Exceptions from the above exist for the following services:

- Services associated with immovable assets, the reloading and storage of goods, as well as other services associated with transportation
- Services associated with movable (tangible) property (including valuation, repair and maintenance), except for the leasing of such property
- Intermediary agent services in the territory of the European Union
- Transportation services
- Catering services
- Culture, education, sport.

### ***Exempt supplies***

The following are examples of VAT-exempt supplies:

- The provision of healthcare and social security benefits
- Education, science, culture, consular services, professional training or retraining of the unemployed, organised by the State Employment Service (*Valsts nodarbinātības aģentūra*)
- Catering services financed from the State budget and provided in corrective institutions and places of imprisonment
- Supplies of gold, coins and banknotes to the Bank of Latvia
- Certain financial transactions
- Rental of domestic apartments
- Transactions in shares and other securities
- Betting, raffles (lotteries) and other forms of gambling
- Sale of immovable property, including land, except for the first sale of unused immovable property and sale of construction land
- Supplies by insurance and reinsurance institutions, including those who mediate such activities
- Postal services provided by the Latvian postal service (*Latvijas pasts*)
- Services (including catering) provided by retirement or old people's homes, welfare and rehabilitation centres.

The abovementioned exemptions may be applied to natural or legal persons and groups of such persons, if, in the provision of such services, profit is not derived systematically. If profits are derived, the exemption applies where the profit is directed or invested in improving the supply of such services.

Tax is not levied on the importation of the following goods:

- Goods mentioned above
- Goods that are not subject to customs duty, except for such goods on which a 0% rate of customs duty is imposed.

### ***Introduction of a cost sharing exemption***

A cost sharing exemption as defined in Article 132 (1) f of the VAT Directive is introduced in Latvia as of 1 January 2014. Under the new provision, services supplied by a member of an independent group of persons (which we will refer to here as “the group”) to other members of the group are VAT exempt if:

- 1) Members of the group are persons who independently carry out transactions that are exempt from VAT or transactions that are out of scope for VAT and the services are supplied for the purpose of rendering their members the services directly necessary for the exercise of that activity;
- 2) The value of the services supplied is their cost base;
- 3) The group merely claims from their members reimbursement of their specific share of the joint expenses;
- 4) No distortion of competition is created as a result of exemption of these services.

To apply the VAT exemption, the following conditions will have to be met:

- 1) There must be a written agreement between members of the group;
- 2) All members of the group must be local or foreign taxable persons;
- 3) The member of the group who supply services to the group must be a local taxable person or a taxable person in another EU Member State.
- 4) If the member of the group also performs VAT taxable transactions, the member must separately account for services to the group.

By adopting these new provisions, Latvia fulfills its obligation with respect to the implementation of the VAT Directive.

### ***Introduction of new rules for telecom, broadcasting and electronic services as of January 2015***

In line with legislation adopted at EU level (principally Council Implementing Regulation No 1042/2013 of 7 October 2013 amending Implementing Regulation (EU) No 282/2011 as regards the place of supply of services) as of 1 January 2015, Latvia has introduced the new VAT rules for telecom, broadcasting and electronic services.

### **Standard, reduced and zero rates**

The standard VAT rate is 21% while the reduced VAT rate of 12% applies to certain services and goods, such as some medicines and medical equipment, infant food, internal public transport, the supply of domestic heating and natural gas, books, magazines and newspapers.

The 0 rate applies to the export of goods and to intra-Community supplies, international passenger traffic, supplies of goods and services under diplomatic and consular arrangements, etc.

### **VAT registration**

Persons from the Republic of Latvia register in the SRS Register of VAT Taxable Persons based on the following conditions:

- For natural persons, according to their declared place of residence
- For legal persons, according to the address of their registered office.

All businesses whose taxable annual turnover equals or exceeds EUR 50 000 (USD 55 675) must register with the SRS Register of VAT Taxable Persons. Businesses with a lower turnover may register voluntarily.

No threshold is applicable to foreign companies; they are obliged to register as soon as they are engaged in taxable transactions in Latvia.

After registration with the SRS, a registered person, regardless of his or her place of registration, must electronically file a VAT return within 20 days of the end of the taxable period (using the Electronic Declaration System). The taxable period is normally one calendar month. Taxable persons whose taxable turnover in the previous year did not exceed EUR 14 229 (USD 15 844) may apply for quarterly or biannual (three-month or six-month) taxable periods.

### **Non-deductible input VAT**

A taxable person is not entitled to deduct input VAT if the relevant goods or services were purchased for a purpose other than business. In the case of the VAT paid on the purchase of petrol for a car used for the purposes of a taxable person's business, 80% is deductible from output VAT (20% of VAT is not deductible as input VAT). This rule does not apply to operational transport, taxis, and similar cars.

