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If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima*<sup>1</sup> has adopted and the President has proclaimed the following Law:

## **On Taxes and Fees**

### **Chapter I General Provisions**

#### **Section 1. Terms Used in this Law**

The following terms are used in this Law:

1) **tax** – a mandatory payment into the State budget or local government budgets (basic budget or special budget) provided for by law which is not payable for the

<sup>1</sup> The Parliament of the Republic of Latvia

acquisition of specific goods or receipt of services and is not a payment of a fine, an increase in the amount of the principal debt or a late charge, nor a payment for the use of State capital or part thereof. The term mentioned shall also apply to mandatory contributions for State social insurance;

2) **state fee** – a mandatory payment into the State budget (basic budget or special budget) or in the cases provided for by this Law, into a local government budget as remuneration for funding that State institutions have given for entrepreneurial activity, or for services provided and special purposes set out in laws (road, port and communication system maintenance and development, ecological protection of inhabitants and nature, improvements of the territory and other purposes);

3) **local government fee** – a mandatory payment into the local government basic budget or special budget as determined by the local government city council (parish or district council) in cases provided for in this Law;

4) **taxpayers** – natural or legal persons of the Republic of Latvia or foreign states and groups of such persons or their representatives formed on the basis of contracts or agreements, who are carrying out taxable activities or who have been guaranteed income in the future. The specific taxable item and the taxpayers affected shall be determined in each specific tax law. Within the meaning of this Law and specific tax laws, persons subject to value added tax and persons, groups of such persons or their representatives who withhold or should withhold taxes from payments to other persons, groups thereof or group representatives shall also be considered to be taxpayers;

5) **tax (fee) administration** – the State Revenue Service and authorities established by it, officials appointed or institutions established by local government city councils (parish or district councils), and other State authorities if they have been provided for in specific laws;

6) **tax rebate** – a portion of tax by which assessed tax may be reduced if the taxpayer has satisfied the conditions of a specific tax law or it is provided for by criteria set out in the law. Pursuant to the conditions in this Law, a tax rebate shall be either refundable or non-refundable;

7) **refinancing rate** – a rate of lending specified by the Bank of Latvia for short term credits which it provides to commercial banks for maintenance of liquidity;

8) **taxation period** – the time period (year, month and others), for which tax is assessed;

9) **pre-taxation period** – the time period preceding a taxation period;

10) **post-taxation period** – the time period subsequent to a taxation period;

11) **transaction** – an activity establishing, amending or terminating a legal relationship;

12) **capitalisation of a tax debt** – increase in registered capital by the amount of the tax debt for an undertaking (company);

13) **special tax regimen** – a tax regimen specified by law which provides for the application of a special tax rebate, special procedures for the writing off of fixed assets or the provision of special criteria in the exemption from payment of tax or also the application of all the conditions mentioned;

14) **evasion of tax or fee payments** – the non-submission of declarations, accounts or tax assessments, the deliberate provision of false information in tax declarations, the unlawful application of tax relief or rebates or any other deliberate action the result of which the assessment and payment of taxes and fees in conformity with regulatory enactments is not ensured;

15) **surveillance** – tax administration control in which for a specified time period on the basis of the taxpayers legal address or place of economic activity all activities associated with the performance of economic activities are recorded;

16) **tax review (audit)** – examination by the tax administration in which the assessment, payment and correctness of payment into the budget and the conformity thereof to regulatory enactments of one or more taxes, tax declaration items or fees and other State mandatory payments are controlled in a specified taxation period;

17) **thematic examination** – examination by the tax administration in which the observation of separate regulatory enactments are controlled, separate accounting documents are examined and compared with the accounting information of counterparties, as well as the performance of other examinations as a result of which additional tax payments are not specified for the budget; and

18) **related persons** – within the meaning of this law: two or more natural or legal persons or a group of persons associated by a contract, or the representatives of such persons or groups if at least one of the following circumstances exists:

a) they are parent and subsidiary undertakings,

b) the participation share of one undertaking in the other undertaking is from 20 to 50 per cent, moreover, this undertaking does not have the majority of votes,

c) more than 50 per cent of the value of the equity capital or the shares of the undertaking in each of these two or more undertakings belongs to or by contract or otherwise is ensured a deciding influence in these two or more undertakings (there is a majority of votes) for one and the same person and the kin of such person to the third degree or the spouse of such person, or the affines of such person to the second degree,

d) more than 50 per cent of the value of the equity capital or the shares of the undertaking in each of these two or more undertakings is owned by or by contract or otherwise is ensured a deciding influence in these two or more undertakings (there is a majority of votes) for several, but not more than 10 one and the same persons,

e) more than 50 per cent of the value of the equity capital or the shares of the undertaking in each of these two or more undertakings is owned by or by contract or otherwise is ensured a deciding influence in these two or more undertakings (there is a majority of votes) for an undertaking in which a natural person (or the kin of such person to the third degree or the spouse of such person, or the affines of such person to the second degree) owns more than 50 per cent of the value of the equity capital or the shares of the undertaking,

f) the one and the same person or one and the same person has a majority of votes on the board of directors of the undertaking, or

g) between these persons, in addition to a contract for a specific transaction in any form, an agreement has been entered into (including an agreement

which has not been made public knowledge) for any additional remuneration not provided for in the contract or such undertakings perform other forms of co-ordinated activities in order to reduce taxes.

*[6 June 1996; 4 December 1997; 9 October 2002; 28 February 2003; 9 October 2003]*

## **Section 2. Scope of Application of the Law**

(1) This Law determines the types of taxes and fees and regulates the procedures for determining taxes and fees, collection and recovery thereof, the rights, duties and liability of the persons paying taxes and fees (hereinafter – taxpayers) and of the taxes and fees administration (hereinafter – tax administration) and the appeal procedures for decisions made regarding tax and fee issues.

