

Country Guide

Latvia

Prepared by

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DOING BUSINESS IN LATVIA.

Guide to Doing Business

Latvia

Prepared by Lex Mundi member firm,
Ellex Klavins

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1. INTRODUCTION

Located in Northern Europe, the **Baltic States** are three countries on the eastern shore of the Baltic Sea: **Estonia, Latvia** and **Lithuania**.

Often referred to as a “bridge between the West and the East”, the Baltic States have always been of interest to potential investors and international businesses due to their location, available infrastructure and comparatively easy access to their neighbouring territories. In addition, globalisation and international trade development have spurred local businesses to consider expansion of operations on a regional scale. However, regardless of their common borders and similar histories, the Baltic States still present a number of differences in their legal, social and economic environments.

ABOUT LATVIA

Located in Northern Europe, Latvia is a very unique country on the eastern shore of the Baltic Sea.

Geographically exclusive location of Latvia provides many benefits because Latvia and Riga is at the centre of Europe that allows reaching every European city very easy and fast.

This guide aims to provide insights into the legal environment of Latvia in order to assist both foreign investors and local businesses in understanding the major aspects with respect to doing business in Latvia.



1.1 LATVIA AT A GLANCE

The table below presents key information on Latvia

Capital	Riga
Population	1.92 million
Area	64,589 km ²
Official language	Latvian
Currency	Euro (EUR)
Exchange rate	USD 1 = app. EUR 0.8065 Not fixed exchange rate

There are no cultural or religious influences or prohibitions on the way business is conducted in Latvia. Prohibitions of discrimination on any grounds including, but not limited to, religion and culture, are set out at the highest legal level.

The table below presents key indicators on each country in 2016-2017:

Latvia		
GDP (current prices, mio EUR)	2016	24887.6
	2017	26772.6
Real growth (%)	2016	1.55
	2017	4.5
Average gross wages (EUR)	2016 IV Q	859
	2017 IV Q	926
Unemployment rate (%)	2016	9.6
	2017	8.7
Consumer price index change (%)	2016	0.1
	2017	2.9
Producer price index change (%)	2016	-2.4
	2017	2.6
Construction price index change (%)	2016	1.4
	2017	2.1
Exports (mio EUR)	2016	10357.7
	2017	11391.6
Imports (mio EUR)	2016	12249.2
	2017	14029.7
Average annual inflation rate (%)	2016	0.1
	2017	2.9

<p>Geography and Climate</p>	<p>Latvia is situated in Northern Europe on the eastern shore of the Baltic Sea. Latvia shares its land border with Estonia to the North (343 km), with Russian Federation to the East (276 km), with Belarus to the Southeast (161 km), with Lithuania to the South (588 km) as well as a marine border with Lithuania, Sweden and Estonia to the West (498 km). Its geographic coordinates are 57°00'N latitude and 25°00'E longitude. It consists of fertile lowland plains and moderate hills, with most of its territory being less than 100 metres above sea level. It has an extensive network of rivers, thousands of lakes and hundreds of kilometres of undeveloped seashore, lined with pine forests, dunes, and continuous white sand beaches.</p> <p>Latvia has a temperate climate with clearly defined seasonal weather changes. Temperature ranges on average from -5°C in winters to +17°C in summers. The climate, being hugely influenced by the Baltic Sea, is also characterized by high humidity, nebulosity and frequent precipitation.</p>
<p>Infrastructure</p>	<p>There are ~73,592 km of roads and streets registered in Latvia, with an average network density of 1,139 km/km². Latvia's road transport infrastructure is comprised of 15 (or 1,675 km) State Main Roads (A) serving as Trans-European roads in the TEN-T Road Network, 5 International E-roads (E-road Network), 134 (or 5,473 km) regional and 1,489 (or 1,3150 km) local roads, all of which are free of charge. There are also 161 km of tramlines and 204 km of trolley-bus lines.</p> <p>Riga International Airport is the busiest airport in the Baltic States. Altogether there are eight civil airports, in 2 of these airports commercial airlines provide their services (Riga and Liepaja). The rest of the civil airports are located in two are located in Adazi, Daugavpils, Rezekne, Ventspils, Spilve, Jurmala. The airport in Daugavpils is currently under construction.</p> <p>In terms of shipping ports, Latvia has the largest freight traffic in the northern Baltics, with three ice-free ports located in Riga, Liepaja and Ventspils. All of these ports are located in special economic zones (SEZ). Businesses operating in SEZ are entitled to considerable tax relief. Together there are five SEZ in Latvia – Riga Free Port, Ventspils Free Port, Liepaja Special Economic Zone, Rezekne Special Economic Zone and Latgale Special Economic Zone (for more information on SEZ please refer to Section 2.7 of this report). In addition to the ports of Riga, Ventspils and Liepaja, there are also seven smaller ports located in Pavilosta, Roja, Mersrags, Engure, Jurmala, Skulte and Salacgriva.</p>
	<p>A railway system with a track width of 1520 mm shall ensure the organisation of railway freight for CIS and countries in Asia with a direct exit to the ports of Latvia in the European Union. Major railway routes are included in the TEN-T network of the European Union. Rail Baltica is one of the EU's priority projects in rail transport, which is primarily aimed at building a high-speed railway connection from Tallinn (Estonia) to Warsaw (Poland) via Riga (Latvia) and Kaunas (Lithuania), while also improving rail connections between Central and Eastern Europe and Germany.</p>
<p>Communication</p>	<p>Fixed telecommunication lines are mainly operated by Latt telecom – the oldest Latvian telecommunication company, in which the majority stake is owned by the Government. Mobile communication services are offered by LMT (Latvijas Mobilais Telefons), TELE2 and Bite. Landline and mobile connection is available practically all over Latvia.</p> <p>Meanwhile, 3G is available in most of the big cities while a 4G network has been already created in the capital, Riga, and is gradually expanding beyond. Internet connections in Latvia are on average the fourth fastest in the world.</p> <p>Postal service is provided by Latvijas Pasts – a Latvian public limited company. In addition, there are approximately 80 private companies providing postal and courier services, including DHL, TNT and others.</p>

Public Services	<p>The length of gas pipelines in Latvia is 1,191 km and length of oil products pipelines is 417 km. In 2017 the Latvian gas market was opened to competition. Thus, instead of one single supplier (AS Latvijas Gāze), consumers can choose between different suppliers. Opening of gas market was part of the effort to develop diversified and secure gas markets across the Baltics and reduce the dependency on energy resources in Russia. The electricity market opening in Latvia was divided into four stages; it began with legal persons in 2007 and ended on 1 January 2015, since when all electricity consumers in Latvia purchased electricity in a free market. Water supply is provided through a network of municipality-based companies and private companies.</p>
Diplomatic Relations	<p>Latvia joined the European Union and NATO in 2004, and has been an active member, both in promoting global security and prosperity, while reducing crises and conflict. Cooperation with its neighbours in the Baltic Sea region is a priority, and development of strategic global ties is a goal.</p> <p>Latvia has diplomatic relations with 160 countries and maintains 44 diplomatic and consular missions: 35 embassies; 6 permanent representations, 1 consulate general and 2 consulates. For more information on diplomatic relations and contact information for embassies and consulates in Latvia, please see www.am.gov.lv/en</p> <p>With the accession of Latvia to the Schengen Area on 21 December 2007, Latvia's diplomatic and consular missions abroad have commenced the issuance of a uniform (or Schengen) visa, which is valid in the territories of all Member States to the Schengen Treaty. For detailed information on obtaining a visa, please see www.am.gov.lv/en</p>
Government	<p>The 100th Anniversary of the Latvian Republic will be celebrated on 18 November 2018. After years of being a part of the Soviet Union, Latvia restored its independence in 1991 following the Soviet collapse.</p> <p>Today, Latvia is a democratic, parliamentary republic. The Central Government of Latvia is the Cabinet of Ministers. The Prime Minister is the head of Government while the President holds a ceremonial role as Head of State and commander-in-chief of the armed forces of the Republic of Latvia, whereas executive power is exercised by the Government. Legislative power is vested in the Parliament – the <i>Saeima</i>. The judiciary system is independent of the executive and the legislative system.</p>
Legislative System	<p>The <i>Saeima</i> – the Parliament – is the supreme legislator of the Republic of Latvia. It comprises 100 members elected for four years, representing political parties which passed a 5% threshold on a pro rata basis. The next <i>Saeima</i> election will be held on 6 October 2018.</p> <p>The most important regulations concerning the activities of the <i>Saeima</i> are contained in the Constitution (<i>Satversme</i>) and the Rules of Procedure of the <i>Saeima</i>. While the <i>Saeima</i> holds the exclusive power to adopt laws, the right for legislative incentives also belongs to the President, the Cabinet of Ministers, its committees, at least five of its members, or to one-tenth of the electorate. Upon the adoption of laws by the <i>Saeima</i>, its presidium forwards the laws to the President for promulgation.</p> <p>Within the competences prescribed by the law, other authorised government and municipal institutions are entitled to set statutory regulations implementing the adopted laws.</p> <p>Laws enter into force within 14 days after their promulgation, unless the particular law prescribes a different procedure.</p>
Environmental Considerations	<p>Environmental policy is to great extent harmonized on the EU level. Latvia has implemented all major EU Directives into its laws and regulations. The 2020 objectives set by each member state constitute the current aims in regard to environmental protection. Among the areas where specific targets are set for Latvia are greenhouse gas emissions (Latvia's target is to decrease the amount of emissions by 17%) and renewable energy (Latvia's target is to achieve 40% of total energy consumption from renewable sources). In addition, the environmental policy period also highlights sustainable development measures such as resource saving and more efficient use of resources, green procurement, the introduction of a deposit system.</p>

Judicial System	Civil Cases	<p>District (city) Courts – first instance courts for civil claims.</p> <p>Regional Courts – appellate courts for cases examined by the District Courts. Regional Courts deal with appeals and ancillary complaints submitted to overrule judgements / decisions of the District Courts.</p> <p>The Supreme Court (Department of Civil cases) – deals with cassation complaints and ancillary complaints brought against judgements and decisions of the Regional Courts (that have examined the appeal / ancillary complaint of a District court’s judgement or decision).</p>
	Administrative Cases	<p>District Courts of administrative cases – first instance courts for administrative cases.</p> <p>Regional Courts of administrative cases – deal with appeals and ancillary complaints brought against the judgements and decisions of the District Court of administrative cases.</p> <p>The Supreme Court (Department of administrative cases) – deals with cassation complaints and ancillary complaints brought against judgements and decisions of the Regional Courts of administrative cases and deals with other designated matters.</p>
	Criminal Cases	<p>District (city) Courts – first instance courts for all criminal cases.</p> <p>Regional Courts – appellate courts for cases examined by the District Courts.</p> <p>The Supreme Court (Department of Criminal cases) – deals with cassation complaints brought against decisions of the Regional Courts.</p>

More detailed information on each country is available:
Latvia – www.liaa.gov.lv/eng/

2. INVESTMENT REGIME

2.1 INVESTMENT POLICY

Currently there is not a single law specifically regulating foreign investments in Latvia; however, a number of principles reflecting the supportive attitude of the Government towards foreign investments are present in Latvian law. In addition, support for foreign investments in Latvia is based on policy planning documents adopted by the Government.

The competent governmental institution with the main responsibility for attracting foreign investments to the Latvian economy is the Investment and Development Agency of Latvia (LIAA, please see www.liaa.gov.lv).

The Ministry of Economics, along with LIAA, has developed the POLARIS process (please see <http://www.liaa.gov.lv/en/invest-latvia/investment-services-and-contacts/polaris-process>), which is an investment strategy aimed to promote investment in Latvia. Within the POLARIS process the following industries are identified as target industries, in which attracting investments is to be facilitated:

- metalworking, mechanical engineering, electronics;
- woodworking (sub-industries of high added value);
- transit and logistics;
- information technologies;
- health care;
- life sciences;
- green technology.

Latvia has entered into bilateral treaties on the promotion and reciprocal protection of investments with more than 40 countries all over the world. Bilateral treaties mostly cover provisions on facilitation and mutual protection of investments, as well as on the avoidance of double taxation. For more information, please refer to <http://www.mfa.gov.lv/en/policy/bilateral-agreements>.

A number of foreign chambers of commerce operate in Latvia (please see www.amcham.lv, www.bccl.lv, www.dcc.lv, www.eesti.lv, www.fccl.lv, www.ahk-balt.org/, www.nlcc.lv, www.nccl.lv, www.scc.lv, <https://swissbalticchamber.com/>), with the aim of promoting investments and trade with particular countries.

An active member of the foreign investments' sphere in Latvia is also the Foreign Investors Council in Latvia (FICIL) which is a non-governmental organization forming an association of businesses and foreign chambers of commerce, essentially constituting a forum for foreign investors and the government (please see <https://www.ficil.lv/>).

It should be noted that, subject to specific regulation, investors have the right to request a residence permit allowing them to reside in Latvia and travel throughout the Schengen area countries. In this regard, in accordance with the procedures prescribed by the law, investors have a number of possibilities including investing in the equity capital of a company, acquiring real estate or make a financial investment in a credit institution in Latvia. Companies operating in Latvia's four special economic zones regime may apply for considerable tax relief.

2.2. INVESTMENT REGULATION

Liberalization of investment conditions has been one of the main goals in the economic programs of Latvia. In order to encourage foreign direct investment, Latvian

governments have minimized restrictions on foreign investment, making them practically non-existent. As a result, Latvian market has become very accessible and non-discriminatory environments for foreign direct investment.