### **VAT returns and payment**

Subject to some exceptions (see above), the taxable period is one calendar month. A taxable person must pay the excess of output VAT over deductible input VAT for the taxable period within 20 days after the end of the period. If the input VAT exceeds the output VAT, the taxpayer may apply for a refund. A reimbursement system has been in effect since 1 July 2010.

### **VAT refunds to foreign taxable persons**

The conditions for a foreign taxable person to receive a refund of Latvian VAT, according to the procedure under the Eighth or Thirteenth VAT Directives, are:

- The taxable person must not be engaged in economic activities that have to be registered in Latvia
- The taxable person must not have performed taxable transactions in Latvia for which the person is required to register in Latvia for VAT
- The VAT must actually have been paid
- As of 2010 the foreign taxable person must electronically apply for the refund of VAT paid in Latvia.

The minimum amount for which a claim may be made is:

- If the refund is claimed for a period of three months or more, but less than one calendar year, the total amount refundable must be not less than EUR 400 (USD 446)
- If the refund is claimed for one calendar year or for the remaining part of a calendar year (the last two months of the calendar year), the minimum amount of VAT is EUR 50 (USD 56).

Time limits within which an application for a refund must be made are as follows:

- If the refund is claimed for the period of one calendar year or for the last months of the relevant year, the application must be filed within nine months of the end of the tax year

- If the refund is claimed for a period of not less than three months and does not exceed one calendar year, the application may be filed within three months from the end of the period covered in the application.

VAT is not refundable in the following situations:

- For the acquisition of unused real estate and services received in relation to the construction, reconstruction, renovation, restoration or repair of real estate
- If the invoices do not conform with the requirements of the Value Added Tax Act
- For goods purchased and services received for personal use
- By travel companies and agencies that perform activities in compliance with section 13 of the Value Added Tax Act (corresponding to article 306 of the VAT Directive 2006/112/EC - the Tour Operators' Margin Scheme).

### Re-application

If a VAT refund application is rejected, the applicant has the right to re-apply within one month of receipt of the decision. When re-applying, the applicant must submit the following documents:

- Corrected or updated documents or any other additional documents that have to be submitted
- Original invoices, customs declarations
- Proof of payment of the invoices
- A letter stating the date of receipt of the previous decision and a list of the attached documents.

**Note:** the material on VAT refunds to foreign taxable persons is closely based on the information contained on the official SRS website:

<http://www.vid.gov.lv/default.aspx?tabid=8&id=4445&hl=2>

## 6. TAXES ON INDIVIDUALS

### Income tax

Individuals who are resident in Latvia for tax purposes are subject to income tax (*iedzīvotāju ienākuma nodoklis*) on their worldwide income. Non-residents are subject to Latvian income tax on their Latvian-source income only.

#### Territoriality and residence

Under the Taxes and Duties Act (*likums 'Par nodokļiem un nodevām'*), an individual is considered to be resident in Latvia for tax purposes if he or she meets at least one of the following conditions:

- He or she has a declared abode (*deklarētā dzīvesvieta*) in Latvia
- He or she is present in Latvia for more than 183 days in a 12-month period, or
- He or she is a citizen of Latvia and is employed abroad in the service of the Latvian government.

Double taxation treaties may provide more favourable treatment. The treaty provisions concerning residence will also prevail over the domestic definition of residence.

#### Structure of income tax

Income tax is charged under five specific heads:

- Salary tax, which is charged on the income of employees
- Lump-sum tax, which is on revenue from a business
- Tax on income from a business, to the extent the income is not subject to corporate income tax
- Tax on income from capital and capital gains; and
- Tax on other sources of income.

The Individual Income Tax Act (*likums "Par iedzīvotāju ienākumu nodokli" (IITA)*) provides that taxable income is all income received in cash, in kind or in services. In addition, IITA specifies the following types of income, other than income from employment, that are taxable:

- Income from individual labour, from a contract for services (*uzņēmuma līgums*), and from activity as a commercial agent or broker
- Income from an individual undertaking (*individuālais uzņēmums*), from a farming or fishing enterprise (where not subject to corporate income tax), and from a registered sole tradership (*individuālā komersanta darbība*)
- Income from a partnership, from the distributed surplus of an agricultural services cooperative, and from the distributed profits of various forms of cooperatives
- Income from the liquidation or reorganisation of a company, cooperative association, organisation, association or foundation
- Income from the leasing or rental of immovable property
- Income from subletting of property
- Income from the leasing of movable property
- Income from intellectual property and the rights thereto

- Gifts from traders, cooperatives, individual undertakings, farming or fishing enterprises, institutions, organisations, associations and foundations, including gifts from an individual carrying on a business and made in the course of that business
- Pensions from whatever source
- Income from the alienation of immovable property
- Income from capital, including gains, dividends, interest, etc.
- Unpaid loans (few exemptions apply);
  - Fees for licences; and
  - Any other income that is not exempt income.

