



ISSUES IN OWNERSHIP OF REAL ESTATE

LATVIA

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1. Is perpetual fee simple ownership of real property permitted? If not, what are the principal forms of ownership, or other principal form of ownership, of real property?

Latvian law permits ownership of real property as the full rights of control over the property for indefinite duration.

2. What instruments are used to convey fee simple ownership, or other principal form of ownership, of real estate?

Ownership is most often transferred on the basis of agreement. Any transfer of title shall be registered in the public Land Register. Until registration in the Land Register, the acquirer of real property does not have any rights against third parties. However, they have the right, not only to request compensation for all acts done in bad faith by the earlier owner pertaining to the real property, but also to request that the latter take all the appropriate steps to register transfer of the real property in the Land Register.

3. How in this jurisdiction is the ownership of real property recorded or searched? Who generally performs the search?

Ownership of real property is recorded in the Land Register, as only such persons shall be recognized to be the owners of real property, as are registered in the Land Register as such owners. The ownership search is generally conducted by an attorney or notary; however, as the electronic data base of Land Registry is publicly available, generally any person may conduct a search of owner of the property by property address, cadastral number or number of the folio of the Land Register in which the property is registered.

4. What assurances of ownership are available to purchasers of real property (e.g., title insurance or title opinions)? What is the cost of obtaining such assurances?

Title insurance is generally not available in Latvia. Lawyer's opinion on title related issues may be obtained and the rates depend on the rates of the law office used.

5. What are the most common forms of investment vehicles? What are the most common entities employed to own investment real estate in a tax efficient manner?

A special purpose vehicle in the form of Latvian limited liability company is the most common form of entities used. Direct ownership of real estate by individuals is also used.

6. Has this jurisdiction adopted, or is it considering, legislation permitting the creation of real estate investment trusts or similar entities?

Latvia has adopted legislation relating to investment management companies, according to which resources of a closed investment fund held by investment management company may be invested in real estate or rights relating to the use of the real estate.

7. What state or local transfer, stamp or similar taxes are levied generally on sellers or buyers upon the direct transfer of real estate?

A company is subject to tax on the gains from the sale of real estate. Capital gains are treated the same as ordinary income and are taxed at the corporate tax rate of 15%. Gains are calculated as the difference between acquisition cost and sale value. In the case real estate is sold by a non-resident to a resident company, the sale proceeds are subject to withholding tax of 2%. Individuals are subject to personal income tax at a rate of 25% on the gains from the sale of real estate. Individuals carrying on business activity will be taxed at a rate of 15% from 2008 and gains from the sale of real estate will be taxed at this rate provided the sale of the real estate is the individuals business activity. Individuals are exempt from the gains from the sale of real estate in case the person has owned the real estate for more than five years and the real estate has been the individual's declared residence for at least a 12 month period prior to the sale. In addition to income tax, in order to register the change of title to real estate in the state Land Book registry as a result of a sale, a state fee is payable of up to 2% of the value of the transaction capped at LVL 30,000 (subject to certain exceptions.)

8. What state or local transfer, stamp or similar taxes are levied generally on sellers or buyers upon the transfer of interests in entities which own real estate?

A company is subject to tax on the gains from the sale of shares. Capital gains are treated the same as ordinary income and are taxed at the corporate tax rate of 15%. Gains are calculated as the difference between acquisition cost and sale value. In the case when shares of a company which has more than 50% of assets consisting of real estate are sold by a non-resident to a resident company, the sale proceeds are subject to 2% withholding tax.

Individuals are generally exempt from tax on the gains from the sale of shares provided the sale of shares is not their business activity. An exception is in case an individual sells shares in a company which has assets of more than 50% consisting of real estate in which case the gain from the sale of shares would be subject to personal income tax of 25% (from 2008 a 15% personal income tax rate may apply if the sale of the shares qualifies as the business activity of the individual.)

9. How significant is local regulation and taxation of real estate? How significant is the variation of real estate law among political subdivisions of this jurisdiction?

As a general rule there are no local/municipal taxes payable with respect to the sale of real estate. Real estate is subject to real estate tax in accordance with the requirements of national legislation but the administration and collection is carried out by the municipalities where the real estate is located.

10. Must ultimate beneficial owners of entities which own real estate be disclosed as a matter of public record?

Beneficial owners of a limited liability company owning real estate shall be disclosed as a matter of public record. Information on beneficial owners of joint stock companies owning real property may remain with the respective joint stock company.