Please also see:

Latvia – <http://www.liaa.gov.lv/en>

2.3. RESTRICTIONS ON FOREIGN INVESTMENTS

Type of restriction	Latvia
Acquisition of land	<p>Land may be acquired only by foreign investors meeting the criteria of European and trans-Atlantic integration. To meet the said criteria, a legal person is required to be established in, or a natural person is required to hold the citizenship or a permanent residency of, one of the below listed states:</p> <ul style="list-style-type: none"> • a Member State of the European Union or a state that is a party to the European Treaty (Association Agreement) with the European Communities and their Member States; • a Member State of the Organisation for Economic Cooperation and Development (OECD), a Member State of the North Atlantic Treaty Organisation (NATO) or a Member State of the Agreement on the European Economic Area. <p>In Latvia, agricultural land and land where the dominant type of usage is agriculture may be acquired only by persons having Latvian citizenship or persons having the citizenship of another Member State that can provide with documentation verifying their knowledge of the Latvian language.</p> <p>Also in Latvia, acquisition of land in certain border territories, protective zones of coastal dunes along the Baltic Sea and the Gulf of Riga and protective zones of other water bodies (nature reserves) may be restricted.</p> <p>Foreign investors may use and hold land on some other legal basis (e.g., leasing) without restrictions.</p>
Ownership of companies in general	None except as provided below
Sector-specific restrictions: Financial institutions	None
Sector-specific restrictions: Energy Market	None
Sector-specific restrictions: Defense industry/Security services	In Latvia, for the acquisition of share capital of a commercial entity that is considered strategically important for national security, the potential acquirer is required to receive an approval from the Cabinet of Ministers of the Republic of Latvia. The definition of commercial entities that are considered strategically important for national security includes companies that perform their commercial activity (according to specific requirements provided for in the law) as an electronic communications merchant, electronic mass medium, is licensed in Latvia for transmission, distribution, storage of natural gas, electricity or thermal energy producer, is licensed in Latvia for transmission of electricity and/or thermal energy.
Sector-specific restrictions: Roads and communications/ Infrastructure	None

Restrictions on the forms of exit strategies	None
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2.4. GRANTS AND INCENTIVES AVAILABLE TO INVESTORS

Features	Latvia
Providers of various types of start-up, innovation, export, tourism grants and guarantees	Development Finance Institution “ALTUM” (see https://www.altum.lv); The Investment and Development Agency of Latvia (LIAA, please see www.liaa.lv); Rural Support Service (see www.lad.gov.lv) Riga municipality and Development Finance Institution “ALTUM” (see www.atsperiens.lv).
Process for obtaining approval for grants or subsidies	N/A
Timeline for approval	N/A

	Latvia
Loans from the government or governmental agencies	In Latvia, Development Finance Institution “ALTUM” grants mezzanine loans to business entities in the maximum amount of EUR 5 000 000, with a maximum period of repayment of 10 or years depending on the nature of the project for which the financing is granted (please see https://www.altum.lv/en/services/enterprises/loans/co-financing-loans/about-the-programme/).
Requirement for national’s participation	None
Declaration regarding the nature of investment	None
Taxation	None

2.5. EXPORT INCENTIVES OR GUARANTEES

Features	Latvia
Tax incentives for exports	In Latvia there are no special tax incentives for exports. However, a 0% rate of value added tax (VAT) is charged on supplies of goods provided that such goods are exported outside the territory of the European Union.
Governmental insurance for exports	In Latvia, there is a possibility to receive an export guarantee from the Development Finance Institution "ALTUM" (please see https://www.altum.lv/en/services/support-for-export/).
Requirement for a national's participation	The guarantee may be granted to a business entity or banks, lease or factoring entities registered in Latvia.

2.6. INVESTMENT FUNDS

Investment management companies can be established for the purpose of accumulating assets, the aggregate of which form investment funds, and managing and investing the assets of the funds. The investment management companies may not provide services other than those set out in the Law on Investment Management Companies.

An investment fund is not a legal entity in Latvia. Investment funds may be established as open-end or closed-end funds. Assets of open-end funds can be invested in transferable securities and other liquid financial instruments by following the risk mitigation/diversification principles and the investment limits set out in the law, while assets of closed-end funds may be invested in real estate and other less liquid assets, if such investments are provided for in the prospectus of such close-end fund. According to the law, the managing company has an obligation to repurchase certificates of an open-end fund, while such repurchase for close-end funds is prohibited.

Supervision of investment management companies and their managed funds is performed by the Financial and Capital Market Commission (see www.fktk.lv). The Financial and Capital Market Commission is also responsible for issuing licenses to investment management companies, registering investment funds and determining additional, rules, criteria and guidelines for their operations.

2.7. FREE/ SPECIAL ECONOMIC ZONES

Features	Latvia
Purpose	<p>A free / special economic zone (respectively – FEZ or SEZ) means a territory designated for the purpose of economic-commercial and financial activities within which economic entities are provided with special economic and legal conditions of operation as established by laws.</p> <p>Five SEZs are established in Latvia: Riga Free Port, Ventspils Free Port, Liepaja Special Economic Zone, Rezekne Special Economic Zone and Latgale Special Economic Zone.</p>
Regulation	<p>Each of the SEZs are subject to a separate set of normative acts, as well as a general regulation on all the SEZs with respect to the taxation regime therein. In order to operate in an SEZ and to be eligible for direct tax relief, the company must fulfil statutory requirements, inter alia: (1) it has to be located within the SEZ; and (2) it has to perform its commercial activity only within the borders of the SEZ. Furthermore, (1) the intended activity and planned investments of the company must comply with the development program of the particular SEZ; as well as (2) the company must enter into relevant agreements with the SEZ authority and obtain necessary permits for its operations in the SEZ.</p> <p>Exceptions regarding which businesses shall be eligible for tax exemptions in Latvian SEZs are determined in accordance with Commission Regulation (EU) No 651/2014 (State Aid Regulation).</p>
Taxation	<p>It is possible to levy relief on indirect taxes (customs duty, natural resources tax, excise tax and value added tax) and relief on direct taxes (corporate income tax and real estate tax). The amount of tax relief, inter alia, may reach even 80% of the calculated real estate tax and corporate income tax.</p>

3. TAX REGIME

3.1. GENERAL INFORMATION

	Latvia
Tax Authority	State Revenue Service
Most common state taxes	<ul style="list-style-type: none">• Personal income tax• Corporate income tax• Social insurance contributions• Value added tax• Real estate tax• Customs duties• Excise tax• Lottery and gambling tax• Electricity tax• Natural resource tax• Passenger car and motorcycle tax• Micro-enterprise tax <p>There are further natural resource taxes, environmental charges, state duties and other taxes and tax-like measures, which are not considered here.</p>
Tax regime specific features	<p>The corporate income tax rate in Latvia formally is rate of 20%. It is calculated according to formula taxable base divided by coefficient 0.8 and multiplied by the tax rate 20%. Thus, although formally tax rate is 20%, because of the formula used in calculation, the effective tax rate is 25%.</p> <p>Latvian companies are not taxed on gains from the sale of shares held for at least 3 years, except in respect to transactions with statutorily designated low tax zones. Interest and royalties are not subject to withholding tax (subject to certain restrictions).</p> <p>Personal income tax is levied at rates of 20%, 23% or 31.4%, depending on the amount of income.</p>
Binding rulings	<p>Generally applicable administrative rulings can be obtained from the tax authorities, which are binding on the tax authority.</p> <p>It is possible to request for a ruling in advance of transfer pricing agreements (subject to certain conditions).</p>
General anti-tax avoidance system	<p>General anti-avoidance rules place certain restrictions or tax charges on transactions with statutorily designated low tax zones. Specific aspects of tax legislation are subject to 'substance over form' requirements.</p>

3.2. BUSINESS TAXATION

3.2.1. Corporate Income Tax (CIT)

	Latvia
Tax rates on earned profits	Undistributed corporate profits are tax-exempt.
On dividends	20/80 (25% effective rate) on the net amount of a profit distribution
Taxable persons	<ul style="list-style-type: none">• Latvian entities (companies and other legal bodies);• Permanent establishments of non-resident entities;• Non-residents with Latvian source income;• European company (SE), if registered in Latvia.
Exemptions	Dividends which are paid as undistributed profit of 2017 and before are tax exempt if paid out to legal person, as the old regulation still is applied to such taxable base.
Tax losses	<p>For incurred losses for CIT purposes till 31 December 2017, the enterprise may reduce the tax calculated on the dividends in 2018 reporting year or in next 4 reporting years.</p> <p>The aforementioned losses for CIT purposes carried forward are calculated in amount of 15 % of the total amount of uncovered loss. Amount of the reduction of the tax in the reporting year may not exceed 50 % of the amount of the tax which is calculated on the dividends in the relevant reporting year.</p> <p>The ability to carry forward these losses may be lost in case of a change of control which also results in a change of the main operating profile of the company.</p>
Allowances	<p>As corporate income tax is paid only for distributed profit 0% rate is applied to reinvested profit.</p> <p>Other allowable deductions include donations to public benefit organizations, reliefs for taxpayers carrying out agricultural activity, the representation expenditure and expenditure for sustainable activities of personnel which in total in the reporting year does not exceed 5 % of the total gross work remuneration calculated for employees in the previous reporting year for which State social insurance payments have been made.</p>

Tax base	<p>A Latvian taxpayer is taxed on its worldwide income. Tax liability can be reduced for tax amounts paid in other jurisdictions for income earned by the Latvian taxpayer.</p> <p>A company's profit or loss amount as per the financial accounts is the base for calculating income tax subject to adjustments as required by law.</p> <p>Permanent establishments of non- resident entities are subject to tax on the amount of profit attributable to the permanent establishment.</p> <p>Non-residents may be subject to tax on Latvian source income which may be subject to withholding tax.</p> <p>The corporate income tax base consists of the following objects: the distributed profits (dividends), deemed profit distribution (expenditure not related to economic activity; the doubtful debts of debtors; increased interest payments; the loan to the related person; the income which a taxpayer would have received or the expenditure which a taxpayer would have not incurred if commercial and financial relationships were created or established under valid conditions between two independent persons; the benefits which a non-resident grants to his or her employees or members of the board of directors (council); the liquidation quota).</p>
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Latvia	
Capital gains	<p>There is no capital gains tax for Latvian companies only when profits are distributed.</p> <p>Gains from the sale of shares the holding period of which is at least 36 months at the moment of alienation are not subject to tax (except if gains result from the sale of shares in a statutorily designated low tax jurisdiction or artificial structure to use a relief stipulated by the law).</p>
Filing and payment requirements	<p>The tax year generally is the calendar year, but it can also be a different period provided it is 12 months.</p> <p>The tax period is calendar month. For some tax payers to whom exception apply according to law it may be a quarter. Tax payers must file their tax returns by the 20th day of the month following the taxation period. If there is no taxable base for the tax period, tax payer is not obligated to fil the tax return. Tax payer is obliged to submit a tax return for the last month of the year.</p> <p>CIT have to be paid till the 20th of the month following the taxation period.</p>
Thin capitalization	<p>Thin capitalization rules are applicable, limiting the amount of interest expense that can be deducted for tax purposes. Effectively, there is a 4:1 debt to equity ratio, or if interest payments exceed EUR 3 million, the excess over 30% of the company's profit before tax which is increased by interest payments and calculated depreciation, is included in taxable base.</p> <p>Exceptions apply to interest paid to credit and financial institutions registered in Latvia, the EEA or countries with which Latvia has concluded a double taxation avoidance treaty.</p>
Transfer pricing	<p>There are special provisions based on the arm's length principle which should be followed. Transactions conducted between associated persons should be carried out at market rates. Transfer pricing regulation is based on the OECD guidelines on transfer pricing rules.</p>

3.2.2. Value Added Tax (VAT)

	Latvia
Taxable persons	<p>Any resident person conducting business in Latvia (including a permanent establishment of a foreign person) with annual taxable supplies exceeding the relevant threshold in such country is required to register as a VAT payer.</p> <p>The VAT registration thresholds are:</p> <p>A resident must register for VAT upon reaching the threshold of taxable supplies of EUR 40,000 during any 12 month period.</p> <ul style="list-style-type: none">• Residents with annual supply below the VAT registration threshold may choose to register voluntarily for VAT;• Foreign entities making VAT taxable supplies in Latvia have the obligation to register for VAT purposes (no threshold is established);• In case of the acquisition of goods in Latvia from another EU member state, the obligation to register as a VAT payer arises if the annual amount of VAT taxable goods acquired from another EU member state exceeds EUR 10,000;• Entities of another EU member state carrying out distance sales to Latvia must register for VAT upon reaching the threshold of EUR 35,000 of taxable supplies.
Tax rates	<p>The standard VAT rate is 21% in Latvia.</p> <p>The reduced VAT rate is 12% for:</p> <ul style="list-style-type: none">• Periodical publications;• supply of school literature and original literature issued in the form of printed publication or electronic publication;• Medicine and certain medical devices;• Specialized food products intended for infants;• Public transportation within Latvia;• Tourist lodging;• Certain types of wood products used for heating;• Consumer heating. <p>The reduced VAT rate is 5% for:</p> <ul style="list-style-type: none">• supply of certain food products as fresh fruit, vegetables and berries. <p>The reduced VAT rate is 0% for a number of exceptional supplies, including exports, intra-community supply and supply of aircraft operating on international routes, etc.</p>

Exemptions

Some types of goods and services are not subject to VAT, e.g., certain health and social services, insurance services and sale of real estate (exceptions apply).

Further exemptions include:

- social services;
 - certain medical services and related services;
 - dental services;
 - renting of residential real estate;
 - education and training services;
 - tickets to cultural and sport events;
 - radio and television;
 - insurance services;
 - financial services;
 - betting, gambling and lotteries;
 - postal services;
 - royalties;
- sale of real estate (except sale of unused real estate and land for development)).