### Exempt income

Major other types of income that are exempt include the following:

- Income of a natural person from his or her individual undertaking subject to corporate income tax
- Insurance compensation, except such insurance compensation paid on a life, health and accident insurance contract entered into by the employer (or other policyholder - a natural person) on behalf of the insured, upon the expiry date of the contract of insurance provided for in the contract of insurance or by terminating a contract before expiry of the term of validity thereof
- Income from Latvian or other EU or EEA state government bonds
- Scholarships paid by the state or by approved institutions
- Income obtained as a result of inheritance, except inherited royalties
- Material and monetary prizes and awards received in competitions and contests, the total value of which in the taxation year does not exceed EUR 143 (USD 157) where from Latvian sources, or which does not exceed EUR 1423 (USD 1559) if from international sources
- Prizes from lotteries and gambling
- Maintenance (alimony)
- Income from the alienation of personal movable property, except the income from:
  - Alienation of products (goods) produced or obtained for sale
  - Capital gains and other income from capital
- The alienation of immovable property that has been in the taxpayer's possession for more than 60 months and that has for at least 12 consecutive months before the date of the alienation been the person's declared principal address. If the immovable property was inherited from a spouse it is considered to be in the surviving spouse's possession as from the day of its registration as a deceased's property
- Income from the alienation of immovable property gained in connection with the division of property in divorce proceedings if, for at least 12 months before the date of the alienation, it has been the declared principal address of both spouses.
- When a single property is replaced by a functionally similar property the income

may not be taxed if the investment is made within 12 months from the alienation of the immovable property or prior to its alienation.

- The tax does not apply to property that has been one's personal property for more than 60 months and in the last 60 months has been the person's sole real estate.
- Income from gifts from individuals as follows:
  - In full if the taxpayer and giver are close relatives (except gifts within business activities of such relative)
  - Up to EUR 1 425 (USD 1 587) in other cases, subject to some exceptions
- Gifts in full amount, if the aim of the gift for the higher or professional education in any of accredited schools in Latvia or European Union and the gift has been used accordingly or to cover medicine or medical treatment expenses and the gift has been used for this purpose.
- Some other types of income.

Subject to some exceptions, non-residents are not exempt from taxation on the types of income listed above.

### **The family unit**

There is no joint income taxation for married couples in Latvian tax legislation. Individuals are taxed separately. However, tax deductions are allowed for children or other persons under the care of the taxpayer.

### **Taxation of employment income**

Employment income consists of wages, salaries, bonuses, single or systematic compensation and other income and benefits that an employee receives as a result of his or her current or previous employment with: a company, cooperative association, European Company, European Cooperative Association, European Economic Interest Grouping, state or local authority, association, foundation, individual undertaking, farming or fishing enterprise, or organisation, or with a natural person (including a sole trader). It also includes remuneration for service in the civil service, consideration for the performance of any other type of contract of employment, and benefits. Employee benefits include cost of living allowances, use of a company car, medical care, lunch vouchers, benefits received on stock options, etc.

Employment income also includes fees for service as a director on an executive or supervisory board, and remuneration paid to an elected or appointed officeholder.

Benefits are normally valued at their market value or at the cost to the provider. Certain employee benefits/allowances are exempt from taxation, however. These include:

- Reimbursements for business-related expenses
- Premiums paid by the employer on the employee's behalf to an approved pension plan or life policy, provided that they do not exceed 10% of the employee's gross salary
- Premiums paid on behalf of the employee to a term insurance, health or accident policy, provided that they do not exceed the lower of 10% of the employee's gross salary and EUR 426.86 (USD 475) if the certain conditions are met:

- 1) the insurance agreement (with accumulation of funds) is not shorter than 5 years;
- 2) the insurance agreement (without accumulation of funds) is not shorter than 1 year;

3) insurance agreement conditions state that the reimbursement for accident will be paid out to the insured person, other sums related to this agreement will be paid to employer and does not state giving loans to insured person.

There is no standard deduction for employment-related expenses.

Foreigners working in Latvia for a non-Latvian employer must register with the tax authorities and either the employer or the foreigner must, on a monthly basis, pay personal income tax based on their monthly salary.