(2) This Law applies to all taxes and fees if a specific tax law does not provide for other procedures applicable to the specifics of the particular tax or fee, which may not be contrary to this Law. Procedures for determining customs duties, collection and application of sanctions shall also be regulated by the Customs Law and other regulatory enactments regulating specified procedures in customs matters.

(3) A specific tax or fee shall be levied in accordance with a specific tax or fee law, and in the cases set out in this Law in accordance with Cabinet regulations or binding regulations issued by local government city councils (parish or district councils).

(4) If there are norms included in the Cabinet regulations or binding regulations approved by local government city councils (parish or district councils) which provide for mandatory payments which comply with the terms “tax”, “fee” or “local government fee” mentioned in Section 1 of this Law, but which are not provided for in this Law, then the application of such norms shall not be permissible until relevant amendments have come into force for this Law.

*[6 June 1996; 22 October 1998; 14 December 2000; 9 October 2003; 31 March 2004]*

## **Section 3. Tax and Fee System**

(1) The tax and fee system shall consist of:

1) State taxes, the taxable objects of which and the rates of which are determined by the *Saeima*;

2) State fees, which are levied in accordance with this Law, other laws and Cabinet regulations; and

3) local government fees, which shall be levied in accordance with this Law and with binding regulations issued by local government city councils (parish or district councils).

(2) In a specific tax law, local governments may be given the right to apply relief to such payments, as shall be paid into local government budgets.

(3) In the specific State fees law or Cabinet regulations, local governments may be given the right to apply relief in respect of such State fees, as shall be paid into local government budgets.

[28 February 2003]

#### **Section 4. Income Tax System**

- (1) Personal income tax and enterprise income tax forms a single income tax system.
- (2) Any person who obtains income in the Republic of Latvia shall be a personal income tax payer or an enterprise income tax payer if a specific tax law does not provide otherwise.
- (3) Personal income tax or enterprise income tax shall be levied on any income, which is obtained by persons who are domestic taxpayers if it is not provided otherwise by the specific tax law.
- (4) Personal income tax and enterprise income tax may not be levied at the same time on one and the same income if it is not provided otherwise by the specific tax law.

#### **Section 5. Regulations**

- (1) Only specific laws or Cabinet regulations shall determine the procedures for application of the norms of tax and fee laws.
- (2) In conformity with laws and Cabinet regulations, the State Revenue Service shall formulate and approve the methodology according to which taxes shall be assessed and reflected in accounting and in actions associated with tax assessment.

#### **Section 6. Payment of Taxes and Fees**

- (1) Taxes and fees shall be assessed and paid in lats and santimi. The Republic of Latvia diplomatic and consular institutions in foreign states may pay State fees in convertible currency or in the currency of the relevant foreign state.
- (2) The tax administration shall not waive its rights to claim for the benefit of another person or transfer to any other person its rights to claim in relation to taxes, fees and related payments with the exception of tax debt recovery and the sale of confiscated and inventoried property in cases provided for in other tax laws.
- (3) The set-off of taxes, duties and payments related thereto shall not be permitted.

[6 June 1996; 14 December 2000; 9 October 2003]

#### **Section 7. Application of International Agreements**

- (1) If international agreements ratified by the *Saeima* provide for different assessment or payment procedures than the tax laws of the Republic of Latvia, the provisions of the international agreements shall apply.
- (2) For foreign diplomatic and consular representations and employees thereof and members of their families whose place of permanent residence is not the Republic of Latvia, tax and fee payments shall be determined in accordance with the requirements

which are specified in the 18 April 1961 Vienna Convention on Diplomatic Relations and the 24 April 1963 Vienna Convention on Consular Relations.

(3) The Cabinet is entitled to issue regulations regarding the procedures of application of tax relief determined in international agreements ratified by the *Saeima*.

*[14 December 2000]*

## **Chapter II Taxes**

### **Section 8. Forms of State Taxes and Laws In Respect of Such Taxes**

The Republic of Latvia has the following State taxes and laws in regard to such taxes regarding the application of taxes:

- 1) personal income tax – On Personal Income Tax;
- 2) enterprise income tax – On Enterprise Income Tax;
- 3) immovable property tax – On Immovable Property Tax;
- 4) value added tax – On Value Added Tax;
- 5) excise duty – On Excise Duty;
- 6) customs duty – Customs Law and other regulatory enactments regulating specified procedures in customs matters;
- 7) natural resources tax – On Natural Resources Tax;
- 8) lottery and gambling tax – On Lottery and Gambling Fees and Tax;
- 9) mandatory payments of State social insurance – On State Social Insurance; and
- 10) passenger car and motorbike tax – On Passenger car and Motorbike Tax.

*[13 November 1997; 4 December 1997; 14 October 1998; 25 November 1999; 9 October 2003; 31 March 2004]*

### **Section 9. The Allocation of State Taxes by Budget**

(1) State taxes shall be paid into the State budget or also according to a specified allocation – into the State budget and local government budgets in accordance with a specific tax law.

(2) Fines for violations of tax laws, late charges and additional tax payments which are to be paid into budgets, preserving the proportional allocation of taxes, shall be paid into the same budgets in which the specific tax shall be paid, if it has not been provided otherwise in the specific tax law.

*[20 December 2001]*

## **Chapter III**

### **Fees**

#### **Section 10. Fee System**

(1) State fees shall be levied in accordance with laws and Cabinet regulations; local government fees – with binding regulations issued by local government city councils (parish or district councils).

(2) Procedures for payment, rates and relief shall be prescribed in Cabinet regulations, if this Law or other laws do not provide otherwise. The State fee for the issuance of a special permit (license) for the import and export of goods and services provided for in Cabinet regulations may not exceed the average cost related to the issuance of such.