3.2.3. Other Taxes

	Latvia
Real estate tax	<p>Real estate tax is payable by owners or in certain cases legal possessors of land, buildings and engineering constructions. The tax is applied in rate of 0,2% to 3% of the cadastral value of the property. It is determined by a local government in its binding regulations.</p> <p>General tax rate is 1,5% of the cadastral value of the property.</p> <p>Residential property is taxed at a rate 0,2%, 0,4% or 0,6% depending on the cadastral value of the property.</p> <p>Unused agricultural land is taxed with additional tax at a rate of 1,5%.</p> <p>Some exemptions apply to certain types of property and constructions.</p>
Land tax	<p>Real estate tax (please see above) is imposed on land and other types of real property.</p>
Excise taxes	<p>Latvia has transposed the Energy Taxation Directive into its legislation.</p> <p>Goods subject to excise duty are:</p> <ul style="list-style-type: none">• ethyl alcohol and alcoholic beverages;• tobacco products and liquid used in electronic cigarettes;• oil products and natural gas;• coffee and soft drinks. <p>The law provides that the excise tax for alcoholic beverages, tobacco products and oil products will be gradually increased from 2018 to 2020. Other products become subject to excise duty if they are sold or used as motor fuel or additives.</p> <p>Excise duty rates vary depending on the classification of the product.</p>
Capital taxes	<p>None</p>
Gambling tax	<p>Gambling tax is imposed on amounts received from lottery, promotional lottery, toto (totalizator + betting), remote gambling and tournaments of game of chance. Tax is charged also on gambling tables and machines used for games of chance and games of skill located on licensed premises. Tax is paid by authorized operators. Tax rates vary.</p>

State-owned land lease tax		Real estate tax (see above section) is imposed on land and other types of real property and must be paid by the owner or in certain cases the legal possessor of the property.	
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3.3. TAXATION OF RESIDENTS

3.3.1. Personal Income Tax (PIT)

	Latvia
Tax residence rules	<p>As a general rule, two main conditions describe a resident in Latvia:</p> <ul style="list-style-type: none"> • permanent place of residence in Latvia; • the individual stays in Latvia, continuously or intermittently, for 183 or more days during the tax period or 12 consecutive calendar months. <p>In addition to above mentioned criteria a person shall be deemed to be a resident if it is employed outside Latvia by the Latvian government.</p>
Tax base	<p>Residents are subject to tax on their worldwide income. In Latvia, taxable income includes employment income, interest, royalties and rental income. Pensions are taxable income Latvia;</p> <p>The following types of income are also taxable:</p> <ul style="list-style-type: none"> • Employment income; • Income from individual business activity; • Capital gains (exceptions apply); • Income from capital (dividends, interest or similar); • Benefits in kind; • Gifts (exceptions apply); • Remuneration paid to board and council members of a company; • Income from performances and sport activities; • Pensions; <p>Other types of income not specifically exempt.</p>

Allowance	<p>Taxable income is generally calculated based on the cash basis of income received during the year less permitted allowances which include the non-taxable minimum, deductions for dependents, qualifying healthcare and education costs and insurance premiums paid subject to certain limitations.</p> <p>Non-taxable income:</p> <ul style="list-style-type: none"> • Gifts from natural persons qualifying as family members (exceptions apply); • income from inheritance; • dividends in case corporate income tax has already been paid; • liquidation quota in case corporate income tax has already been paid; • insurance benefits; • supplementary pension capital; • compensation and state (including other EU member state or EEA state) paid benefits, assistance; • qualifying stipends or scholarships; • income from the alienation of personal movable property (exceptions apply); • income from the sale of real property which has been held by the owner for at least five years and has been the declared residence for at least 12 months prior to the sale; • prizes of lotteries and gambling if the total amount of the prize does not exceed EUR 3000 in a taxation year; • other types of income.
Allowance	<p>Tax exempt amount:</p> <p>The maximum exemption (annual non-taxable minimum of a payer) deductible from the income of a resident natural person during a tax period (one year) is EUR 2 400 in 2018, EUR 2 760 in 2019 and EUR 3 000 in 2020.</p> <p>The total amount of yearly income to which maximum non-taxable minimum is applied is EUR 5 280. The total amount of yearly income to which differentiated non-taxable minimum is applied is EUR 12 000 in 2018, EUR 13 200 in 2019 and EUR 14 400 in 2020.</p> <p>A parent or guardian taking care of a child or other person listed in the law or persons who have been recognised as persons with disability or politically repressed persons may deduct an increased basic exemption from his or her income in the period of taxation.</p> <p>The additional tax exempt amounts will be applied to Latvian tax residents for dependents.</p>
Tax rate	<p>20% for yearly income not exceeding EUR 20 004; 23% for yearly income exceeding EUR 20 004 but not exceeding EUR 55 000; and 31,4% for yearly income exceeding 55 000.</p> <p>20% for/ income from capital (interest, dividends, lease income from real property if held as investment) and capital gains;</p>

Filing and payment requirements	Income tax declarations must be filed annually between 1 March and 1 June but if yearly income exceeds EUR 55 000 then between 1 April and 1 July. Tax must be paid within 15 days of filing. If the tax amount exceeds EUR 640 the due amount can be paid in three equal instalments by 16 June, 16 July and 16 August. If an individual is carrying on business activity, the individual is required to make advance tax payments on a quarterly basis based on the previous period's tax liability amounts.
Taxable period	Calendar year

3.3.2. Social Security Contributions

	Latvia
Social tax	Employment related income contributions' standard rate in 2018: Mandatory social contribution rate is 35,09 % which consists of: <ul style="list-style-type: none"> • 11% – payable by the employee through withholding; • 24.09% – payable by the employer based on gross salary and benefits paid to employees. <p>In 2018, self- employed individuals are subject to social insurance contributions at a rate of 32.15%. Mandatory contributions must be made for the minimum amount of EUR 430 per month (minimum wage). A self-employed individual can choose whether to make the contributions on any amount in excess of the minimum.</p> <p>Contribution rates applicable to other classes of insured individuals vary.</p>
Other	None

3.4. TAXATION OF NON-RESIDENTS

	Latvia
Capital gain	Non-residents are subject to capital gains tax on income from the sale of real estate located in Latvia. A 3% withholding tax is applicable to the proceeds of the sale of real estate if purchased by a Latvian tax resident.
Withholding taxes	Dividends –paid to non-resident companies are not subject to withholding tax (except if paid to a statutorily designated low tax zone for which 20% withhold rate is applied). Dividends paid to non-residents natural persons are subject to withholding tax at a rate of 20% (except: if corporate income tax has been already paid for it by the Latvian company distributing the dividends; or for the amount that has already been deducted as income tax or equal tax in the state of non-resident). Interest Withholding tax is not applicable to interest payments to non-resident companies (except if paid to a statutorily designated low tax zone for which 20% withhold rate is applied).

	Interest payments to non-resident natural persons are subject to a withholding tax at a rate of 20% (if not stipulated otherwise by double taxation avoidance treaty.).
Royalties	In Latvia , royalties paid to non-residents enterprises are not subject to withholding tax except if paid to a statutorily designated low tax zone, then 20% tax withhold rate is applied. However, 20% withhold tax rate is applied for non-residents natural persons. Regarding the latter, the tax rate may be reduced if Latvia has concluded a double tax treaty with the respective country.

4. FINANCIAL FACILITIES

Financial system / Banking system

The Law on Credit Institutions provides for the legal background for the activities of credit institutions and financial institutions in Latvia. According to Latvian law, a credit institution is defined according to the definition provided for in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, whereby it defines that a credit institutions shall mean an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account.

The Law on Credit Institutions further provides that the following shall be considered as financial services: (a) attraction of deposits and other repayable funds; (b) crediting;

(b¹) financial leasing; (c) payment services; (d) issuance and servicing of non-cash means of payment not related to the provision of payment services; (e) trading in one's own name or in the name of a client with currency or financial instruments; (f) fiduciary operations (trust); (g) provision of investment services and non-core investment services; (h) issuance of guarantees and other binding obligations, which create an obligation to be liable to the creditor for the debt of a third person; (i) safekeeping of valuables; (k) consultations with clients regarding issues of a financial nature; (m) provision of such information, which is related to the settlement of debt obligations of a client; (n) other transactions, which are similar in nature to the above-mentioned financial services; (o) emission of electronic money.

	Bank Account
Requirements for opening a bank account	<p>There is no requirement for an investor to open and maintain a bank account in Latvia.</p> <p>A legal person will usually have to provide the bank with the following main documentation:</p> <ul style="list-style-type: none">• certificate of registration or an extract from the national register (if the legal person is not registered in Latvia) verifying the establishment of the legal person in its country of origin;• constitutional documents of the person (e.g., articles of association, decision on foundation of legal entity in Latvia, if applicable);• documents evidencing the representation rights of the person opening the bank account (empowered persons are supposed to have a valid personal identification document). <p>In case the above documents are drawn in a language other than Latvian, a bank may request that the documents must be translated into Latvian language (the translator's signature may need to be approved by a notary public). If the above documents are issued by a foreign entity, it may be required that the respective documents are legalized (validated) or certified by Apostille. Latvia does not require additional certification (either certification by Apostille) for documents from EU and EEA member states and the Swiss Confederation. If copies of documents are submitted, the bank may require that the copies are certified by a notary public.</p> <p>By implementation of Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, the customer (legal person) will commonly have to complete a legal person's application form and a form regarding the actual owner (beneficiary) of the account funds. It is possible to carry out identification without personal presence of beneficiary by using secure electronic signatures, video identification and by obtaining personal identity data from a credit institution or payment institution using an identification payment or other method. However, client's remote identification is not performed if the law obliges the client to participate in the on-site identification or the</p>

	application of remote identification does not correspond to the client's inherent risk of money laundering and terrorist financing.
Restrictions on investor's use of the account	The laws do not impose any specific restrictions on the use of an investor's bank accounts. Certain restrictions may be imposed by the bank with which a bank account is opened.
Bank loans	<p>There are no restrictions in general prohibiting the provision of loans to foreign investors. However, certain requirements imposed by banks themselves or on banks by the regulator may in fact prevent the issuance of a loan.</p> <p>This may include a case where a bank is not able to establish the identity of the client or its beneficiary of a transaction (the actual investor), as is required by the Law on the Prevention of Money Laundering and Terrorism Financing, to establish creditworthiness of the investor or duly evaluate the financial standing of the investor, etc. It is likely that the investor will not be able to receive the bank loan if it does not operate financial activities in Latvia or does not own real estate or any other property in compliance with the requirements of the bank.</p>

Financial system

The Latvian financial system is dominated by the bank sector and is supervised by the Financial and Capital Market Commission (FCMC), which is the single supervisory authority for Latvia's financial market participants. Activities of the Financial and Capital Market Commission are financed from annual payments made by financial and capital market participants, without receiving funds from the government budget.

Participants of the financial system include: commercial banks, credit unions, leasing companies, insurance companies (i.e., life assurance companies, non-life insurance companies), capital market participants (i.e., financial brokerage firms, management companies, collective investment undertakings, foreign collective investment undertakings, investment holding companies), pension funds (i.e., second pillar pension funds, third pillar pension funds).

Banking system

The Latvian banking system is decentralised and consists of a significant number of commercial banks. As of 16 August 2018, there were 15 commercial banks, 5 foreign bank branches, 3 foreign bank representative offices, 371 EU banks providing cross-border services in Latvia without a Latvian branch, one financial institution and 33 credit unions operating in Latvia.



5. EXCHANGE CONTROLS

5.1. BUSINESS TRANSACTIONS WITH NATIONALS, RESIDENTS OR NON-RESIDENTS

	Latvia
Definitions of nationals, residents and non-residents	<p>Latvian nationals are natural persons who hold Latvian citizenship. The citizenship may be acquired by birth or later on the grounds established by the citizenship act of the respective country. In Latvia person may be a citizen of Latvian and another country at the same time in case where the other country is a Member State of the European Union or the European Free Trade Association, party of North Atlantic Treaty Organization (NATO), Australia, the Federative Republic of Brazil or New Zealand and a country with which Latvia has concluded an agreement on the recognition of dual citizenship (at the moment no agreement is concluded). There are exceptional cases where dual citizenship can be acquired with permission of Cabinet of Ministers.</p> <p>In Latvia, there is no definition of a “resident” or “non-resident” in the immigration field. A foreigner is a person who is not a citizen of Latvia or a non-citizen of Latvia. The Immigration law identifies several categories of individuals who are entitled to stay in the Republic Latvia. For instance, Latvian non-citizens, citizens of the European Union and their family members who have fulfilled specific requirements of the law, individuals who possess a residence permit or have applied for asylum. In practice, the above individuals could be considered residents of the Republic of Latvia. A non-resident would be a person who does not belong to either of the above categories.</p>
Restrictions on conducting business with nationals, residents, non-residents	<p>In general, there are no restrictions on conducting business with nationals, residents or non-residents, however, the parties must ensure that the business transaction complies with the applicable requirements of legal acts.</p>
Reporting requirements	N/A
Loans from Nationals, Residents or Non-Residents	<p>There are no restrictions prohibiting an investor from receiving loans from nationals, residents or non- residents in Latvia.</p>

5.2. MONEY TRANSFER

	Latvia
Determination of exchange rates	The Euro is the valid currency in Latvia as from 1 January 2014.
Restrictions on the transfer of money into or out of the country (hard currency)	There are no specific restrictions on transferring currency into or out in Latvia. Each natural person entering or leaving the EU and carrying money in cash (including checks, promissory notes and money orders) amounting to EUR 10,000 or more shall declare that sum to the competent authorities of the member state through which he/she is entering or leaving.
Restrictions on the remittance of profits abroad	N/A
Reporting requirements	N/A

6. ESTABLISHING A BUSINESS

6.1. REQUIREMENTS FOR THE ESTABLISHMENT OF A BUSINESS

6.1.1. Alien Business Law

Foreign law may be applied to civil relationships where it is so provided for by international treaties or agreements between the parties or the laws Latvia. Normally, local and EU law is applicable for business activities performed in Latvia.

6.1.2. Government Approvals, Licences and Permits

	Latvia
Requirements to obtain government approvals, licences and permits	In Latvia, government approvals may be required, depending on the type of activities (e.g., credit institutions, electricity undertakings, etc.). Undertakings dealing with certain activities are required to register with the respective registers.
Registration or reporting requirements	Timeline to receive approvals, licences and permits
Fees involved	Certain application fees are applicable. Legal advice fees should also be taken into account (if any).
Application	Typical forms of applications are used. The investor should present these completed applications with other necessary documents to the competent institutions.

