



LEX MUNDI
PUBLICATION

ISSUES RELATING TO FOREIGN INVESTMENT

LATVIA
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1) Is national governmental permission required for foreign investors to acquire real estate? If so, please identify.

Yes. Foreign investors, except for citizens of EU member states or companies registered in EU member states, shall obtain a municipal permission for the acquisition of land in Latvia.

2) Are there other national restrictions imposed on ownership of real estate by foreign investors? To acquire interests in entities which own real estate? If so, please identify.

Yes. Generally foreign investors may not acquire land in state borderland territories, national park territories, protection zones of shore dunes of Baltic sea and Riga See Gulf, protection zones along water bodies and water courses, agricultural and forestry territories and mineral deposit fields of national importance. With certain exceptions until May 1, 2011 citizens of EU member states or companies registered in EU member states may not acquire forestry and agricultural land in Latvia.

Generally foreign investors from the countries with which Latvia has concluded and ratified investment protection treaties until 31 December 1996 may acquire interest in local entities which own real estate without any restrictions. Local companies in which foreign investors from other countries have acquired more than 50% of share capital shall obtain municipal permission for retention of title to the property.

3) Are foreign investors required to invest with a local partner? If not, is investment with a local partner advisable?

There are no mandatory requirements to invest with a local partner. However, it might be recommended for facilitated acquisition of land property.

4) What national taxes are levied solely on foreign individuals or entities acquiring or transferring real estate or interests in entities which acquire real estate?

Non-residents are subject to personal income tax or corporate income tax on the gains from the sale of real property in Latvia. Non-resident natural persons are subject to 25% personal income tax on gains from the sale of real property and non-resident legal entities are subject to 2% corporate income tax. The relevant tax should be withheld at source if payment is being made by a Latvian resident. Non-residents (both natural persons and legal entities) are not taxed on the sale of shares in Latvian companies which acquire real estate.

5) Describe reporting requirements for reporting the acquisition, ownership or disposition of real estate which relate solely to foreign direct or indirect owners of real estate.

If the foreign investor intends to obtain the land property in Latvia, the foreign investor shall submit an application to local municipality, specifying the prospective use of the land property. If the prospective use of the property complies with the terms of the Territory Plan of local municipality and if the land property is not located in any of the restricted areas specified above, the municipality within 20 days shall issue permission for the acquisition of land. The foreign investor's title to the property may be registered with the public Land Register only after the receipt of the permission.

If the foreign investor from the restricted countries specified above has acquired more than 50% of share capital of Latvian registered company owning the land property, the Latvian registered company shall obtain the permission from the local municipality within 1 month from the date the shareholder changes have been notified to the Companies Registry of the Republic of Latvia. If the permission is not granted, the company shall alienate the property within a period of 2 years.