(3) Payment procedures, items on which fees may be levied, rates and relief, and other requirements which are provided for in other laws and Cabinet regulations shall be provided for in binding regulations issued by local government city councils (parish or district councils).

(4) For State fees which in accordance with laws in force are not fully paid into the State budget or local government budgets, value-added tax shall be applied in accordance with the procedures prescribed in the Law On Value Added Tax.

*[4 December 1997]*

#### **Section 11. Items on which State Fees May Be Levied**

(1) The following State fees shall be levied only in accordance with laws:

- 1) [25 November 1999]
- 2) means of transport annual fee – Law On Means of Transport Annual Fees;
- 3) lottery and gambling fee – Law On Lottery and Gambling Fee and Tax;
- 4) fees for activities carried out in judicial institutions – Civil Procedure Law;
- 5) fee for surname, given name and nationality record change in personal identification documents – Law On Change of Given Name, Surname and Ethnicity Records;
- 6) fee for land reservation in rural areas – Law On Land Reform in Rural Areas of the Republic of Latvia;
- 7) fees for certifications and other functions in Orphan's courts and in parish courts – Law On Orphan's Courts and Parish Courts; and
- 8) [25 November 1999]
- 9) [13 April 2000]
- 10) State fee for the organisation of goods or services lotteries – Goods and Services Lottery Law.

(2) State fees shall be payable for State provided assistance, the following legal services and special purposes provided for by law:

- 1) [20 December 2001]
- 2) for carrying out the functions of a notary public;

- 3) for registration, amendment and supplementation of civil status records;
- 4) [16 December 2004]
- 5) for registration activities in the Enterprise Register;
- 6) for provision of information from the registers of the Enterprise Register of the Republic of Latvia;
- 7) for provision of information from the Resident Register;
- 8) for registration of religious organisations and institutions thereof;
- 9) for issuance of special permits (licenses) for particular types of entrepreneurial activity;
- 10) for operations involving promissory notes;
- 11) for operations involving vouchers;
- 12) for the examination of documents necessary for an application for residence permits and the related services thereof;
- 13) for the examination of documents necessary for an application for visas and the related services thereof;
- 14) for issuance of the Republic of Latvia passports and other personal identification documents and documents attesting to rights;
- 15) [9 October 2003]
- 16) for protection of breeder's rights;
- 17) for protection of industrial property (inventions, trademarks, design prototypes and other industrial property);
- 18) for submission of naturalisation applications;
- 19) for customs authority services;
- 20) [16 December 2004]
- 21) for registration of title and pledge rights in the Land Register;
- 22) [12 December 2002]
- 23) for registration of certificates of construction practices and architect practices;
- 24) for regulation of public services;
- 25) for acquisition of petroleum;
- 26) for issuance of all forms of firearm and special device permits and extension of the term thereof (such permits shall be issued by State police institutions);
- 27) for registration of internal security services;
- 28) for labelling of gambling equipment;
- 29) for registration of means of transport, aircraft, ships, small craft and sailboats (means of transport register fee);
- 30) for registration of railway infrastructure;
- 31) for passenger airport departures;
- 32) for implementing supervision of official hallmarks;
- 33) [31 March 2004]
- 34) [31 March 2004]
- 35) for registration of film producers (makers) and distributors, film distribution locations, and film registration;
- 36) for issuance of certification regarding immovable property ownership and



composition;

- 37) [9 October 2002]
  - 38) for certification of authenticity of documents (legalisation);
  - 39) for issuance of permits to carry on activities, which are not entrepreneurial activity, involving sources of ionising radiation or to acquire ownership of sources of ionising radiation;
  - 40) for attestation of the level of fluency in the official language in order to perform professional and official duties;
  - 41) for documentation of renunciation of Latvian citizenship;
  - 42) for documentation of renewal of Latvian citizenship;
  - 43) for issuance of a certificate and the extension of the time period for performing detective activity;
  - 44) for the registration of fertilisers;
  - 45) for the provision of information from the Penal Register;
  - 46) [16 December 2004]
  - 47) [16 December 2004]
  - 48) for the satisfaction of guaranteed employee claims from employee claim guarantee fund resources and other special purposes provided for by law (entrepreneur risk State fee);
  - 49) for the receipt of construction design necessary technical and special regulations from State and local government authorities;
  - 50) for the organisation of security activity qualification examinations and the issuing of security certificates;
  - 51) for the issue of hunting certificates, hunting season cards and hunting permits, for the issue of permits to foreign hunters to hunt in the Republic of Latvia and the issue of permits to export hunting trophies from the Republic of Latvia;
  - 52) for the registration of personal data processing systems or the making of registrable amendments specified in the Personal Data Protection Law;
  - 53) for the accreditation of providers of certification services and the renewal of accreditation (such accreditation and renewal of accreditation shall be performed by the State Data Inspection);
  - 54) for the provision of information from the State Address Register; and
  - 55) for the examination of the necessary documents for a work permit application.
- [6 June 1996; 4 December 1997; 18 June 1998; 14 October 1998; 22 October 1998; 25 November 1999; 13 April 2000; 14 December 2000; 8 March 2001; 20 December 2001; 9 October 2002; 13 February 2003; 19 June 2003; 9 October 2003; 31 March 2004; 16 December 2004]*

## **Section 12. Items for which Local Government Fees May Be Levied**

(1) A city council and a parish council have the right to impose local government fees, in accordance with procedures prescribed in Cabinet regulations in their administrative territory for:

- 1) receipt of official documents prepared by a territorial local government city council (county or parish council) and certified copies of such;
- 2) organisation of events of a recreational nature in public places;
- 3) vacationer and tourist accommodation;
- 4) trade in public places;
- 5) keeping of all types of animals;
- 6) driving of means of transport into special regime zones;
- 7) placement of advertisements, posters and announcements in public places;
- 8) keeping of boats, motorboats and sailboats;
- 9) utilisation of local government insignia; and
- 10) receipt of a construction permit.