6.1.3. Environmental Regulations

In Latvia, certain activities specified in legal acts are subject to Environmental Impact Assessment (EIA), Strategic Environmental Assessment (SEA), Integrated Pollution Prevention and Control (IPPC) or Pollution permit regulation. If a particular activity falls within a list specified in legal acts, the enterprise aimed to perform such activity should exercise EIA and (or) SEA procedures (the price of which is agreed in a separate private agreement with service providers) and (or) to gain an IPPC or Pollution permit for the issue of which a state fee should be paid.

6.1.4. Insurance

Features	Latvia
Regulation	In general, there are no requirements for enterprises to carry insurance, except for enterprises which are involved in certain types of activities which require the mandatory coverage to be acquired.
Mandatory insurance	Mandatory insurances are as from time to time determined by relevant laws in the respective country.

	<p>A non-exhaustive list of mandatory insurances for the followings persons is provided below:</p> <ul style="list-style-type: none"> • Vehicle owners (Motor 3rd Party Liability); • Administrators (liquidators); • Insurance brokers; • Medical personnel; • Certified auditors; • Bailiffs; • Notary public; • Members of regulators of services of general economic interest; <p>Designers, construction supervisors and others involved in construction processes, etc.</p>
State monopoly on insurance	N/A

6.1.5. Governmental Participation

Features	Latvia
Governmental participation	<p>The law provides for cases where the Government may engage in business activity by founding a company:</p> <ul style="list-style-type: none"> • if the market is unable to ensure implementation of public interests in the relevant field; • in a sector where a natural monopoly exists, thus ensuring availability of the relevant service to the general public; • in a sector of strategic importance; • in a new sector; • in a sector where the development of infrastructure requires large capital investments; • in a sector where, taking into consideration public interests, it is necessary to ensure higher quality standards.
Investors' liability to partners, investors or others	Subject to general regulation.
Restriction of thin capitalization	None
Tax consequences	<p>The following subjects are not CIT payers under Latvian law:</p> <ul style="list-style-type: none"> • Budgetary institutions or municipal budgets; • Private pension funds; • Associations and foundations, if their goal is not to distribute income or capital gains to members; • Religious organisations, trade unions and political parties; • Financial and Capital Markets Commission; • Investment funds and alternative investment funds.

6.2. FORMS OF BUSINESS ENTITIES

Type	Latvia
General information	The most popular form of company in Latvia is a private limited company (SIA in Latvia), followed by public limited companies (AS in Latvia).
Private limited company	<i>Sabiedrība ar ierobežotu atbildību, SIA</i>
Public limited company	<i>Akciju sabiedrība, AS</i>
Personal enterprise	<i>Individuālais komersants</i>
General partnership	<i>Pilnsabiedrība</i>
Limited partnership	<i>Komandītsabiedrība</i>
Societas Europae	<i>Eiropas sabiedrība</i>
European Economic Interest Grouping	<i>Eiropas ekonomisko interešu grupa</i>
Commercial association / Co-operative company	<i>Kooperatīvā sabiedrība</i>
Other	<ul style="list-style-type: none"> • Farm (<i>zemnieku saimniecība</i>); • Fishery (<i>zvejnieku saimniecība</i>); • Individual enterprise (<i>individuālais uzņēmums</i>).

6.2.1. Private Limited Company

Features	Latvia
Type of entity	Limited Liability Company (<i>Sabiedrība ar ierobežotu atbildību, SIA</i>)
Minimum authorized share capital	EUR 2800 The initial share capital may be less than EUR 2800 (if certain conditions are met).
Maximum number of shareholders	Unlimited
Minimum number of shareholders (incorporators)	N/A
Liability of shareholders	In Latvia, the founders of a company are liable to the company and third persons for losses which have been caused in the course of foundation of the company due to malicious or negligent conduct Members of the Board of Directors and council are solidary liable in any case where they fail to perform their obligations as would an honest and careful manager. However, member of the board of directors and council shall not be liable for losses caused to the company if he or she has acted in good faith within the framework of a lawful decision of the meeting of shareholders. The fact that the council has approved the actions of the board of directors shall not release the members of the board of directors from liability to the company.
Formation of authorized capital	Contributions may be monetary or in kind.
System of corporate bodies	The obligatory corporate bodies are: <ul style="list-style-type: none"> • The general meeting of shareholders; • The management board in Latvia. The optional corporate bodies are: <ul style="list-style-type: none"> • The supervisory board, in Latvia;
Registration of shares	The management board is required to submit an updated share ledger to the Commercial Register of the Republic of Latvia.

	Latvia
Transfer of shares	<p>Unless otherwise provided for in the articles of association, in Latvia, only fully paid-up shares can be transferred. To transfer shares in Latvia in any other way than by way of sale, a consent in the form of a decision of shareholders is required.</p> <p>Other shareholders have the right of pre-emption pursuant to the laws of Latvia.</p>
Squeeze-out	N/A
Public trading in securities	Prohibited
Restrictions on thin capitalisation	None
Requirements for a Latvian related state national to be a participant, manager or director	None
Audit	<p>An audit of annual accounts by a sworn auditor is required if at least two of the below criteria are met:</p> <ul style="list-style-type: none"> • Total balance is EUR 800,000 • Net turnover is EUR 1 600,000 <p>Annual average number of employees is 50.</p>

6.2.2. Public Limited Company

Features	Latvia
Type of entity	Joint Stock Company (<i>Akciju sabiedrība, AS</i>)
Minimum authorized sharecapital	EUR 35,000
Maximum number of shareholders	N/A
Minimum number of shareholders (incorporators)	N/A

Liability of shareholders	N/A
Formation of authorized capital	N/A
System of corporate bodies	<p>Obligatory corporate bodies are:</p> <ul style="list-style-type: none"> • The general meeting of the shareholders; • The supervisory board, in Latvia. • The management board in Latvia.
Registration of shares	<p>In Latvia, a register of shareholders must be kept by the company. However, it does not have to be submitted to the Commercial Register.</p> <p>In practice, a joint stock company which has registered shares may assign the Central Depository of Latvia to maintain the share register based on a contract and opting for the Depository to verify source documents or not in order to introduce changes in the share register.</p>
Transfer of shares	A shareholder who has a large majority of shares (90% in Latvia) may apply to take over the shares belonging to the minority shareholders in return for fair monetary compensation.
Public trading in securities	Allowed
Restrictions on thin capitalisation	None
Requirements for a Latvian or related state national to be a participant, manager or director	None
Audit	<p>In Latvia, a sworn auditor is necessary if at least two of the below criteria are met:</p> <ul style="list-style-type: none"> • total balance is EUR 800,000 • net turnover is EUR 1,600,000 • average number of employees in the year is 50. <p>Besides, in Latvia, an auditor must audit annual accounts if so required by the articles of association or by resolution of the shareholders' meeting.</p>

6.2.3. Joint Ventures

The Features of Public Limited Companies	
Features	Latvia
Concept	Establishment of a joint venture involves two aspects – an agreement between persons on establishment of a joint venture and registration of a joint venture in any form of a business entity provided for by law. The most common type of joint venture in Latvia is a limited liability company.
Registration or incorporation procedure	The registration or incorporation procedure depends on the chosen form of business entity. Mutual relationships of partners may also be governed by a partnership agreement; however, the law does not mandatorily require the execution of such agreement as well as does not set any mandatory requirements in respect to such agreements.
Fees involved	Only the costs of legal advisers and registration fees (if any) should be taken into account.
Requirements for a national's participation	None
Investor's potential liability	Liability depends on the chosen form of business entity. Issues concerning liability may also be dealt with in a partnership agreement.
Restrictions on thin capitalisation	Generally, none, but must be checked depending on the chosen form of business entity.
Tax consequences	The tax consequences will depend on the particular structure and types of legal vehicles used in the joint venture. As a general rule, partnerships are not taxable entities, and for tax purposes are treated as flow-through entities. If a joint venture is formed using a limited liability company, the company would be taxed according to generally applicable corporate tax regulation.

6.2.4. Branches/Representative Offices

The Features of Branches and Representative Offices	
Features	Latvia
Timeline for establishment	<p>Depending on the amount of the registration fee paid, the Commercial Register:</p> <ul style="list-style-type: none"> • reviews the registration documents of a branch within 1 – 3 business days. <p>The time necessary for preparation, signing and translation of the registration documents should also be taken into consideration.</p>
Fees involved	<p>Legal advisers' fees should be taken into account also (if any).</p> <p>Registration costs must be taken into account. Considering that documents in foreign languages must be attached with their notarially certified translations in the Latvian language, translation costs may be incurred as well.</p>
Timeline for establishment	<p>Depending on the amount of the registration fee paid, the Commercial Register:</p> <ul style="list-style-type: none"> • reviews the registration documents of a branch within 1 – 3 business days; • reviews the registration documents of a representative office within 15 days, 4 business days or 1 business day. <p>The time necessary for preparation, signing and translation of the registration documents should also be taken into consideration.</p>
Fees involved	<p>Legal advisers' fees should be taken into account also (if any).</p> <p>Registration costs must be taken into account. Considering that documents in foreign languages must be attached with their notarial certified translations in the Latvian language, translation costs may be incurred as well.</p>
Investor's potential liability	<p>Considering that branches and representative offices represent principal parts of the undertaking, then the principal undertaking (founder of the branch or representative office) is liable for operations of the branch or representative office.</p>
Restrictions on capitalisation	N/A
Requirements for a national's participation	N/A
Tax consequences	<p>Branches of non-resident companies are treated as separate corporate tax payers in Latvia. A representative office is not permitted to carry on business activity and therefore cannot be a corporate tax payer.</p>

6.3. ESTABLISHMENT PROCEDURES

In **Latvia**, in a standard registration case of a limited liability company or a joint stock company, the Register of Enterprises takes a decision within three business days. However, limited liability companies and joint stock companies with one founder can be registered with the Register of Enterprises within one business day. Limited liability companies with more than one founder can be registered within one business day by paying the state fee in a triple amount.

Establishment procedures			
Necessary steps	General	Formalities	Costs
Choosing a business name	The business name (<i>firma</i> , in Latvian) is a name registered with the Commercial Register, which is used in business operations. The business name must clearly differ from other business names already registered or applied for registration. The business name must not mislead the public (for instance, in respect of the type of business activity) and must be written using only Latvian or Latin alphabet letters. A limited liability company name must include the words <i>sabiedrība ar ierobežotu atbildību</i> or the abbreviation, SIA, while for a joint stock company – the words <i>akciju sabiedrība</i> or the abbreviation, AS, accordingly, specifying the legal form of the company. Use of the words “Latvijas Republika” or their translation in a foreign language is prohibited.	The business name is not registered separately, and generally is protected from the moment the company is registered.	There are no separate costs related to the registration of a business name.

Execution of the formation documents	<p>The incorporators must:</p> <ul style="list-style-type: none"> • prepare and sign the foundation documents of the company, which shall contain specific information required by the law: <ul style="list-style-type: none"> (i) foundation agreement, or in case of a sole founder – a decision to establish the company; and (ii) the articles of association; • sign other documents necessary for registration of the company: <ul style="list-style-type: none"> (i) standard form application, signed before a notary public, in this application ultimate beneficial owner of the company must be identified. According to the terms of the AML Law, an ultimate beneficial owner is defined as a natural person, who is the owner of a legal person or controls a legal person or on whose behalf, in whose interests or for whose benefit of whom a business relationship is established or an individual transaction is carried out; (ii) consents from all members of the management board to hold the position of a board member, signed before a notary public; (iii) consent of the members of the supervisory council to hold the position of a supervisory council member (supervisory council is not mandatory for limited liability companies, and therefore not very common); (iv) statement from the management board on the registered address of the company; (v) consent of the landlord, if any, permitting to register the registered address of the company in the property owned by such landlord. 	<p>The documents must be submitted to the Commercial Register within 14 days of the date of adoption of the relevant decisions. All documents must be in Latvian or attached with a certified translation into Latvian.</p>	<p>Fees of the notary public, translation costs, as well as costs of legal advisers must be taken into account (if any).</p>
Opening a start-up account	<p>The incorporators must open a temporary bank account and transfer the amount of the share capital into such account. In standard cases, the founders receive a notice from the bank confirming the amount of the share capital paid before the foundation. When the company is registered, the account is transformed into an ordinary bank account and funds in the account can be used.</p>	<p>A temporary account can be opened by the incorporator or an authorized representative, acting on the basis of a power of attorney or foundation agreement.</p>	<p>A bank may apply charges for issuing a notice.</p>

Payment of share capital	<p>By the date of filing the registration application, the share capital of a limited liability company must be:</p> <ul style="list-style-type: none"> • subscribed in the full amount thereof; and • paid up in the amount of at least 50%. <p>The remaining portion must be paid up within one year as of the registration with the Commercial Register.</p> <p>By the date of filing the registration application, the share capital of a joint stock company must:</p> <ul style="list-style-type: none"> • be subscribed in the full amount thereof; and <p>the paid-up share capital must not be less than the minimum share capital EUR 35 000; and</p> <ul style="list-style-type: none"> • not be less than 25% of the subscribed share capital; and • be paid up in money only. 	<p>There are special provisions on the procedure for assessment of non-pecuniary contributions.</p>	<p>Assessment fees in case of a non-pecuniary contribution depend on the particular case.</p>
Registration in the Commercial Register	<p>The incorporators must file a standard form application and other required documents with the Register of Enterprises. The documents are reviewed within 1 – 3 business days, and then the decision on registration is taken and issued.</p>	<p>A part of the documents can be signed, as well as the registration documents can be received, by an authorized person acting on the basis of a power of attorney.</p>	<p>A state fee for registration with the Register of Enterprises EUR 150 for limited liability companies and EUR 350 for joint stock companies and a fee for publication of an announcement regarding the registration in the official newspaper (EUR 27.03). If the documents regarding the registration of a limited liability company are reviewed within one business day, the state fee must be paid in a triple amount.</p>

7. LICENSING AND REPORTING

Usually companies are required to file registration applications with competent state or municipal institutions to acquire a certificate, license or permit granting the right to pursue a specific economic activity. The state fee for the review of such application ranges from a couple of Euros to several thousand Euros, depending on the field of activity. In Latvia, there is no unified register for all economic activities, but separate registers for each type of specific economic activity are in place, provided special registration for the respective economic activity is required by laws and regulations.