Foreign nationals with an employment contract with a Latvian employer are fully and immediately liable to Latvian income tax and social security contributions, subject to any contrary provisions in a double tax treaty, social security agreement, or the EC social security regulations.

From 1 January 2014 the concept of taxation of deemed salary of members of the board has been introduced. A Member of the board is deemed to earn income subject to personal income tax and social security contributions if two of the following criteria are met:

1. the turnover in the current taxation period exceeds 5 times the minimum monthly salary - EUR 1850 (USD 2060) for 2016);
2. In the current taxation period there is employee or member of the board who has not obtained the minimal monthly salary each month (EUR 370 (USD 412) in 2016).

### **Pensions**

Pensions are taxed as income from employment, though state pensions that were granted before 1996 as well as the first EUR 2 820 (USD 3 140) of more recent state pensions are exempt.

### **Salary tax**

Employers must withhold income tax, social security contributions and Solidarity tax from an employee's salary and wage payments.

### **Employment or self-employment**

Self-employed persons are taxed at the same rate as normal employment income. A minimum payment of EUR 50.00 (USD 56) for a self-employed is introduced as from January, 2014, if in the taxation year no taxable income from an economic activity is obtained or the estimated amount of tax does not exceed EUR 50.00 (USD 56). This does not apply to:

- Tax payers, who made PIT or social security contributions ("SSC") for employees or social contributions for themselves as self-employed;
- The first year of economic activity and for the next tax year, and for the year of liquidation.

### **Taxation of personal business income**

Income from a business, where not subject to corporate income tax, is taxed in one of two ways:

- At the standard rate on income less expenses related to business, or
- Micro-company tax that is paid instead of income tax.



### ***Income from a business***

A business (economic) activity for this purpose includes any activity the purpose of which is to manufacture goods, perform work, carry on a trade, or provide services, for consideration. It also includes activity connected with a contract for services, a profession, the management of immovable property, the business of a commercial agent, a broker, and a sole trader, as well as the taxpayer's individual undertaking (including farming and fishing enterprises).

Income from a business specifically includes:

- Income from the sale of goods, work and services
- Income from the hiring or leasing of property and premises
- Income received from damages; and
- Other types of income from economic activity.

***Lump-sum taxation does not in force from the 1<sup>st</sup> January, 2016.***

### ***The income-minus-expenditure basis***

Income and expenditures are calculated on a cash basis, that is, only income actually received and expenditures actually incurred in the tax year are taken into account. For taxpayers on the cash basis, the expenditures that are deductible are prescribed in the IITA. Those taxpayers who are obliged under the Accounting Act to keep double-entry books (broadly speaking, those with a turnover of EUR 300 000 (USD 334 050 or more), and those who have chosen to do so, must prepare their accounts on an accruals basis and compute their taxable profits in a manner analogous to that prescribed for companies by the Corporate Income Tax Act.

### ***Losses***

Taxpayers on the income-minus-expenditure basis may carry losses forward for a maximum of three years (six years if the business is located in an assisted region and is of an approved type). There is no carry-back of losses.

### **Taxation of investment income**

#### ***Dividends***

Dividends are taxed at 10%. As from July 1, 2014 interim dividends are introduced in Latvian legislation and can be distributed to shareholders. Interim dividends are taxed also at 10%.

#### ***Interest***

Interest and similar income is taxed at 10%

Interest from mortgage bonds and interest from government or local-authority bonds from Latvia or another EU Member State or an EEA state is exempt.

#### **Royalties**

Income from the use or right to use intellectual property is taxable. This includes income from patents, literary and artistic copyrights, know-how, etc. Flat-rate deductions of between 15% and 40% may be available.

#### **Property income**

Income from the exploitation of movable or immovable property is taxable for both residents and non-residents. In the case of residents, the tax rate is 15% from capital gain. In the case of non-residents, the tax is payable by assessment with a withholding tax of 2% of the total amount. However, instead of a 2% withholding tax, by submitting a declaration a non-resident

taxpayer can opt to be taxed at 15%. (The benefit of making the declaration is the taxpayer can claim deductions.)

### Capital gains

Capital gains are taxed at 15%.

### Deductions and allowances

There are limited deductions under Latvian law. The following are deductible:

- Mandatory social security contributions
- Donations to charitable organisations (within certain limits)
- Educational and medical expenses (limited in either case to EUR 213,43 (USD 238) per year for the taxpayer and each dependant)
- Contributions to private pension schemes and insurance premiums (within certain limits).

Non-resident taxpayers and individuals who are resident for less than six months in a tax year are only allowed the deduction for social security contributions.