(2) A district council has the right in accordance with procedures prescribed in Cabinet regulations to impose in its administrative territory a fee for:

- 1) receipt of official documents prepared by a district council and certified copies of such; and
- 2) utilisation of district local government regalia.

(3) Remuneration shall be paid in the form of local government fees only for local government assistance as provided for in Section 12 of this Law. If the local government city council (parish or district council) or its institutions offer services which in accordance with this Law are not items subject to local government fees, and if for these services payment is to be received, then the keeping of separate book-keeping accounts shall be arranged and the carrying out of tax and other mandatory payments ensured regarding such in accordance with this Law and the specific tax law.

(4) Binding regulations which the republic city councils and district councils have adopted regarding local government fees shall be sent within a period of five working days after they have been signed to the institution supervising the local government operations for registration in accordance with the procedures prescribed by the Cabinet, and not later than a week after the registration of such by the institution supervising the local government operations, they shall be published in the newspaper *Latvijas Vēstnesis* [the official Gazette of the Government of Latvia], and they shall come into force not sooner than the day following their publication. The institution supervising local government operations shall carry out the registration of the regulations or provide a reasoned refusal to do so not later than within a period of 30 days after receipt of the application for registration of the regulations.

(5) Binding regulations which republic city councils and district councils have adopted regarding local government fees shall be sent within a period of five working days after they have been signed to the institution supervising local government operations for registration in accordance with procedures prescribed by the Cabinet and not later than a week after their registration with the institution supervising the local government operations shall be displayed in a visible place in the city or county council (parish or district council) building or by the city or county council (parish or district council) building, and they shall come into force not sooner than the day following their display in a visible place. The institution supervising local government operations shall carry out the

registration of the regulations or provide a reasoned refusal to do so not later than within a period of 30 days after receipt of the application for registration of regulations.

(6) Illegal binding regulations regarding local government fees shall be suspended in accordance with procedures prescribed in Section 49 of the Law On Local Governments.

*[6 June 1996; 14 October 1998; 16 December 2004]*

### **Section 13. Allocation of Fees by Budget**

(1) State fees shall be paid into the State budget if the specific law on the fee or Cabinet regulations do not provide otherwise. State fees, which are collected by territorial local governments or institutions established by them, shall be paid into local government budgets.

(2) Local government fees shall be paid into the budgets of relevant local governments.

*[6 June 1996; 16 December 2004]*

## **Chapter IV Taxpayers**

### **Section 14. Classification of Taxpayers**

(1) Taxes (fees) determined by the laws of the Republic of Latvia shall be paid by:

- 1) domestic taxpayers (residents); and
- 2) foreign taxpayers (non-residents).

(2) In tax laws a natural person shall be considered a resident if:

- 1) the place of permanent residence for such person is the Republic of Latvia, or
- 2) such person is present in the Republic of Latvia for 183 days or longer during any 12 month period which begins or ends in a taxation year, or
- 3) such person is a Latvian citizen, who is employed in a foreign state by the government of the Republic of Latvia.

(3) In order to apply Paragraph two, Clause 2 of this Section:

1) a natural person who has not been recognised as a resident during the pre-taxation year, shall be considered a resident in a taxation year as of the date when he or she first arrived in Latvia;

2) a natural person who is not recognised as a resident during the post-taxation year shall also not be recognised as a resident during the taxation year, after the date the person has left Latvia, if during the time period after this date such person has had closer connections with the foreign state than with Latvia (such person owns property in the foreign state, has family residing in the foreign state, or he or she makes social insurance payments in the foreign state).

(4) For the purposes of tax legislation, a taxpayer which is not a natural person shall be considered a resident if it was established and registered or if it should have been established and registered in accordance with the laws of the Republic of Latvia.

(5) Taxpayers who do not meet the conditions of Paragraphs two, three and four of this

Section, shall be considered to be non-residents. Non-residents shall pay taxes in accordance with the laws of the Republic of Latvia for income acquired in the Republic of Latvia, its territorial waters and air space, as well as other taxes in accordance with specific tax laws.

(6) A permanent representative office of a non-resident (foreign merchant) in Latvia for the application of all tax laws shall be considered a separate domestic taxpayer. If within the meaning of Paragraphs seven and eight of this Section the non-resident (foreign merchant) has a permanent representative office in Latvia it shall be registered as a taxpayer with the State Revenue Service according to the procedures specified in Section 15.<sup>1</sup>, Paragraph seven of this Law.

(7) It shall be considered that a non-resident (foreign merchant) has a permanent representative office in Latvia if all of the following conditions are complied with simultaneously:

- 1) the non-resident (foreign merchant) utilises a specific place for activities in Latvia;
- 2) the place for activities is permanently utilised or is established for the purpose of being utilised permanently; and
- 3) the place for activities is utilised for the performance of entrepreneurial activities (commercial activities).

(8) In addition to that which is referred to in Paragraph seven, it shall be considered that a non-resident (foreign merchant) has a permanent representative office in Latvia if the non-resident (foreign merchant) performs in Latvia at least one of the following referred to activities:

- 1) utilises construction sites or performs building, assembly or fitting activities or performs supervision or consultative activities related to the construction sites or the referred to activities;
- 2) utilises equipment or installations, drilling platforms and special ships intended for the research or acquisition of natural resources, or carries out supervisory or consultative work related thereto;
- 3) within a time period or time periods, which together exceed 30 days in any six month period provides services, including consulting, management and technical services, utilising his or her employees or associated personnel; or
- 4) utilises the activity of a natural, legal or other person for the benefit of his or her entrepreneurial activities (commercial activities) if the person referred to has been granted and regularly exercises (more than once in a taxation period) authorisations to enter into contracts in the name of a foreign undertaking.