The procedure for obtaining licenses and registrations differs depending on the particular area of activity. All companies are registered with the Company Register of the Republic of Latvia. This general registration is required prior to commencement of any business activity. However, this registration alone does not grant the right to pursue any economic activity which by law is subject to special, additional registration, certification, licensing or other permitting procedure.

List of Economic Areas Requiring Registration or Licensing in Latvia

The most common types of activities requiring activity licence

- Financial services, including activities relating to credit institutions, fund management, investment activities, securities market;
- Insurance activities;
- Tourism Services;
- Utility services;
- Postal services;
- Energy-related (electricity, gas, heat) activities;
- Transport, including commercial cargo; passenger carriage; freight forwarding; professional competence of passenger carrier; air carriage; special aviation works; railroad carriage;
- Environmental impact and activities, including polluting activities, usage of water, fisheries, ionizing radiation sources;
- Mining, extraction and exploration of natural resources, geodesic works;
- Gambling;
- Trade (wholesale and retail, alcoholic beverages, beer retail), catering, market places;
- Communication, including broadcasting; cable TV; cable radio (radio translation); retranslation;
- Excise goods related activities;
- Warehousing;
- Strategic goods;
- Pharmaceuticals (also veterinary pharmaceuticals; pharmacies; veterinary pharmacies);
- Security and detective operations.

8. REPORTING REQUIREMENTS

Annual Reports of Limited Liability Companies	
Steps in relation to Annual Reports	Latvia
Preparation	After the end of the financial year, public or private limited companies must prepare an annual report in addition to annual financial statements. The responsible body/person in Latvia is the management board.
Auditing	N/A
Approval	In Latvia, the management board submits the annual report to the supervisory board (if existing) for review and opinion, and to the general meeting for approval.
Filing	<p>The annual accounts should be filed with the tax authorities within four months after the end of the financial year.</p> <p>Companies which prepare consolidated account, or which exceed at least two of the following criteria can file annual accounts within seven months after the end of the financial year:</p> <ul style="list-style-type: none"> • Total balance sheet value is LVL 1 MIO (approx. EUR 1.422 MIO); • Net turnover is LVL 2.4 MIO (approx. EUR 3.4 MIO); <p>Average number of employees is 250.</p>

9. PUBLIC TRADING IN SECURITIES

Each of the Baltic States has adopted the relevant acts for the regulation of the public trade of securities, the activities of investment firms, the provision of investment services and the range of responsibilities of participants of financial markets. The relevant laws aim to ensure the transparent and efficient operation of the securities markets of the Baltic States. The relevant laws of each country comply with EU requirements and enable EU securities brokerage firms to deal on the market without establishing a local subsidiary.

Special requirements for securities trading	
Procedure	Latvia
Listing/IPO	<ul style="list-style-type: none"> • Obligation to issue a prospectus; • Registration of the prospectus with the Financial Supervisory Authority of each state; • List of exceptions when publishing a prospectus is not required
Takeover bids	In Latvia, a person with dominant influence over the target issuer, either directly or together with other persons acting in concert, is required to make a takeover bid for all shares of the target.

Requirements for Publicly Traded Companies

Steps	Latvia
On-going reporting requirements	In Latvia, the issuer must disclose periodical reports including its annual report, semi-annual report and interim report.
	In Latvia, the issuer is required to immediately disclose inside information directly or indirectly pertaining to the issuer. This includes all information which, if disclosed, would probably have a significant effect on the price of the issuer's shares.
Notification on acquisition of blocks of shares	N/A
Tender offer	In Latvia, the obligation to make a takeover bid rises when a person has gained dominant influence over the target issuer either directly or together with other persons acting in concert.
	A takeover bid for all shares of the target must be submitted to the Latvian supervisory authority (the Financial and Capital Markets Commission) within ten business days as of gaining such dominant influence.
Mandatory sale and purchase of shares	<p>Under the Lithuanian Law on Securities, the right of squeeze-out (mandatory sale) is triggered when a shareholder of an issuer, acting independently or in concert with other persons, acquires shares constituting not less than 95% of the voting capital of the issuer and not less than 95% of the total votes at the general meeting of shareholders of the issuer. The procedure of the squeeze-out must be initiated within three months of the implementation of the mandatory or voluntary takeover bid. The same rules, in essence, are provided for in the Financial Instruments Markets Law for mandatory sale in Latvia. In addition, Latvian law provides that the minority shareholders have an obligation to sell the shares they have. The price at which the shares are squeezed-out must be fair.</p> <p>In Latvia, before the final takeover is commenced, minority shareholders may require buying out their shares for fair compensation to the shareholder who has acquired at least 90% of the share capital of the target and has not made a final takeover offering.</p>

10. BALTIC SECURITIES MARKET

The Baltic market operations comprise the Nasdaq Tallinn stock exchange (Estonia), Nasdaq Riga stock exchange (Latvia) and Nasdaq Vilnius stock exchange (Lithuania), which are the main regulated markets in the Baltics. Additionally, the alternative market First North was launched in the Baltics in 2007.

Nasdaq Baltic market represents a joint offering of Nasdaq's exchanges in Tallinn, Riga, and Vilnius as well as Nasdaq CSD. Nasdaq Baltic market includes a common Baltic equities market with harmonized trading rules and market practices, same trading system, joint trading lists, harmonized indexes, a single membership, trading and settlement currency allowing investors easy access to all Baltic listed financial instruments through any of the pan-Baltic members. Nasdaq Baltic maintains a regulated, open and efficient market infrastructure. It strives to be an efficient channel for companies to raise capital and to facilitate the participation of institutional and private investors in primary offerings and secondary trading.

11. OPERATION OF THE BUSINESS

11.1. ADVERTISING AND SALES PROMOTION

Features	Latvia
	<p>Advertising must be true and may not mislead consumers about the quality of the advertised goods or services.</p> <p>Aggressive advertising is prohibited and there are certain rules with respect to comparative advertising which must be followed. Likewise, any advertisement which may affect a child or cause damage to a natural person is prohibited.</p>
Restrictions on advertising of certain products	<p>In Latvia, advertisement of some goods and services is prohibited altogether, and in respect of others it is restricted.</p> <p>It is prohibited to advertise:</p> <ul style="list-style-type: none">• Tobacco products and other tobacco products;• Alcohol;• Gambling activities;• Other Products and services that are prohibited. <p><u>Pharmaceuticals:</u> Advertising of certain pharmaceuticals is prohibited, and others are restricted Latvia. Pharmaceuticals subject to medical prescription may be advertised only in publications intended for health care professionals and pharmaceutical specialists.</p> <p><u>Gambling & Lotteries:</u> Advertising of gambling is generally prohibited in Latvia. Advertising of product and services lotteries are permitted in Latvia.</p> <p><u>Financial services:</u> Advertising is restricted in Latvia.</p> <p><u>Health services:</u> Advertising is prohibited is restricted in Latvia.</p>

	Latvia
Restrictions on advertising of certain products	<p>In Latvia, other products and services may also be subject to advertising restrictions, e.g., certain procedures may need to be observed when advertising and certain mandatory information may need to be provided (i.e., food supplements, weapons and munitions, pornographic materials, use of children in advertising, travel services, etc.).</p>

11.2. E-COMMERCE

Features	Latvia
Sales promotion to consumers via e-mail	<p>In Latvia, a seller can't send promotional e-mails to its customers without prior consent in accordance with General Data Protection Regulation.</p>

Digital signatures	Generally, in Latvia, a digital signature that meets specific requirements has the same legal force as a hand-written signature. Digital signatures are increasingly used in Latvia with respect to communication between state and municipalities as well between private entities and national authorities.
Personal data processing	<p>Processing of personal data shall be lawful only if and to the extent that at least one of the following applies:</p> <ul style="list-style-type: none"> • the data subject has given consent to the processing of his or her personal data for one or more specific purposes; • processing is necessary for the performance of a contract to which the data subject is party or in order to take steps at the request of the data subject prior to entering into a contract • processing is necessary for compliance with a legal obligation to which the controller is subject; • processing is necessary in order to protect the vital interests of the data subject or of another natural person • processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in the controller • processing is necessary for the purposes of the legitimate interests pursued by the controller or by a third party, except where such interests are overridden by the interests or fundamental rights and freedoms of the data subject which require protection of personal data, in particular where the data subject is a child. <p>Processing of sensitive personal data and personal identification codes is subject to additional (more restrictive) conditions in all Baltic State.</p>

11.3. COMMERCIAL AGREEMENTS

Features	Latvia
Form	Generally, there are no requirements in respect of the form of commercial agreements in any of the Baltic States. There are, however, a number of exceptions, in which case agreements may need to be notarised or be produced in written form, for example, real estate agreements, share purchase agreements regarding a private limited company; employment contracts and author's contracts.
Language of the contract	Contracts may be drafted in any language mutually agreed on by the parties. In Latvia, where the contract drafted in a foreign language is subject to registration or submission with any competent authorities, normally a translation into the respective State's language must be available.
Pan-Baltic agreements	In general, it is possible to draft a common pan-Baltic commercial agreement (for example, distribution, agency, sale and franchise agreements).
Governing law of the agreement	In all Baltic States, the parties can choose the governing law of an agreement. In certain cases, mandatory legal norms of the relevant country apply notwithstanding the parties' choice of law.
Electronic agreements	There are special rules for the entry into electronic and other distance agreements with consumers. These are harmonised with EU laws (Directives 97/7/EC, 2002/65/EC, 2000/31/EC).

11.4. CONSUMER AGREEMENTS

In the context of consumer agreements, there are a number of restrictions on the commercial freedom of businesses to contract.

Indication of the price of goods	<p>In Latvia, the selling price and the unit price of goods sold to consumers must be indicated:</p> <ul style="list-style-type: none">• in writing;• clearly and legibly;• unambiguously;• easily identifiably;• on the goods or their sales packaging or displayed in close proximity to the goods.
Labelling	<p>In addition to the requirements applicable in Latvia, the labelling must also:</p> <ul style="list-style-type: none">• be clearly visible and comprehensible;• objectively reflect the safety or harmlessness and the quality of goods;• not attribute such characteristics to the goods as they do not possess or lead the purchaser to think that the goods possess certain specific characteristics, if all other goods of the relevant type do not have such characteristics; be indelible, and any other written information, picture or sticker on the goods must not obstruct it.
Labelling	<p>In Latvia, there are specific requirements applicable to labelling of the following categories of goods (this is a non-exhaustive list):</p> <ul style="list-style-type: none">• food products;• electrical and electronic equipment;• pharmaceuticals;• chemicals;• batteries and storage cells;• footwear and clothing;• cosmetic products;• toys. <p>Specific requirements for labelling also apply to motor vehicles and individual safety devices.</p>
Instruction manual	<p>In Latvia, a producer's instruction manual needs to be provided for goods which are technically complex, contain hazardous substances or require special skills to use.</p> <p>The instruction manual must be written in the respective local language.</p>
Safety of goods	<p>In Latvia, the producer is responsible for the safety of goods put into circulation.</p> <p>In Latvia the law specifically states that a producer is liable for causing a person's death or bodily injury or damage to the person's health by a defective product.</p>
Producer's liability	<p>In Latvia, the law sets out that a producer is liable for damage to property only if:</p> <ul style="list-style-type: none">• the defective product is normally used for personal use;• the victim mainly used the product for personal use; and• the extent of the damage exceeds EUR 500 (not including the value of the defective product itself).

Legal warranty period	In Latvia, a seller is liable for defects to goods or the non-conformity of goods or service with the provisions of a contract which become apparent within two years as of the date of delivery of the goods to the customer or receipt of the services by the consumer.
Sales warranty	In Latvia, a sales warranty is a warranty provided voluntarily by the seller to replace or repair the product with or without charge.
Standard terms	Standard contract terms are always interpreted in favour of the consumer. A standard contract term is regarded as void if, taking into account the nature, contents and manner of entry into the contract, the interests of the parties and other material circumstances, the terms cause unfair harm to the other party, particularly if they cause a significant imbalance in the parties' rights and obligations arising from the contract to the detriment of the other party or if the standard terms are in conflict with good morals.

11.5. IMPORT AND EXPORT REGULATIONS

Latvia is a party to major multilateral trade agreements, such as the General Agreement on Tariffs and Trade (GATT), the General Agreement on Trade in Services (GATS) and others. Latvia is also a member of the European Union (EU), and thus take part in its customs union and are bound by its common commercial policy.

Therefore, external trade of Latvia is largely being regulated by EU laws and regulations.

Customs regulations	Latvia applies EU laws and regulations governing customs procedures, customs valuation, customs tariffs, etc. As in the case of other EU member states, they apply the Union Customs Code (UCC) with its implementing provisions, the so-called Common Customs Tariff, and other applicable EU as well as national laws and regulations.
Exports	Supplies of goods between EU member states are not treated as import or export, but as free circulation. Goods are subject to internal transit procedures (preparation of respective customs declaration) if they are transported from one member state to another, crossing the territory of a third country. Export of goods from the Baltic States (i.e., from the EU) will entail the application of all exit formalities, including the payment of export refunds and the presentation of export licences (where applicable). Generally, no export duties are applicable. Companies exporting goods from Latvia to any EU Member State or importing goods from the EU must declare the amounts of the corresponding goods in the statistical-information tracking system INTRASTAT.
Imports	Supplies of goods between EU member states are not treated as import or export, but as free circulation. Goods are subject to internal transit procedures (preparation of respective customs declaration) if they are transported from one member state to another, crossing the territory of a third country. Import of goods into Latvia (i.e., into the EU) normally will entail the collection of import duties (if any) and the application of commercial policy measures (e.g., presentation of an import authorisation for goods subject to quotas) and any other formalities (e.g., the presentation of a health certificate for certain animals).
Manufacturing requirements	Generally, manufacturing processes are not regulated in Latvia. Any applicable manufacturing requirements must be compliant with the internationally recognized principle of national treatment and the obligation regarding the general elimination of quantitative restrictions.