### Personal allowances

Every taxpayer is entitled to a personal allowance (exempt amount). From 2016 it is differentiated and there is determined the minimum and the maximum amount. Every next year (till 2020) it will be changed. Table 5 below shows the changes of non-taxable minimum and maximum.

Table 5

Year	Non-taxable minimum per year (EUR)/ per month (EUR)	Non-taxable maximum per year (EUR)/per month (EUR)
2016	900/75	1200/100
2017	720/60	1380/115
2018	480/40	1560/130
2019	240/20	1740/145
2020	0	1920/160

There is a specific formula for the calculation of non-taxable amount, where is taken into account an annual income, but the principle is if the income is higher, a non-taxable amount is lower.

Disabled taxpayers, victims of political repression, and resistance veterans are entitled to greater allowances.

There is a dependant's allowance of EUR 2100(USD 2338) per year (or EUR 175 (USD 195) per month) for each eligible dependant. Eligible dependants include:

- Minor children
- Children under 24 undergoing full-time education.

### Tax rates

There is a single flat rate of income tax of 23%.

The rate of tax for income from capital is 10% and for capital gain is 15 %.

### **The taxation of non-residents**

The IITA specifies the following Latvian-source income of non-residents as taxable in Latvia:

- Income from professional activities performed for Latvian residents or for a Latvian permanent establishments of a non-resident
- Income from the professional activities of artists, sportspeople or trainers, whether accruing to the artists, etc., directly or to another natural or legal person
- Income from employment (including employment carried out in Latvia for a non-resident employer or for an employer without a permanent establishment in Latvia, and employment carried out outside Latvia for a Latvian employer (provisions of the respective double tax treat (DTT) if applicable should always be taken into account)
- Income as a director of a Latvian company or cooperative association (whether on an executive or supervisory board)
- Rental income from movable or immovable property
- Agricultural and forestry income
- Metal scrap income
- Investment income
- Dividends
- Interest and similar income
- Income from the alienation of immovable property, as well as other capital gains excluding income from the alienation of financial instruments
- Income from a partnership registered in the Republic of Latvia
- Income in the form of a liquidation distribution from a Latvian company or cooperative association, to the extent that this exceeds a normal dividend
- Payment for intellectual property
- Benefits under insurance policies taken out by employers or others
- Pensions paid under Latvian law; and
- Lump-sum payments from supplementary pensions derived from employer contributions to licensed private pension schemes.

There are no special schemes for expatriate employees.

### ***Withholding taxes***

Table 5 below shows the rate of withholding taxes imposed on the income of non-resident individuals. In all cases where there is a withholding tax, it is final, and consequently, in most cases, the non-resident is relieved of the obligation to file a tax return.

Tax treaties may reduce or eliminate the withholding tax. Where payments are made directly or indirectly to persons located in a tax haven (see Table 3 above), the rate is uniformly set at 23%, unless the payer of the income can prove that no intention to avoid Latvian tax is present.

**Table 6**

Type of income or payment	Rate of withholding tax (%)
Employment income	23%
Professional income	23%
Income of artists, sportspeople and trainers	23%
Directors' remuneration	23%
Dividends	10%
Capital gains	15%
Interest income	10%
Income from alienation of immovable property	2%
Tax income from the sale of forest and timber obtained from it	10% <sup>1</sup>
Other taxable income	23%

#### Note

<sup>1</sup> 10% rate is applied to the owners of the forest, whereas intermediaries are taxed according to the provisions of economic activity.

## Returns and payment

### Returns

The taxable period for individual income tax is one calendar month where there is an employment relationship and the calendar year in other cases.

In most cases the tax on personal income is withheld at source, which is why most individuals are normally not required to submit returns.

A resident individual is required to submit an annual tax return only in the following situations:

- If, during the taxable period, he or she received income from Latvia for which tax was not withheld at source; or
- His or her exempt income exceeds EUR 4000 (USD 4454).

The normal due date for filing a tax return is 1 June following the taxable year. There is a penalty for failing to file a tax return on time.

### Payment

The balance of any tax due (after deducting salary tax and other tax withheld at source) is due and payable 15 days after the tax return is due (normally, therefore, 16 June). However, if the balance due is greater than EUR 640 (USD 713), the taxpayer may pay the amount due in three equal instalments (no later than 16 June, 16 July, and 16 August).

Taxpayers with income from a business are required to make advance payments. Those who are taxed on the income-minus-expenditure basis and who keep double-entry accounts pay according to the rules for corporate income tax (see Chapter 4). Those who keep single-entry books on a cash basis are required to pay their total final liability for the previous year in four equal instalments (due on 15 March, 15 June, 15 August, and 15 November).