(9) A permanent representative office of a non-resident (foreign merchant) in Latvia shall pay taxes in accordance with the laws of the Republic of Latvia for income obtained in the Republic of Latvia, its territorial waters and air space, for income obtained in foreign states which pertains to this representative office, as well as other taxes in accordance with specific tax laws.

*[31 March 2004]*

## **Section 15. Duties of Taxpayers**

(1) The general duties of taxpayers are the following:

- 1) to assess payable tax amounts;
- 2) to pay taxes and fees in due time and to the full extent;
- 3) to submit to the tax administration in writing or in electronic format the declarations, reports or tax assessments (hereinafter – declarations) provided for in specific tax laws;
- 4) in order to prove the correctness of tax assessments, to preserve documents verifying income from and expenditures on financial and economic activities for at least five years, but in cases when in accordance with law, a special regimen of taxes is being applied to a taxpayer for a period of time which exceeds five years, for the total period of application of the special tax regimen;
- 5) in accordance with the procedures prescribed and in the cases mentioned in regulatory enactments, to register one's type of self-employment with the local government, and to register as a taxpayer with the State Revenue Service and to notify this institution when income is initially obtained from the economic activity;
- 6) in accordance with the procedures prescribed in regulatory enactments, to list income from economic activity and the expenditure for economic activity and to assess taxes;
- 7) to deduct the amount of tax payable as provided for in specific tax laws;
- 8) in accordance with the procedures provided for in this Law and Cabinet regulations, to use strict accountability bills of lading for the assessment of taxes and the needs of accounting;
- 9) in accordance with the procedures provided for in this Law and Cabinet regulations, to register taxes and other payments with electronic devices and equipment;
- 10) if the taxpayer organises accounting registers with computers, on the basis of a request from the tax administration, to issue supporting documents and accounting register data prepared in electronic format for the performance of tax reviews (audits); and
- 11) to submit to the tax administration requested documents which are utilised in the specification of the tax base.

(2) As taxpayers, natural persons have the following additional duties:

- 1) to obtain a salary tax booklet in accordance with the Law On Personal Income Tax;
- 2) to submit a salary tax booklet to the primary place of employment;
- 3) to retain the written notice issued by the place from which income was obtained regarding the taxes the employer has paid;
- 4) to show personal identification documents if such are requested by the tax administration official (employee) during the performance of official duties;
- 5) to register with the local government one's type of individual work, to obtain a registration certificate (permit to carry out individual work) and to notify the State Revenue Service regarding the commencement of acquiring income; and

6) to report income and expenditures associated with economic activities and to assess the income tax.

(3) Natural persons, if they are employers, and legal persons as taxpayers have the following additional duties:

1) to keep financial accounts according to provided for procedures, to prepare reports regarding their financial and economic activities, and to assess tax for the taxation period;

2) to indicate their taxpayer identity number in specific accounting and reporting documents;

3) in accordance with procedures prescribed by this Law and other regulatory enactments, to register with the local (according to legal address) tax administration office;

4) in cases determined in regulatory enactments, to notify the local (according to legal address) tax administration office within a period of ten days regarding changes in their registration documents;

5) in accordance with procedures prescribed by this Law and Cabinet regulations, to submit to the tax administration a declaration regarding all transactions in the previous month carried out separately in cash (also regarding purchases) which exceed one thousand lats;

6) to pay taxes and other payments, also tax debts into the State budget and local government budgets after settling employee claims in accordance with lawful employment relations and claims regarding compensation for injury caused as a result of mutilation or other health impairment, as well as claims in relation to the loss of a provider;

7) after a decision taken regarding the liquidation, re-organisation or termination of activities of an undertaking (company) in accordance with procedures prescribed in regulatory enactments, to inform the relevant tax administration office in writing within a period of ten days regarding such; and

8) to submit to the Enterprise Register of the Republic of Latvia the statement issued by the relevant tax administration office regarding paid tax payments if the undertaking (company) to be liquidated has carried out all the measures set out in regulatory enactments regarding the settlement of creditor claims, such claims have been settled and the final (liquidation) balance sheet has been approved. A notice regarding paid tax payments shall be submitted no later than within a period of ten days from the day of issuance of the notice. A statement, which is submitted at a later date to the Enterprise Register of the Republic of Latvia, shall not be valid.

*[6 June 1996; 4 December 1997; 22 October 1998; 14 December 2000; 9 October 2002; 28 February 2003]*

## **Section 15.<sup>1</sup> Registration of Taxpayers**

(1) The Enterprise Register shall also register undertakings (companies), representative offices and branches thereof, and public organisations and associations thereof in accordance with the procedures prescribed by the Law On the Enterprise Register of the Republic of Latvia also as taxpayers.

(2) The Enterprise Register shall grant a unified eleven-digit registration code to an undertaking (company), representative office and branch thereof, and a public organisation and association of public organisations.

(3) The Enterprise Register shall issue a registration certificate, which is simultaneously also a taxpayer certificate, to an undertaking (company), a representative office and branch thereof, and a public organisation and an association of public organisations.

(4) The Enterprise Register, when registering the representative office or branch of an undertaking (company), shall grant the representative office or branch a unified eleven-digit registration code and in the registration certificate of the representative office or branch shall also indicate the unified registration code of the relevant undertaking (company).

(5) Those legal persons which in accordance with the law need not be registered with the Enterprise Register shall be registered as taxpayers by the State Revenue Service.

(6) The persons upon which value-added tax is levied shall be registered by the State Revenue Service in accordance with the procedures prescribed by laws and regulatory enactments.