11.6. ATTORNEYS

Features	Latvia
Requirement to have local counsel	There is no general requirement to have a local counsel. Nonetheless, it is advisable to be advised by local Latvian lawyers taking into account the differences in both material and procedural aspects from other legislations. Engaging an attorney admitted to the Latvian Bar Association may minimize legal malpractice risks. An exception is representation before the Latvian courts in the cassation instance, where a party can only be represented by an attorney which has been admitted to practice in Latvia by the Latvian Bar Association.
Sources of local counsels	Local attorneys can be found through various legal catalogues, such as Legal500, IFLR, Who's Who Legal and advokatura.lv
Attorneys' fees	Attorneys' fees are not regulated in Latvia. The fees of local counsels depend on various aspects, such as experience, academic degrees and many others. Typically, hourly rates in Latvia may be in the range of EUR 100 - EUR 300.

11.7. REDUCTIONS OR RETURN ON CAPITAL

	Latvia
Possibility to repatriate capital while a corporation is on-going	While it is possible, reduction of authorized share capital must not decrease a company's capital below the minimum requirements set by law. The minimum authorized capital of a private limited liability company is EUR 2800 and EUR 35 000 for joint stock companies.

12. COMPETITION

Competition law sets out certain rules and restrictions on undertakings' market behaviour, as well as the actions of public institutions and other public bodies. The Baltic States' competition rules have been modelled on the basis of EU competition law, and the local competition authorities often interpret domestic competition rules in the light of EU rules. Furthermore, it has become rather common for Baltic competition authorities to apply domestic competition rules together with EU competition law.

In general, domestic competition rules cover three major directions of behaviour of undertakings:

- They prohibit the conclusion of agreements, the adoption of decisions by associations of companies or any other practices by undertakings which may be anti-competitive by their intent or effect;
- They prohibit the abuse of a dominant position held by a company;
- They control mergers which meet certain turnover thresholds.

Competition rules also apply to public institutions and other public bodies, prohibiting them from granting privileges to certain undertakings to the competitive disadvantage of other undertakings, whereas the control of state aid to undertakings is a matter of EU competition law.

12.1. ANTICOMPETITIVE AGREEMENTS

Competition rules of all three Baltic States prohibit agreements and any other types of co-operation between undertakings which may restrict competition. In particular, it is prohibited for competitors to agree on prices or production volumes, allocate markets or clients, collude in tendering, or exchange information about prices, production volumes or other similar matters.

In addition to agreements between competitors, competition laws set out rules for undertakings cooperating on a vertical basis. For instance, a supplier must not dictate resale prices for distributors or prohibit distributors from exporting. Certain competition restrictions, such as arrangements limiting territories where a distributor may operate or prohibiting a distributor from selling competing suppliers' goods, may be allowed if the supplier's or buyer's share of the relevant market does not exceed 30%.

In terms of vertical cooperation, an undertaking may rely on the general rule that the lower the parties' market shares are, the more exceptions apply and the less they are affected by competition rules.

12.2. DOMINANT POSITION

Competition rules of all the three Baltic States set out significant restrictions on the behaviour of dominant undertakings, whereas undertakings with lesser market power do not have such restrictions.

Dominant companies

	Latvia
Existence of dominant position	<p>Dominant position is defined as an economic (commercial) position in a relevant market of a firm or several firms collectively, if such have the capacity to significantly hinder, restrict or distort competition in any relevant market for a sufficient period of time by acting with full or partial independence from competitors, clients, suppliers or consumers.</p> <p>Usually, the primary factor for establishing dominance is the market share of the firm, where a market share in excess of 40% is indicative of a dominant position. Other factors that might be relevant are market shares of competitors, entry barriers in the market, access to suppliers and markets and the financial strength of the firm.</p>
Prohibited actions for dominant undertakings	<p>Dominant undertakings are prohibited from:</p> <ul style="list-style-type: none">• charging unfair (i.e., far exceeding the economic value of the product) prices;• below cost (predatory) pricing and margin squeezing, that drives competitors out of business;• exclusivity arrangements, including loyalty inducing discount schemes;• discriminating among equal trading partners, if such discrimination distorts competition;• making the sale of a product conditional on purchase of another product (tying and bundling);• unjustifiably refusing to supply. <p>Analysis of the market behaviour of a dominant undertaking is supposed to be effect-based, i.e., the competition authority must produce a theory of harm in order to justify its finding on abusive conduct. Furthermore, it is also accepted that certain actions of a dominant undertaking, that formally have elements of abusive conduct, could also be justified on objective grounds.</p>

12.3. MERGER CONTROL

In Latvia, the following transactions could be subject to merger control by competition authorities if turnover thresholds are met:

- merger of previously independent undertakings or parts of undertakings;
- acquisition of sole or joint control over another undertaking or entity;
- creation of joint ventures .

Transactions that are controlled by the European Commission are not controlled in the Baltic States, even if the Baltic turnover thresholds are met.

If the thresholds are reached then, as a general principle, the acquirer is obliged to submit a merger filing to the relevant competition authority.

12.4. STATE AID

Rules on state aid are unified across the EU and are enforced primarily by the European Commission. Hence, these rules apply alike in the Baltic States and the rest of the EU.

13. PUBLIC PROCUREMENT & PPP

Public procurement	
	Latvia
Definition of public procurement	<p>In Latvia, the following purchases by the contracting authorities are considered public procurement:</p> <ul style="list-style-type: none"> • purchasing of goods; • contracting for provision of services; • organising design contests; • contracting for construction works.
National thresholds	<p>The national threshold of public procurement is:</p> <ul style="list-style-type: none"> • EUR 42,000 regarding supply and service contracts; • EUR 170,000 • regarding construction works contracts; • EUR 10,000 regarding design contests.
Electronic sources of information on public procurement procedures	<p>Published at: Procurement Monitoring Office: www.iub.gov.lv State Regional Development Agency: www.eis.gov.lv</p>
Obligations below the threshold	<p>In Latvia, the contracting authority is obliged to follow the special procedure stipulated by the Public Procurement Law in following cases:</p> <ul style="list-style-type: none"> • EUR 10,000 to 41,999 regarding supply and service contracts; • EUR 20,000 to 169,999 regarding construction works contracts.

Public-private partnership in Latvia

Regulation	In Latvia, the issues of public-private partnerships (PPP) are regulated by a special law – the Law of Public and Private Partnerships. The law prescribes the following PPP procedures: concessions, contractual PPP and institutional PPP. Insofar as the special law does not prescribe otherwise, PPP is governed by provisions of the Public Procurement Law as well.
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14. INTELLECTUAL PROPERTY

Latvian regulation of intellectual property (IP) rights is based on the universally recognized principles of intellectual property law. IP laws in the Baltic States distinguish industrial property rights, which must be duly registered in order to receive legal protection, from copyright and the related rights, which receive immediate legal protection upon their creation. Therefore, those industrial properties such as patents, utility models, trademarks, industrial designs and geographical indications require registration in order to receive legal protection.

14.1. LATVIA

Features	Trademark	Patent	Copyright
Definition	A sign used to distinguish the goods or services of a person from other similar goods or services of other persons.	Form of legal protection for inventions, i.e. technical solutions to technical problems.	Form of legal protection for an author's original intellectual creation (work), i.e. any results of the author's creative activities in the literary, artistic or scientific domain, irrespective of the mode or form of its expression and its value, which are expressed in an objective form and can be perceived and reproduced in this form either directly or by means of technical devices.
Who is entitled to obtain the right?	Natural and legal persons.	Natural and legal persons (authorship of the invention is, however, intangible and can belong only to natural persons).	Personal (moral) rights are intangible and belong only to the natural person – the author of the work. Economic rights are transferable and can belong to both natural and legal persons.
Acquisition of legal protection	<p>Upon registration in the Latvian Patent Office's State Register of Trademarks.</p> <p>Upon registration with the International Bureau of the World Intellectual Property Organization.</p> <p>Upon registration as an EU trademark.</p> <p>By making a trademark well-known in Latvia or with reputation in the European Union.</p>	<p>Upon registration in the Latvian Patent Office's Register of Patents.</p> <p>Upon registration with the European Patent Office and submission of a translation of the claims of the European patent into the Latvian language and payment of the prescribed fee for publication to the Latvian Patent Office within three months from the date on which the mention of the grant of the European patent has been published.</p>	Immediately upon creation of the work (irrespective of whether the work is finished).

Competent authority in Latvia	Latvian Patent Office	Latvian Patent Office	N/A
Term of validity	10 years	20 years	Copyrights: Lifetime of the author + 70 years after his/her death; Related rights: In general 50 years after first performance/fixation.
Licences	<p>Types of licences: 1) exclusive; 2) non-exclusive.</p> <p>A trademark license agreement may be registered with the Latvian Patent Office, but this is not mandatory and does not affect the validity of the licence towards third parties. If the license agreement is registered with the Latvian Patent office, the licensing agreement data must be recorded in the Register of Trade Marks of the Latvian Patent Office upon the request of the parties to the agreement.</p> <p>The size of royalties is subject to the mutual agreement of the parties to the trademark licensing agreement.</p> <p>Local antitrust and competition laws apply to trademark licence agreements.</p>	<p>Types of licences: 1) exclusive; 2) non-exclusive; 3) compulsory; 4) public.</p> <p>A patent license agreement has effect with respect to third parties after registration in the Latvian Patent Office's Register of Patents. The licensing agreement data must be recorded in the Latvian Patent Office's Register of Patents upon the request of the parties to the agreement.</p> <p>The size of royalties is subject to the mutual agreement of the parties to the patent licensing agreement.</p> <p>Local antitrust and competition laws apply to patent licence agreements.</p>	<p>Types of licences: 1) exclusive; 2) non-exclusive; 3) general.</p> <p>Certain types of copyright license agreements must be concluded in written form – publishing agreements; agreements on communicating the work to the public; agreements on creating of audiovisual work; and agreements which concerns rights included in exclusive or general licences.</p> <p>If the licence agreement or licence has been concluded for an indefinite time period, the author or other rightholder may terminate the licensing agreement or revoke the licence, giving a notice six months in advance.</p> <p>The size of royalties is subject to the mutual agreement of the parties to the copyright licensing agreement.</p> <p>Local antitrust and competition laws apply to copyright licence agreements.</p>

14.2. KNOW-HOW (TRADE SECRETS)

Features	Latvia	
Concept		<p>Under Latvian law, know-how is primarily protected as commercial secrets. Such rights are not subject to registration.</p> <p>The status of a commercial secret may be assigned by an owner for such matters and information of economic, technical or scientific nature, whether or not recorded in writing or otherwise, which complies with the following features:</p> <ul style="list-style-type: none"> • It is contained in the company of the owner or is directly related thereto; • It is not generally accessible to third persons; • It has an actual or potential financial or non-financial value; • It is disclosure to another person may cause losses to the owner; and • The owner has taken reasonable measures to preserve secrecy of the relevant information.
Regulation	<p>Pursuant to Latvian Commercial Law, an owner has the right to request the protection of commercial secrets, as well as compensation for losses, which have been caused by the illegal disclosure, or utilisation of such commercial secrets. Further protection of commercial secrets is stipulated also in the Competition Law, the Criminal Law and the Labour Law.</p>	

15. CESSATION OR TERMINATION OF BUSINESS

15.1. TERMINATION

Features	Latvia
Tax consequences	<p>Tax consequences of termination of a business depend on the chosen way to terminate it. In case of liquidation, all tax obligations must be settled and any accrued losses are lost (if not transferred within a qualifying group prior to liquidation).</p> <p>In case of reorganization (merger), the successor entity becomes liable for any existing tax liabilities.</p> <p>If a business terminates by way of liquidation, and the entity distributes a liquidation quota, the amount distributed in excess of the capital may be subject to tax in the hands of the recipient.</p>
Costs involved in termination	<p>In Latvia, after it is decided to liquidate a legal entity, a liquidator must be appointed; therefore, its fees are involved in the termination procedure. The investor might need additional legal advice on the termination matter, therefore, legal counsel fees may be incurred as well.</p> <p>In Latvia, costs involved in a liquidation may include state fees payable for filing liquidation documents.</p>
Timeline on terminating the business	<p>In Latvia, the time consumption depends on various aspects – the size of the legal entity being liquidated, the number of creditors, etc.</p> <p>In ordinary case a liquidation of a company can be carried out in about three-four months. In simple cases the liquidation can be completed in shorter time; however, in practice the process tends to take longer and can last anywhere from four months to several years.</p>
Differences of different business form in termination procedure	<p>In Latvia, various types of companies are treated quite similarly in liquidation procedures – after the competent body passes a resolution to liquidate a legal person, a liquidator must be appointed and the creditors and respective registers must be duly informed about such resolution passed. Further, the claims of creditors (the employees are understood as creditors as well) must be satisfied and the remaining assets (if any) are divided between the shareholders. After that, the legal entity may be terminated. Joint ventures and partnerships are terminated under the agreement of the partners. They must divide the assets of the joint venture (if any) and then the joint venture may be terminated.</p> <p>Non-resident branches can be closed with a formal decision of the company, and an application to the respective register.</p>
Government's role in termination procedures	<p>A business can be terminated in Latvia without governmental approval or intervention as long as the legal entity is not terminated due to insolvency reasons.</p>

15.2. INSOLVENCY / BANKRUPTCY

Features	Latvia
Investor's liability	<p>In case of insolvency or bankruptcy of limited liability legal entities (such as private limited companies, public limited companies, small partnership and etc.), the investor enjoys limited liability against the obligations of the company. The concept of this limited civil liability provides for investors' protection from the liabilities of the legal entity, i.e., the investors are not liable beyond their investment into such legal entity. In cases where the legal entity is unable to fulfil its obligations due to unfair actions of its member (shareholder or partner), such member is liable for the obligations of the limited liability legal entity within the amount, which is not covered by the legal entity.</p> <p>In case of insolvency or bankruptcy of unlimited liability legal entities (such as sole proprietorships or partnerships), the investor is fully liable for the obligations of the legal entity.</p>
Restructuring of business	<p>In Latvia it is allowed to restructure legal entities which face temporary financial difficulties or are at material risk of facing them, in order to avoid bankruptcy. The purpose of restructuring is to allow such legal entities that have not ceased commercial activity to preserve and maintain their activity, as well as to settle their debts and restore their solvency.</p> <p>In Latvia , a legal entity can be restructured only once in five years.</p>
	<p>Restructuring procedures are adopted if:</p> <ul style="list-style-type: none"> • the majority of creditors (2/3 of secured creditors and 1/2 of unsecured creditors according to their claims) and an administrator/supervisor have approved a plan; • the court has reviewed the plan and decided to accept it. <p>The maximum period for completion of restructuring proceedings (the term, legal protection proceeding, is used in Latvian law) is two years (certain exceptions apply) with a possibility to prolong it for up to two more years.</p>