### ***Personal property declaration***

Every Latvian tax resident must file a personal property declaration. When an individual becomes a tax resident he/she must file a return by 1 June of the next year. The return contains a detailed list of all assets and liabilities of the resident that each exceed EUR 14 230 (USD 15845). This is an information return only; there are no tax consequences attached to this return.

### **Appeals**

The appeal procedure is identical to that for corporate taxpayers (see Section 3).

### **Inheritance and gift tax**

Latvia does not have a specific tax on inheritances and gifts.

## 7. OTHER TAXES

### Natural Resources Tax

Businesses that are engaged in extractive businesses that sell resources that are harmful to the environment, or that use hazardous goods are subject to the natural resources tax (*dabas resursu nodoklis*). The tax is also imposed on packaging. The rates vary according to the resource or good being taxed.

The normal taxable period is the calendar quarter. Returns for the previous period, and the tax payable, are due by the 20th day of the first month following the quarter.

Returns on the extraction of natural resources and on the commission of environmental pollution must be approved by an institution authorised by the Ministry of the Environment (*Vides aizsardzības un reģionālās attīstības ministrija*) prior to filing with the State Revenue Service.

### Tax on lotteries and games of chance

The tax on lotteries and games of chance (*izložu un azartspēļu nodoklis*) is imposed on companies that have a licence to organise and run lotteries and gambling.

There are different special licensing levies applied for:

- the organization and maintenance of slot machines, bingo, roulette, card and dice games
- bookmaking and other betting operations
- gambling activities by phone

The tax must be paid monthly, at one-twelfth of the annual rate, where applicable. The rate depends on the type of gambling and the number of participants. For card and dice games the tax is EUR 18 000 (USD 20043) per table per year. For games of chance operated by telecommunications the tax is 15% of the net takings (income less prizes).

To receive a special license, the organizer of a lottery has to pay state duty in the following amounts:

- National lottery - EUR 14 230 (USD 15 845) annually
- Local lottery - EUR 720 (USD 802) annually
- National instant drawings - EUR 1000 (USD 1114) each draw
- Local instant drawings - EUR 720 (USD 802) each draw
- Single occasion local draw - EUR 35 (USD 39) each draw.

### Real property tax

Real property tax (*nekustamā īpašuma nodoklis*) is imposed on companies and individuals owning real (immovable) property in Latvia. The amount of the tax is 1.5% of the cadastral value of the immovable property for land and buildings used in the commercial activity. Exempt property includes land in a specially protected area on which economic activity is prohibited by law and heritage property.

Taxable objects are residential apartments and buildings, auxiliary buildings with area exceeding 25 m<sup>2</sup>, garages (rates vary), land, commercial buildings, technical buildings, toll parking lots (rate 1.5%) uncultivated agricultural land, slums (rate 3%). The minimum tax is EUR 7 (USD 7.79) per object.

The rate applied to apartments and buildings depends on the cadastral value of the object, as follows:

- Less than EUR 56 915 (USD 63375): 0.2%
- Between EUR 56 915 - EUR 106 715 (<USD 118 827): 0.4%
- More than EUR 106 715 (> USD 119 030): 0.6%.

Local authorities may tax toll parking lots and slums at their own discretion by issuing binding regulations. Local authorities may also cap the tax payment increase for land or opt not to increase the tax payment at all, or grant relief of up to 90% for certain categories of taxpayers. The tax is deductible if the property is used commercially.

Starting in 2013 local authorities are able to set the real property tax rate at their own discretion within the range provided by the law (0.2% - 3%).

Real property tax is payable quarterly - no later than on 31 March, 15 May, 15 August, and 15 November - in the amount of one-fourth of the annual sum owed. The tax can also be paid in a lump-sum annual advance payment.

### **Property transfer duty**

Property transfer duty in Latvia is payable on the alienation of immovable property, other than by way of gift, at a rate of 2% of the greater of:

- The purchase price
- Cadastral value and
- The valuation for mortgage purposes.

As of 1 January 2014 limitation of the maximum amount of duty to be paid has been abolished with respect to the certain type of entries regarding real estate. Henceforth no limitation of property transfer duty is foreseen with respect to land and real estate objects for living. The limitation has been retained with respect to commercial property - buildings and land related to buildings. The maximum duty for commercial property is EUR 42 686,15 (USD 46 747).

Transfers by way of gift are dutiable at various rates, up to 3%. If the transferee is a close relative, the duty is no more than 0.5%.