(7) The Cabinet shall determine the procedures according to which taxpayers and taxpayer units which need not be registered by the Enterprise Register shall be registered by the State Revenue Service and the documents to be submitted to the State Revenue Service

(8) Within one working day after the registration of an undertaking (company), a representative office branch thereof, or a public organisation or association of public organisations, the Enterprise Register shall send information to the State Revenue Service in electronic format regarding the registered undertaking (company), a representative office or branch thereof, or a public organisation or an association of public organisations and information regarding amendments to the Enterprise Register Journal.

(9) In addition to the information specified in Paragraph eight of this Section, pursuant to the request of the State Revenue Service the Enterprise Register shall provide information which is under its control regarding registered undertakings (companies), representative offices and branches thereof, and public organisations and associations thereof.

*[14 December 2000]*

## **Section 16. Rights of Taxpayers**

Taxpayers have the right:

- 1) to utilise tax and fee relief provided by law;
- 2) to utilise rebates provided by law;
- 3) to become acquainted free of charge at the tax administration with regulatory documents, which regulate tax and fee assessment and payment procedures;

4) to become acquainted with tax and fee assessment verification enactments and reports which pertain to a specific taxpayer;

5) to appeal tax administration decisions in accordance with procedures prescribed in Chapter VIII of this Law;

6) to submit to the tax administration applications regarding a review of fee payments, correction of declarations or the adjustment of tax (a taxable object) assessments within a period of three years after the payment time periods specified by specific laws if within such period a tax review (audit) has not been commenced regarding the specific taxes and the relevant taxation period. In relation to the payment of taxes to be paid into the State budget, the missing of the time period specified in this Clause may be renewed by the director-general of the State Revenue Service if the taxpayer has submitted an application regarding the payment of the tax not paid within the time period;

7) to receive overpaid tax amounts in accordance with specific tax laws;

8) to receive payment amounts erroneously recovered by the tax administration in accordance with procedures prescribed in Section 28 of this Law;

9) to receive a written notice issued by the place from which one's income has been obtained regarding the taxes the employer has paid; and

10) to request the repayment of overpaid amounts of tax within a period of three years after the payment time period specified by law for the particular tax.

*[9 October 2002; 28 February 2003]*

## **Chapter V Tax Administration**

### **Section 17. Rights of the Tax Administration**

The rights of the tax administration are determined by this Law, the Law On the State Revenue Service and other laws.

### **Section 18. Duties of the Tax Administration**

The tax administration shall have the following duties:

1) to ensure that this Law and other tax (fee) laws are observed by both taxpayers and the tax administration;

2) to control the accuracy of tax (fee) assessment and payments;

3) to control tax (fee) payment debts;

4) to apply sanctions to persons who violate tax (fee) laws, based on law and Cabinet regulations;

5) to examine and decide issues regarding tax and fee payment term extensions;

6) to control the accuracy of the application of tax (fee) rebates;



7) to inform a taxpayer in writing regarding the difference between a declared and a reassessed payment;

8) to ensure transparency of tax (fee) collection by regularly publishing information regarding total revenue from specific taxes (fees) and regarding taxpayers who have the largest tax (fee) debts;

9) to publish information regarding changes in procedures for setting tax and fee rates, fines and late charges;

10) to take decisions and inform the taxpayer regarding the performance of a tax review (audit), indicating its time period, the taxes to be examined, the tax declaration items, the fees or other State mandatory payments to be examined and the taxation periods;

11) to recover unpaid taxes, fines, increases in the amount of the basic debt and late charges on an uncontested basis according to the procedures provided for in Section 26 of this Law;

12) to ensure public access to the register of value-added taxpayers;

13) ensure public accessibility to the unified data base (register) of the issued strict accountability bills of lading ;

14) ensure public access to the tax and other payment registration electronic devices and equipment, its users, traders and service personnel unified data base (register); and

15) ensure public access to information regarding those taxpayers in respect of which exclusion from the Enterprise Register of Latvia, the tax administration has submitted an application in accordance with Section 35, Paragraph one of this Law.

*[25 November 1999; 14 December 2000; 28 February 2003; 31 March 2004]*

**Section 18.<sup>1</sup> Duties of the Tax Administration in Relation to Taxes, Fees and other Mandatory Payments, which are Imposed in Accordance with the Regulatory Enactments of the European Union and the Member States thereof**

(1) The tax administration has the following duties:

1) in accordance with the regulatory enactments of the European Union co-ordinate and perform information exchange, provide and receive the necessary information for the fulfilment of the functions thereof from the competent institutions of the Member States of the European Union;

2) perform the execution of a taxation claim for the benefit of any Member State of the European Union on the basis of a justified request in the name of the state from the competent institution thereof; and

3) collect and recover taxes, fees and other mandatory payments, as well as the increase in the amount of principal debt and the fines for late payments associated therewith for the budget of the European Union.

(2) In relation to the performance of the execution of a taxation claim for the benefit of a Member State of the European Union, the provisions of this Law shall be applied. A

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taxation claim is a claim in relation to amounts of the principal debt for taxes, fees and other mandatory payments, as well as recovery of the increase in the amount of principal debt and the fines for late payments associated therewith.

*[31 March 2004]*

### **Section 19. Liability of the Tax Administration**

(1) Losses, including losses created as a result of funds having been excluded from circulation, which have been incurred by a natural or legal person due to an illegal action or an error of the tax administration, shall be compensated accordingly from the State budget or local government budgets, and in addition the repayable amount shall be increased according to the re-financing rate set by the Bank of Latvia for this period.

(2)*[4 December 1997]*

(3) A taxation administration official (employee) who has allowed an illegal action shall compensate the losses in accordance with procedures prescribed by laws.