16. EMPLOYMENT

16.1. GENERAL FEATURES OF EMPLOYMENT LAW

Features	Latvia
Form	Employment agreements must be in written form in Latvia. Further country specific information is provided below.
	<p>The following essential conditions must be indicated in the contract:</p> <ul style="list-style-type: none">• Full name, address and personal ID of the employee;• Date when employment begins;• Place of work;• Job functions;• Terms of remuneration;• Working time. <p>The employer must introduce to the person being employed the conditions of its work, the collective agreement (if applicable), work regulations, and other acts which are in force at the workplace.</p>
Term	<p>An indefinite employment term is a rule in Latvia (probation period is applicable). Entry into fixed term contracts and prolongation of fixed term contracts is limited.</p> <p>The contract will be considered to have an indefinite term if the employment relationship continues after the expiry of a contract providing for a limited term.</p>
Limitations on application of employment laws	Employment laws generally do not apply to members of management and supervisory boards in Latvia.
Limitations on conclusion of employment contract	<p>In Latvia, restrictions apply to conclusion of employment contracts with children under the age of 15 or children that have not yet completed their primary education.</p> <p>Latvia: in exceptional cases children from the age of 13, if one of the parents (guardian) has given written consent, may be employed outside of school hours doing light work not harmful to the safety, health, morals and development of the child</p>
Standard working hours	Eight hours per day and 40 hours per week in Latvia.
Maximum working hours	Latvia: Overtime work may not exceed 8 hours an average within a 7 day period, which is calculated in the accounting period that does not exceed four months., On the aggregated working time the maximum number of hours per week is 56 in any case.

	The working time must be shortened for employees under 18 years old, disabled employees, employees working under dangerous conditions and other protected employees.
Minimum rest time	12 uninterrupted hours per day; 42 uninterrupted hours per week.
Annual leave duration	At least 28 calendar days in all Baltic States (4 weeks in Latvia). The 28 days do not include public holidays in the respective State.
Minimum salary	Gross EUR 430 monthly; Gross around EUR 2.5 hourly (depends on the working hours per month).
Additional remuneration	Additional remuneration must be paid for: <ul style="list-style-type: none"> • night work – agreed hourly salary is multiplied by a rate of 1.5 for Latvia • overtime work – agreed hourly salary is multiplied by a rate of 2 for Latvia • work on public holidays – agreed hourly salary is multiplied by a rate of 2. For work on rest days, if such work is not established in the work schedule, the agreed hourly salary is multiplied by a rate of 2 or such work is compensated by granting additional annual leave at the employee's request.
Penalties on the employer	Failure to conclude an employment agreement and to notify respective institutions of employment is considered as illegal work, and could be subject to an administrative fine of up to EUR 7,100.
Information and consultation	The employer has an information and consultation obligation in the event of collective redundancy, reorganisation or transfer of undertaking. Consultation is necessary in case there are amendments to the organization of work in the company; there are adopted Internal Working Regulations.
Non-discrimination	Employers are prohibited from discriminating against employees based on gender or from treating employees unequally based on an employee's other characteristics.

16.2. TERMINATION OF EMPLOYMENT CONTRACT

Termination and Redundancy	
	Latvia
Termination of the employment contract	<p>An employer may terminate an employment contract:</p> <ul style="list-style-type: none"> • due to technological and economic reasons, structural changes in the company (redundancy); • due to the employee's qualifications, its behaviour at work, professional abilities; • due to breaches of working discipline by the fault of the employee; • upon liquidation of the employer or bankruptcy; • other grounds stipulated in the Labour Code (or Labour Law, respectively) and other laws. <p>An employee may terminate a contract at any time with one month's prior notice or immediately in case he/she has good cause (each condition based on considerations of morality and fairness that does not allow the continuation of employment legal relationships shall be regarded as such cause).</p> <p>During the probationary period, both parties may terminate the contract, the notice period being three days for Latvia.</p>

	Either of the parties may initiate the termination of employment by mutual agreement without prior notice.
Notification periods for the employer	The general notice period (if an employee is dismissed upon initiative of the employer when there is no fault of the employee) is one month. An employee may be dismissed without delay if the employee, when performing work, has acted illegally and therefore has lost the trust of the employer or with 10 days' notice in case the employee has without justified cause significantly violated the employment contract or the specified working procedures.
Severance pay	Any severance payment (ranging from one to four average monthly salaries) depends on the length of service of the employee: <ul style="list-style-type: none"> • one month average salary, if employment lasted less than five years; • two months average salary, if employment lasted 5-10 years; • three months average salary, if employment lasted 10-20 years; • four months average salary, if employment lasted more than 20 years.
Severance pay	No severance payment needs to be paid if the employment relationship is terminated at the request of the employee, with no material cause or due to the fault of the employee. If an employment relationship is terminated pursuant to the mutual agreement of the parties compensation for termination of the employment relationships is subject to the parties' negotiations.
Other employers' specific obligations	An employer is obliged to offer vacant positions before terminating a contract with an employee, except in case of offences by the employee or liquidation or bankruptcy of the employer. In Latvia, an employer is obliged to request written explanations before terminating an employment contract due to breach of contract or internal regulations by an employee or illegal activities of an employee.

	Latvia
Protected categories of employees in case of redundancy	Termination due to redundancy is prohibited in relation to pregnant women. Further redundancy prohibitions apply to the following persons: <ul style="list-style-type: none"> • During sickness or leave; • a woman following the period after birth up to 1 year, but if a woman is breastfeeding - during the whole period of breastfeeding, but no longer than until 2 years of age of the child. <p>The employees with higher qualifications and performance have a preferential right to remain in their positions.</p> <p>If these criteria are the same, the persons have a priority are those:</p> <ul style="list-style-type: none"> • who have worked for the relevant employer for a longer time; • who, while working for the relevant employer, have suffered an accident or have fallen ill with an occupational disease; • who are raising a child up to 14 years of age or a disabled child up to 18 years of age; • who have two or more dependants; • whose family members do not have a regular income; • who are disabled persons or are suffering from radiation sickness;
Protected categories of	<ul style="list-style-type: none"> • who have participated in the rectification • of the consequences of the accident at • the Chernobyl Atomic Power Plant;

employees in case of redundancy	<ul style="list-style-type: none"> • for whom less than five years remain until • reaching the age of retirement; • who, without discontinuing work, are • acquiring an occupation (profession, trade) in an educational institution; • who have been granted the status of a politically repressed person.
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16.3. SAFETY STANDARDS

Features	Latvia
Regulation	The Labour Code and the Labour Protection Code.
Supervision	The State Labour Inspectorate is responsible for the control over prevention of accidents at work and occupational diseases, safety and health at work, the prevention of violations of legal acts regulating labour, as well as the control of compliance with the Labour Code of the Republic of Latvia, and with the laws and standard legal acts regulating occupational safety and health.
Obligation of employers	Laws establish an obligation of the employer to make the employees acquainted with the main provisions of laws, other legal acts and internal company documents regulating safety and health at work.

16.3.1. Trade Unions

Features	Latvia
Recognition	Trade unions are rather undeveloped in Latvia. However, trade unions play a major role in cases an employee is a member of a trade union, as in such cases the respective trade union has to agree to the dismissal of its members (there are some exceptions when it is not necessary).
Employer's obligation to organize trade unions	<ul style="list-style-type: none"> • Trade unions may be established on the basis of professional, office, production, territorial, or other principles as determined by such trade unions. • Where an enterprise has no functioning trade union and where a staff meeting has not transferred the function of employee representation and protection to the trade union, the works council has all the rights of the entities of collective representation.
Collective bargaining	<p>Collective bargaining agreements may be concluded on the following levels:</p> <ul style="list-style-type: none"> • sectoral (production, services, professional) or territorial (municipality, county) level; • enterprise (establishment, organisation) level or on the level of its structural division. <p>Collective bargaining agreements can be concluded by trade unions or representatives of employees. Collective bargaining agreements are not mandatory in Latvia. In fact, the vast majority of small and medium enterprises do not have collective bargaining agreements.</p>

17. EXPATRIATE EMPLOYEES

17.1. WORK PERMITS

Features	Latvia
Necessity of work permits	Non-EU citizens who intend to work in one of the Baltic States must obtain work permits, unless statutory exemptions apply.
Application	Work permits are issued by the Office of Citizenship and Migration Affairs on the basis of a visa or a residence permit.
Related requirements	In Latvia, a requirement for sufficient financial means is applied. Subject to specific statutory provisions, an estimate for required sustenance is not less than the average gross monthly work remuneration of persons working in Latvia recorded in the previous year.
Fees	Work permit is obtained together with a visa or residence permit, and no additional charge is taken (expenses for visa or residence permit -approx. EUR 100). Additional state fee in amount of EUR 20 is applied, if additional rights to employment are granted or information on existing employment rights is updated.
Time limits	Since a work permit is obtained together with a visa or residence permit, the time limits are the same for obtaining of these documents. Thus, the time required for obtaining a work permit will depend on the workload of the Latvian embassy in the respective foreign country and consequently on its ability to issue a visa. As to the obtaining of a residence permit, subject to more specific regulations, anyone with a valid visa can obtain it in Latvia within 5 to 30 days, depending on the commission paid, or via a Latvian embassy, including the time it takes to ship the necessary documents back and forth.
Validity term	The validity period of a work permit is the same as that of the document on the basis of which it was granted (temporary residence permits are granted for up to five years with the option of repeated a request).

17.2. COST OF LIVING AND HOUSING

Features	Latvia
Cost of living	<p>According to the Legatum Prosperity Index for 2017, Latvia, the place in the world based on criteria which consist of nine categories: economic quality, business environment, governance, education, health, safety & security, personal freedom, social capital and natural environment. .</p> <p>According to the costs' criteria – Latvia are among top 10 least expensive European countries.</p>
housing	In Latvia , there are plenty of print and online resources as well as many consultancies available for those looking for a housing property. Nationwide, housing prices are declining, while in the centre of Riga and Jurmala prices show an upward trend. The highest property prices are in Jurmala, which is a Latvian resort town, followed by the capital, Riga, while in other parts of the country housing prices are rather moderate.
Inflation rate	According to forecasts of the Bank of Latvia, inflation was estimated to be 2.8% in 2018.

17.3. MEDICAL CARE

Features	Latvia
System of medical care	<p>Citizens and residents of Latvia are entitled to government-funded healthcare. Private healthcare is available throughout the country.</p> <p>The health care system in Latvia is based on a residency principle.</p> <p>The public system is funded by contributions from employers and employees and from revenue created through the government and social insurance activity.</p>

17.4. DRIVERS' LICENSES

Features	Latvia
Need for drivers' licences	<p>Driving licenses issued by the EU member states as well as by Iceland, Norway and Liechtenstein are valid in Latvia without any limitations.</p> <p>Drivers licences from the countries that are participants of the 1968 Vienna Convention on Road Traffic is valid in Latvia. The driving licenses to which the aforementioned conventions apply are valid for 12 months as of the date on which the person took up residence in Latvia. After that deadline, the driver's license should be replaced with an Latvian driving license.</p>
Obtaining a drivers' license	<p>A theoretical test and a practical exam are obligatory in order to obtain a driving license in Latvia. Examination services are available only for persons permanently residing in Latvia. A person will be considered permanently residing in the Republic of Latvia if he/she normally lives in the respective country at least 185 days within the calendar year.</p>
Fees	<p>Theory test –EUR 12,63; Practical exam (category B) – EUR 38.52); Issuance of driving license – EUR 22,05.</p>

17.5. IMPORTING PERSONAL POSSESSIONS

Features	Latvia
Means of transportation	<p>Import of personal belongings is easy, since provision with a great variety of transport means:</p> <ul style="list-style-type: none">• Flights from international airports;• Transportation by railway transport;• Transportation by bus transport;• Transportation by ferries. <p>In addition, anyone is free to choose courier services provided by a number of private companies.</p>
Import duties	<p>Personal property of natural persons when changing the place of residence into Latvia is exempted from import taxes.</p>

18. REAL ESTATE

18.1. GENERAL FEATURES

	Latvia
System of real property law	<p>The real property law in Latvia is based on a strong, public real estate register, as it is known in the German legal system.</p> <p>In Latvia, all real property rights, whether the right of ownership or limited real property rights, in respect of any real property are established, cease to exist and be publicly binding only upon a respective entry in the respective State's real estate register.</p>
Real estate definition	<p>In Latvia, a registered land plot together with all essential parts thereof, including any buildings erected on the land, is defined as real estate.</p> <p>In Latvia, as a rule, the title to a building cannot be held separately from the title to the land plot under that building. There are exceptions to this as identified below in the separate columns in relation to Latvia.</p>
	<p>In Latvia, there are a number of exceptions from the general rule, when the land and buildings erected on it can be recognized as separate and independent real estates, including when such situation has arisen due to historic reasons. In addition, a building can be erected on a land plot owned by another person based on a lease agreement with a lease term of at least 10 years which provides for the right to construct. In such cases, the building will be considered as independent real estate and can be subject to transactions independent of the land plot itself (subject to the pre-emption right), however, these rights are limited by the term of the lease.</p> <p>Apartment ownership is also considered a separate real estate.</p>