### **Excise tax**

Excise duty (*akcīzes nodoklis*) legislation regulates harmonised excise duties on alcoholic beverages, tobacco, energy products and electrical energy, and non-harmonised excise duties on coffee and non-alcoholic beverages (except natural juices and mineral water).

### **General provisions**

For warehouse keepers, approved traders, and tax representatives, the taxable period for the duty is one calendar month.

The persons liable to pay duty are:

- Importers
- Warehouse keepers in the cases prescribed by the Act
- Registered traders, non-registered traders, distance sellers or representatives of dutiable persons as prescribed by the Act
- Persons that bring into the Republic of Latvia, or that receive from another Member State, excisable goods that have already been released for free circulation in another Member State; and

- Other persons as prescribed by the Act.

Dutiable persons must pay the duty on excisable goods imported from third countries into the Republic of Latvia for release into free circulation before presenting the excisable goods at a customs authority one calendar month before, or within five working days of the day when the goods were received from EU countries, or at on the border upon importing excise goods from non-EU countries.

## Customs duties

There are customs duties ( *muitas nodoklis*) imposed on goods imported from non-EU countries. The rates vary depending on the type of goods.

## Vehicle taxes

Latvia charges a registration tax ( *vieglo automobiļu un motociklu nodoklis*) on cars and motor cycles on their first registration in Latvia. For unregistered cars and cars registered abroad after 1 January 2010 the tax is calculated based on their CO2 emissions rating and for motorcycles based on the engine size (cm<sup>3</sup>).

There is also an annual car operation tax ( *transportlīdzekļu ekspluatācijas nodoklis*) on vehicles. The rates vary based on the engine volume as well as on the weight of the car.

Companies owning or holding cars and allowing private use of company cars are subject to a company car tax ( *uzņēmumu vieglo transportlīdzekļu nodoklis*).

The private use of a company car is taxed at the level of the company, not the person(s) using the car.

The tax is calculated as follows:

- For cars registered after 1 January 2005:
  - If engine capacity < 2.000 cm<sup>3</sup>: EUR 29 (USD 32) /month
  - If engine capacity between 2.001 cm<sup>3</sup> and 2.500 cm<sup>3</sup>: EUR 46 (USD 51)/month
  - If engine capacity > 2.500 cm<sup>3</sup>: EUR 62 (USD 69)/month
- For all other cars: EUR 46 (USD 51)/month.

The tax is based on the number of months a car was used during the tax year. It is payable at the time of the technical inspection.

Emergency vehicles, taxis, demonstration vehicles, and car rental companies are not subject to this tax, nor are vehicles that are exclusively used for business purposes. Exclusive business use must be demonstrated in a log detailing the vehicle's registration number, the make, model, engine size, and the route followed, as well as the start and ending times. This "route control system" is a GPS-based system.

## Electrical energy tax

The electrical energy tax ( *elektroenerģijas nodoklis*) is payable by suppliers of electricity to end-users and autonomous producers.



## 8. SOCIAL SECURITY CONTRIBUTIONS

### Introduction

Mandatory contributions into the sickness, pension, unemployment, maternity, and parental insurance funds are payable by employers and employees, as well as the self-employed.

Starting from 2015 the maximum annual contribution is capped at an income of EUR 48 600 (USD 54 116).

#### Employee contributions

Employers deduct employees' contributions from their salary payments. The employees' contribution rate is 10.5% of gross salary. For resident employees employed by non-resident employers the rate is 31.47%, except where the employees have their permanent abode in an EU or EEA country or Switzerland, and who are liable to Latvian social security contributions under the terms of the EC Social Security Regulations, in which case the same rates apply as in the case of those employed by Latvian employers.

#### Employer contributions

The effective rate is 34.09% (employee 10.5% + employer 23.59%). This contribution is allocated to the following funds:

- Old-age pension fund - 23.86 %
- Unemployment fund - 2.08 %
- National insurance fund for industrial accidents and occupational diseases - 0.54%
- Disability fund - 3.11%
- Maternity and sickness fund - 3.05%
- Parental insurance fund - 1.45%.

#### Self-employed contributions

The standard social security contribution rate for 2016 is 30.58%. Self-employed persons may freely choose the amount of income on which they make contributions, subject to an annual minimum of 12 minimum monthly wages, which in 2016 is EUR 4 4440 (USD 4945).

These contributions are allocated as follows:

- Old-age pension fund - 23.86%
- Disability fund - 2.33%
- Maternity fund - 2.94%
- Parental insurance fund - 1.45%.

## 9. SOLIDARITY TAX

Starting from the 1<sup>st</sup> January, 2016 the new tax is implemented in Latvia - Solidarity tax.