*[4 December 1997]*

### **Section 20. Administration of Specific Taxes**

Taxes shall be administered by the following institutions:

1) personal income tax – the State Revenue Service and local governments in accordance with the Law On Personal Income Tax;

2) enterprise income tax – the State Revenue Service;

3) immovable property tax – the State Revenue Service and local governments in accordance with the Law On Immovable Property Tax;

4) excise duties – the State Revenue Service;

5) value-added tax – the State Revenue Service;

6) natural resources tax – the State Revenue Service, the Ministry for Environmental Protection and Regional Development and local governments in accordance with the Law On Natural Resources Tax;

7) lottery and gambling tax – the State Revenue Service;

8) customs duties – the State Revenue Service; and

9) mandatory payments of State social insurance – the State Revenue Service.

*[6 June 1996; 4 December 1997]*

### **Section 21. Tax Administration Autonomy**

The tax administration shall independently perform the tasks specified in this Law and in other regulatory enactments. Interference with tax and customs control issues which are within the competence of the tax administration and any influencing of the tax administration in order to achieve an unlawful decision, a privileged status or to acquire other benefits shall be prohibited.

*[9 October 2002]*

## **Section 22. Confidentiality**

(1) A tax administration official (employee) shall be prohibited from disclosing any information regarding a taxpayer which has become known to him or her in fulfilling the duties of his or her office, if it is not provided for otherwise in Paragraph two of this Section. For the disclosure of information the responsible official (employee) shall be held liable as set out in law.

(2) In regard to issues related to the taxpayer, without the permission of the taxpayer, the tax administration official (employee) may inform:

- 1) the Ministry of Finance – in regard to questions on ensuring State revenue;
- 2) another representative of the tax administration – in cases when it is necessary to examine the issue of levying a tax;
- 3) investigatory authorities and court institutions – in cases set out in legislative enactments;
- 4) the State Audit Office – in regard to questions related to carrying out revisions;
- 5) a local government city council (parish or district council) – in regard to issues on ensuring local government revenue;
- 6) an authorised representative of a foreign state – in accordance with the provisions of international agreements, and informing the taxpayer regarding such. If the tax administration suspects concealment of taxable items or avoidance of payment of taxes, it may inform the taxpayer 90 days after informing the authorised representative of the foreign state;
- 7) the Naturalisation Board – in regard to whether taxpayers who are renouncing Latvian citizenship have fulfilled their obligations to the State regarding State tax, fee and other mandatory payments as prescribed by the State;
- 8) Central Statistical Bureau of Latvia – in regard to issues which relate to the fulfilment of the State programme on statistical information;
- 9) competent institution of the Member States of the European Union – in accordance with the regulatory enactments of the European Union;
- 10) the State agency “Maksātnespejas administrācija” [Insolvency Administration] – in regard to issues, which are associated with protection of employees in the case of the insolvency of the employer, and issues, which are associated with taxpayers in respect of whom an insolvency matter has been initiated;
- 11) State Civil service Administration – in regard to issues, which are associated with the initiation and investigation of disciplinary matters in respect of officials of the tax administration;
- 11<sup>1</sup>) Office of Citizenship and Migration Affairs – in regard to issues regarding aliens and their invited taxpayers if the inviter has undertaken to cover the expenses, which are associated with the health care of the alien, residence in the Republic of Latvia and return to the state of domicile; and

12) other persons – in accordance with Section 18, Clauses 8, 12, 13, 14 and 15; Section 23, Paragraph thirty; Section 24, Paragraph two and Section 25, Paragraph one of this Law.

*[8 March 2001; 12 December 2002; 28 February 2003; 9 October 2003; 31 March 2004; 16 December 2004]*

## **Chapter VI** **Tax (Fee) Assessment, Collection and Refunding**

### **Section 23. Adjustment of the Amount of Tax Payment**

(1) The tax administration has the right, after a tax review (audit), to adjust the amount of taxes and to impose fines within a period of three years after the payment time period specified by law if the tax laws, Cabinet regulations regarding State fees and binding regulations regarding local government fees issued by local government city councils (parish, county or district councils) have been violated. If in relation to a specific tax, tax declaration item, fee or other mandatory State payment regarding the relevant taxation period, a tax review (audit) has been performed, then the opinion of such is final and may be reviewed only if facts are discovered that attest to the falsification of documents, fraud, or other activities which are criminally punishable.

(2) If the tax administration assesses taxes in accordance with specific tax laws, it has the right to:

1) additionally assess tax if in determining the amount of tax payment, the law, Cabinet regulations or binding regulations regarding local government fees issued by local government city councils (parish, county or district councils) have been violated, as well as to reduce the amount of the tax payment within a three year period after the payment time period specified by law; and

2) impose fines in accordance with Section 32 of this Law.

(3) The tax administration shall take a decision regarding the results of a tax review (audit) not later than within a period of 90 days from the day of the commencement of the tax review (audit), except in cases where the highest official of the tax administration extends the time period for taking a decision by 30 days in order to acquire additional information for the performance of the tax review (audit). If it is necessary to acquire additional information from foreign tax administrations or other competent foreign institutions, the time period for the taking of a decision may be extended again up to 30 days after the receipt of the relevant information.

(4) The restrictions to the time periods for tax reviews (audits) referred to in Paragraph three of this Section shall not apply to the case where the tax review (audit) has been performed on the basis of a request from law enforcement institutions.

(5) The tax administration shall perform a thematic examination, compile the results thereof and inform the taxpayer within a period of three working days from the day of commencement of the examination.