Types of real property encumbrances	<ul style="list-style-type: none"> • Mortgage; • Pre-emption right; • Buy-out right; • Real servitudes and “red lines” (territories reserved for future development of streets etc.); • Personal servitudes; • Usufruct and lease; • Building right. 	
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18.2. REAL ESTATE AND ENCUMBRANCES

Features	Latvia
Restrictions on foreign ownership of real estate	<p>There are certain restrictions and rules relating to acquisition of land:</p> <ul style="list-style-type: none"> • in the borderland; • in nature reserves and other protected territories; • in the Baltic Sea and Riga Gulf coastal dunes’ protected zone; • in the protected zones of public bodies of water and water courses, except for sections intended for construction; • with mineral deposits of national importance; • agricultural land (max area restrictions). <p>Individuals and companies from non-EU member states with which Latvia does not have international treaties in connection with investment protection or land ownership, and wishing to acquire land, other than the above identified sensitive areas, need to apply to the local municipality for certain screening of the intended use of land in compliance with the territorial planning.</p>
Formalities for the transfer and encumbering of a real estate	<p>In Latvia, the formalities for both the transfer of real estate and encumbrance of real estate (for example with a mortgage) are similar. The parties must conclude a notarised document (corroboration request in Latvia) and a contract regarding the substantive right, following which a corresponding entry needs to be made in the respective real estate register. In the case of a transfer agreement, the title is considered as transferred and in the case of encumbrance, the encumbrance (e.g., mortgage) is established as of the respective entry in the real estate register.</p> <p>An agreement on the transfer of structures (including buildings) should explicitly include the rights of the buyer in respect of the land under the structures. Failure to comply with this requirement makes the agreement null and void.</p> <p>The title to real estate passes to the purchaser at the moment of its transfer, which must be documented by a transfer-acceptance deed to be executed by the parties in addition to the main agreement. Upon agreement of the parties, the agreement itself may serve as a transfer-acceptance deed in which case a separate transfer-acceptance deed does not have to be executed.</p>

Costs of the transfer of real estate and setting a mortgage	<p>Notary's fees, state fees and stamp duties must be paid. The amount of the state fees and duties depends on the value of the real estate or mortgage and the particular right to be registered.</p> <p>The state fee payable in case of transfer of real estate is 2% of the value of the real estate, however not exceeding EUR 42,887. The respective state fee cap is abolished as from 1 May 2018.</p> <p>The State fee for registration of a mortgage is 0.1% of the loan / amount of secured liabilities, however, not exceeding EUR 1,423.</p> <p>The amounts of notary's fees are regulated but vary depending on the number of signatories or other factors. Certification of a corroboration request normally does not exceed EUR 100.</p>
Costs of the transfer of real estate and setting a mortgage	<p>The stamp duty of the Land Register normally does not exceed EUR 30.</p>

18.3. COMMERCIAL LEASE AGREEMENTS

The current information is provided with regard to commercial lease agreements.

	Latvia
Registration of the lease agreement	<p>A tenant may demand (negotiate) the landlord to make an entry regarding the lease in the real estate register, which entry would secure the tenant's rights in case of transfer of the real property to a new owner – in such case the new landlord is prohibited from terminating the lease agreement due to the change of ownership of the real property.</p>
Term of the lease agreement	<p>There are no limitations on the term of a lease agreement.</p>
Termination of lease agreement	<p>A fixed term lease agreement can be terminated before term only for material reasons explicitly listed by the law; such reasons include a significant breach of the agreement and condition of the real estate.</p> <p>A lease agreement with an indefinite term can be terminated upon six months prior notification, however, in the event of termination of the lease of a farmstead, the notification must be submitted six months prior to 23 April.</p> <p>A lease agreement terminates automatically, if the real estate is destroyed or upon termination of the rights of the lessor to the real estate or upon acquisition of the leased real estate by the lessee.</p>
Renewal	<p>The law does not set out a compulsory renewal procedure in Latvia.</p>
Renewal	<p>A commercial lease agreement can be renewed only upon the parties' agreement. The parties can agree on a contractual priority right to renew the lease.</p>
Change of ownership	<p>In Latvia, lease agreements automatically transfer to the new owner of real estate. The new owner may terminate the lease agreement due to the change of ownership unless the lease agreement is registered with the respective real estate register.</p>

Taxation of rent	Income of Latvian entities or permanent establishments of foreign entities from the lease of real estate is considered ordinary business income which is subject to 15% corporate income tax in Latvia.
	Rent payments on commercial leases are subject to VAT, if the lessor is registered for VAT purposes.
Lessor's securities	In Latvia, the lessor of real estate has the right of security over movables located on the leased real estate and furnishings of the premises. Additionally, lease agreements often set out the lessee's obligation to pay a deposit upon signing of the lease agreement. Some lessors also require the lessee to produce an appropriate bank guarantee.

18.4. CONSTRUCTION MATTERS

Features	Latvia
Costs of construction	<p>Most municipality services in the construction process are subject to a stamp duty. With the exception of the construction fee, all stamp duties for receipt of various documents and permits, e.g., commissioning of the building, are within the limits of EUR 100.</p> <p>There is a construction fee calculated based on a certain formula, factoring in the planned volume of the construction works, location of the works and the type and nature of the works. 40% of the construction fee is payable upon receipt of the architecture and planning assignment, and 60% of the fee is payable upon requesting of the construction permit and based on the precise construction volume stipulated in the approved design.</p> <p>In addition, municipalities can charge fees for the impact that the development (normally excluding single family dwellings or certain interior works) has on the infrastructure, e.g. so called infrastructure use payments (for connecting to roads and utility networks), fee for compensating the damage caused to nature (tree cutting permit) etc.</p> <p>Both the construction fee and infrastructure fee calculators are available on-line for construction in Riga municipality.</p>
Construction permits	<p>A construction permit can be obtained based on an initial construction intent (design in minimal composition), with precondition to be fulfilled prior to carrying out the construction works. The design prior to approval should be coordinated with concerned third parties, including co-owners.</p> <p>A construction permit is not required, and simplified approvals apply, for certain simple works, for example, certain interior renovations or reconstruction, and construction of minor buildings below 25m².</p> <p>Specific procedures apply, if construction involves national security interests, energy transmission, hydro-technical, waste management or otherwise sensitive buildings.</p>
Authorization to construct	<p>Any business person intending to perform construction works, i.e. engineering survey, design, management of construction works, construction supervision, or technical expertise, should register with the Register of Construction Contractors. As an eligibility requirement, the contractor should employ specialists holding certificates in each of the areas of the construction works for which the contractor elects to be licensed.</p> <p>Individuals who have obtained a professional education and / or qualification outside Latvia need to undergo a process of recognition of their education and qualifications in Latvia. The recognition procedures are executed through the Academic Information Centre, which issues to the relevant professional certification organization its opinion on compatibility of the education and qualifications.</p> <p>For certain regulated professions, where the educational programs are harmonized in the EU, such as architects, professionals from the EU can benefit from a “special” recognition process, the time frame for which is three months. Otherwise, the general qualification recognition process takes four months from the date of submission of the full required documentation. For more information, please see: www.aic.lv/rec/Eng/index.ht</p>

19. DISPUTE RESOLUTION

19.1. CHOOSING JURISDICTION

Persons engaged in business activity may agree to resolve disputes arising from contractual relations in courts of other countries as long as that country permits such agreement.

The parties, however, may not change the exclusive jurisdiction provided for in the Civil Procedure Code, namely:

- an action regarding ownership rights or any other property rights regarding immovable property or appurtenances thereof, or an action regarding registration of such rights in the Land Register or deletion of such rights and exclusion of property from the description statement, must be brought according to the location of the property;
- where the confirmed heirs to an inheritance, or where the heirs who have accepted an inheritance are unknown, jurisdiction with respect to actions of creditors regarding the whole estate lies in the court in accordance with the place of declared residence or residence of the estate-leaver, but, if the place of declared residence or residence of the estate-leaver is not in Latvia or is unknown – in the court in accordance with the location of the property of the estate or a part thereof.

Exclusive jurisdiction is also applicable to cases which are subject to special adjudication procedures and cases concerning performance of obligations to be adjudicated on a no-contestation basis. Furthermore, exclusive jurisdiction may be provided for by other laws.

19.2. ALTERNATIVE METHODS OF DISPUTE RESOLUTION

All the three states provide for alternative dispute resolution.

	Latvia
Arbitration	<p>The most notable arbitration courts in Latvia are:</p> <ul style="list-style-type: none">• The Riga International Arbitration Court;• The Arbitration Court of the Latvian Chamber of Commerce and Industry. <p>Presently there are 70 permanent arbitration courts in Latvia.</p>
Mediation	<p>According to the Code on Mediation, Article 1, mediation services can be performed by:</p> <ul style="list-style-type: none">• individually practicing mediators appointed by the parties;• individually practicing mediators, <u>certified according to the law</u>. <p>For example, court-annexed mediation can only be performed by the certified mediator.</p> <p>Mediation services are also provided by organizations, for example, the Arbitration Court of the Latvian Chamber of Commerce and Industry. The list of mediators practicing under the respective organizations are typically found on their websites.</p>

Since January 1, 2015 the Arbitration Code, regulates resolving of disputes in domestic arbitration cases. The Civil Procedure Code is applicable for the specific procedural issues and stages of the case, for example, in respect of securing of the claim and compulsory enforcement of the arbitral awards by issuing a writ of execution.

As a general rule arbitration courts can settle any civil legal dispute, provided that the parties have voluntarily agreed upon and concluded an arbitration agreement, except for the following disputes that are listed by the Arbitration Code and which cannot be submitted to arbitration:

1. the adjudication of which may infringe the rights of such person who is not a party to the arbitration agreement;
2. where at least one of the parties is a state or local government authority or the award of the arbitration court may infringe the rights of the state or local government authority;
3. related to entries made in the Civil Records Registry;
4. on the rights and obligations, or interests protected by law, of such persons, who are under guardianship or trusteeship;
5. over establishment, alteration or termination of property rights regarding immovable property, if among the parties to the dispute there is a person whose rights to acquire immovable property into ownership, possession or use are restricted by law;
6. regarding the eviction of natural person from residential premises;
7. individual employment disputes; and
8. regarding the rights and obligations of persons who have entered into or in respect of whom insolvency procedure has been initiated.

There are 70 permanent arbitration courts in Latvia, the most noteworthy of which are the Riga International Arbitration Court and the Arbitration Court of the Latvian

Mediation has become more frequent in contract and civil damage cases, as well as to solve family and inheritance law disputes. Mediation is regulated by the Code on Mediation (entered in force on June 18, 2014) and some procedural aspects of mediation are governed by the Civil Procedure Code.

Pursuant to the Code on Mediation, during court proceedings while adjudication of a matter on the merits has not been completed the court-annexed mediation can be initiated, if the parties have expressed a willingness to settle the dispute using mediation upon recommendation of a court or a judge. Upon reaching an agreement as a result of court-annexed mediation, the parties may: 1) enter into amicable agreement that conforms to the norms of the Civil Procedure Code, to submit it to the court and to request the court to approve it; 2) refuse from the claim; 3) recognize the claim fully or partly.

According to the Civil Procedure Code, in preparation of and during the course the case is examined on merits, the judge shall strive to reconcile the parties and also offer to settle a dispute through mediation. So long as the examination of a case on the merits is not completed, it shall be possible to withdraw a claim, admit a claim, enter into a settlement or an agreement to transfer the dispute examination in an arbitration court, as well as to agree on use of mediation.

References regarding application of alternative dispute resolution methods are included, for instance, in the Code on Carriage by Road, the Labour Code, the Labour Disputes Code, the Consumer Rights Protection Code, the Code on Notaries and the Code on Trade Unions.

19.3. LENGTH OF COURT PROCEEDINGS

The length of court proceedings may vary due to the case load of the respective courts. Court proceedings tend to take longer in complex cases in Latvia.

The general trend with regard to the length of court proceedings are:

- about three years in all three instances for civil disputes and similarly for administrative disputes in **Latvia**;

19.4. SECURING OF THE ENFORCEABILITY OF FUTURE DECISIONS

Latvia

National courts have jurisdiction to impose interim measures on the respondent:

- a) attachment of movable property and monetary funds of the defendant;
- b) entering of a prohibitory endorsement in the register of the respective movable property or any other public register;
- c) entering of an endorsement regarding the securing of a claim in the Land Register or Ship Register;
- d) arrest of a ship;
- e) prohibition on the defendant to perform certain actions;
- f) attachment of payments, including deposits in credit institutions and other financial institutions, which are due from third parties;
- g) and postponement of enforcement activities (also prohibiting bailiffs to transfer money or property to a debt-collector or debtor or suspending the sale of assets).

Means of securing a claim may be applied at any stage of the proceedings, as well as prior to the bringing of court action. It is also possible to secure enforcement of a judgment by applying numerous of the aforementioned means of securing a claim. In the event that a dispute is subject to arbitration, the claim can be secured only before the claim is referred to the respective court of arbitration.

19.5. ENFORCEMENT OF FOREIGN COURT DECISION AND ARBITRAL AWARDS

Latvia

Foreign court decisions and arbitral awards can be recognized and enforced in Latvia subject to certain rules.

In general, the decisions would have to be recognized under the procedure set out in the Latvian Civil Procedure Code, international agreements and EU Regulations. In respect to arbitral awards, the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards is applicable, but in case the country has not joined this Convention, the recognition and enforcement proceedings are governed by the Civil Procedure Code.

Under the procedure for recognition and enforcement of foreign court decisions and arbitral awards, there is no substantial review of the case and the Latvian courts verify only compliance with general procedural standards, such as whether the party was informed of the proceedings and was afforded due procedural defence, whether the decision is in force in the country of its adoption, whether it contradicts public policy, etc.

In some cases, defined by specific EU Regulations, court decisions of EU member states would be enforceable in Latvia without application of a recognition procedure. Namely, the decisions shall be directly submitted to the court bailiff for execution.

19.6. ENFORCEMENT OF NATIONAL COURT DECISIONS OUTSIDE THE COUNTRY

In general, court decisions of Latvia are enforceable outside of the country, subject to international agreements and EU regulations, if the decision is to be enforced in an EU country.

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