The tax payers are employers and employees, as well as the self-employed persons, i.e. all payers of social security contributions. The Solidarity tax is payable in the same tax rate as social security contributions, but if the income exceeds the maximum income for social security contributions' purposes, i.e. EUR 48600 per year.

## APPENDIX

### Double Taxation Agreements

Latvia has income and capital tax treaties with the following jurisdictions:

Albania	Hong Kong <sup>1</sup>	Poland
Armenia	Iceland	Portugal
Austria	India	Qatar
Azerbaijan	Ireland	Romania
Belarus	Israel	Russia
Belgium	Italy	Serbia <sup>2</sup>
Bulgaria	Kazakhstan	Singapore
Canada	Korea	Slovakia
China	Kuwait	Slovenia
Croatia	Kyrgyzstan	Spain
Czech Republic	Lithuania	Sweden
Denmark	Luxembourg	Switzerland
Estonia	Macedonia	Turkey
Finland	Malta	Turkmenistan
France	Mexico	Tajikistan
Georgia	Morocco	Ukraine
Germany	Moldova	United Arab Emirates
Greece	Montenegro <sup>2</sup>	United Kingdom
Hungary	Netherlands	United States
	Norway	Uzbekistan

#### Notes:

<sup>1</sup> Not yet in force.

<sup>2</sup> The treaty with the former Republic of Serbia and Montenegro.

### Estate tax treaties

Latvia has no estate tax treaties.

### Social security treaties

As a member of the European Union, Latvia follows the EEC Social Security Regulations 1408/71 (as amended) as concerns the interaction between its social security system and that of other EEA countries and Switzerland. Latvia also has social security treaties outside the EEA with Australia, Canada, Russia, Ukraine and Belarus.

**BDO WORLDWIDE**

BDO Member Firms are present in the following countries and territories:

Albania	Guatemala	Panama
Algeria	Guernsey	Paraguay
Angola	Hong Kong	Peru
Argentina	Hungary	Philippines
Armenia	Iceland	Poland
Aruba	India	Portugal
Australia	Indonesia	Puerto Rico
Austria	Ireland	Qatar
Azerbaijan	Isle of Man	Romania
Bahamas	Israel	Russia
Bahrain	Italy	Rwanda
Barbados	Jamaica	San Marino
Belarus	Japan	St Lucia
Belgium	Jersey	St Maarten
Bolivia	Jordan	St Vincent & The Grenadines
Botswana	Kazakhstan	Saudi Arabia
Brazil	Kenya	Serbia
British Virgin Islands	Korea	Seychelles
Brunei Darussalam	Kosovo	Singapore
Bulgaria	Kuwait	Slovak Republic
Burundi	Kyrgyzstan	Slovenia
Cambodia	Latvia	South Africa
Canada	Lebanon	Spain
Cape Verde	Liechtenstein	Sri Lanka
Cayman Islands	Lithuania	Suriname
Chile	Luxembourg	Sweden
China (PRC)	Macao	Switzerland
Colombia	Macedonia	Taiwan
Comoros	Madagascar	Tajikistan
Costa Rica	Malaysia	Tanzania
Croatia	Malawi	Thailand
Curacao	Malta	Trinidad & Tobago
Cyprus	Mauritius	Tunisia
Czech Republic	Mexico	Turkey
Denmark & Faroe Islands	Moldova	Turkmenistan
Dominican Republic	Mongolia	Uganda
Ecuador	Montenegro	Ukraine
Egypt	Morocco	United Arab Emirates
El Salvador	Mozambique	United Kingdom
Estonia	Myanmar	United States
Finland	Namibia	Uruguay
France	Netherlands	Venezuela
Georgia	New Zealand	Vietnam
Germany	Nigeria	Zambia
Gibraltar	Norway	Zimbabwe
Greece	Oman	
Greenland	Pakistan	

## BDO LATVIA

BDO Latvia in association with BDO, the BDO Member Firm in Latvia.

The postal address of BDO LATVIA is:

Kaļķu iela 15-3B  
LV-1050 Riga, Latvia

Telephone: +371 6 677 7800  
Fax: +371 6 722 2236  
E-mail: [birojs@bdo.lv](mailto:birojs@bdo.lv)  
Website: [www.bdo.lv](http://www.bdo.lv)

### Contacts:

Janis Zelmenis: [janis.zelmenis@bdo.lv](mailto:janis.zelmenis@bdo.lv)  
Vita Liberte: [vita.liberte@bdo.lv](mailto:vita.liberte@bdo.lv)  
Marina Bickovska: [marina.bickovska@bdo.lv](mailto:marina.bickovska@bdo.lv)