(6) In performing a tax review (audit), the tax administration has the right on the basis of

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assessments to specify the amount of tax payment in conformity with an increase in the existing property of the taxpayer or capital gains or information at the disposal of the tax administration if at least one of the following features has been determined:

1) an increase in the existing property of the taxpayer or capital gains has been determined, which does not conform to the income indicated in the taxpayer's declaration or regarding which a declaration has not been submitted to the tax administration;

2) the taxpayer has performed a transaction in order to evade payment of taxes or fees, or one of the counterparties is not identifiable;

3) the person performs or has performed activities which are taxable or acquires income from property, but has not registered as a taxpayer;

4) the taxpayer has not submitted the declarations, reports or tax assessments provided for by regulatory enactments;

5) the information submitted in the reports or accounting documents of the taxpayer do not conform to the existing information at the disposal of the tax administration, facts determined in an examination or the value of the existing or former property of the taxpayer;

6) existing information at the disposal of the tax administration attests to the fact that the taxpayer has performed transactions, which are not reflected in his or her accounting documents;

7) the movement of the taxpayer's monies in accounts in credit institutions does not conform to his or her economic activity indicators or attest to the performance of such transactions as are not reflected in the accounting documents of the taxpayer;

8) the taxpayer has not performed accounting procedures;

9) the official of the tax administration, during the period of an examination, has not had access to the accounting documents of the taxpayer, it is not possible to examine the accounting documents of the taxpayer or the documents justifying transactions have not been accessible;

10) the taxpayer has or has had at his or her disposal source materials, goods, securities, funds and other property the amount and type of which attests to the possible engagement in economic activities in such amounts and type as does not conform to the information submitted to the tax administration;

11) the economic activity indicators of the taxpayer significantly differ from the statistically indicated average indicators for the relevant entrepreneurial activity type or there are other circumstances (also the results of a tax review (audit) or surveillance results), which allows one to consider that the economic activity indicators indicated in the taxpayer's declarations or accounting documents do not conform to the actual indicators in the taxation period under examination; or

12) the income declared by the taxpayer or the taxpayer's income indicated in the existing declarations at the disposal of the tax administration does not conform to the monies, property and other types of valuables or expenditure currently or formerly at the disposal of the taxpayer and the taxpayer cannot justify the referred to non-conformity.

(7) The tax administration, in determining the amount of tax payment on the basis of an assessment, shall utilise:

1) the direct assessment method, that is, on the basis of the data indicated in the taxpayer's accounting registers and corroborative documents; and

2) the indirect assessment method, that is, assess the taxable object (income, value of transactions and similar) on the basis of existing information at its disposal.

(8) In calculating the amount of tax payment, the tax administration shall utilise existing information at its disposal regarding undeclared income, the activities of the taxpayer, transactions performed in the taxation period under examination and transactions which, in determining the amount of tax payment have not been taken into account or not fully indicated, as well as information regarding existing accounts and deposits in credit institutions, securities accounts and capital shares in companies owned by the taxpayer, and compiled relevant characteristic indicators of the undertaking's economic activity for the type of company. This information shall be received without charge from:

1) investigative, prosecution and court institutions;

2) foreign tax administrations or other competent foreign institutions if such is provided for in the relevant agreement;

3) other natural persons and legal persons (also after examination thereof);

4) the Central Statistical Bureau of Latvia – regarding the relevant characteristic indicators of an undertaking's economic activity for the type of company; and

5) the register institutions of the Republic of Latvia and other State information system holders (including the Enterprise Register of the Republic of Latvia, the Road Traffic Safety Directorate, the State Land Service and other State registers).

(9) If an increase in the existing property of the taxpayer or capital gains has been determined, the tax administration shall assess the tax amounts taking into account the difference which is formed between the actual determined increase in the existing property of the taxpayer or capital gains and the income indicated in the taxpayer's declarations.

(10) The tax administration is entitled to specify the amount of tax payment on the basis of the surveillance conducted in the relevant taxation period and the taxpayer's economic activity indicators determined as a result thereof, taking into account the specifics and periodicity of the taxpayer's activities.

(11) If as a result of surveillance during the taxation year, the non-conformity between the taxpayer's economic activity indicators indicated in his or her declaration and actual indicators is determined again, the results of the surveillance shall be related to the taxation payments for the whole taxation year, taking into account the specifics and periodicity of the taxpayer's activities.

(12) In accordance with the provisions of this Section, the assessed tax payments shall be collected on an uncontested basis not earlier than after 30 days from the day when the taxpayer has received the decision taken as a result of the tax review (audit) if the taxpayer fails to prove that the imposition of the tax is not justified.

(13) If the taxpayer evades the receipt of the decision taken as a result of the tax review (audit) or the State Revenue Service does not have information at its disposal regarding the location of such taxpayer, the notification regarding the specified payments as additional payments to be paid into the budget as a result of the tax review (audit) shall be

published in the newspaper *Latvijas Vēstnesis*. The decision regarding the results of the tax review (audit) shall come into effect on the day of the publication of the notification.  
[25 November 1999; 28 February 2003]

### **Section 23.<sup>1</sup> Payment of Taxes into the Budget**

(1) A taxpayer shall pay taxes into the budget in accordance with the budget accounts indicated by the tax administration.

(2) The payment of tax day shall be the day that the State budget or local government budget has received the tax payment which it is entitled to receive.

(3) The Cabinet shall prescribe the procedures whereby, in accordance with tax laws, regular tax payments and late tax payments shall be paid into the budget.

[25 November 1999]

### **Section 23.<sup>2</sup> Principles for the Specification of Goods, Work and Services Prices for the Needs of the Assessment of Taxes**

(1) If it is not stated otherwise in specific tax laws and in this Section, in the assessment of taxes, the price of goods, work or services shall be deemed to be the price (value) of the item (activity) in a transaction.

(2) If it is not in contradiction to a specific tax law, the tax administration in performing a tax review (audit) is entitled to examine accuracy of the specification of transaction prices (values) and to adjust the transaction price (value) in the following cases:

- 1) transactions between related persons;
- 2) exchange (barter), clearing transactions;
- 3) if the price deviation exceeds 20 per cent of the prices, which the taxpayer in a short space of time has applied to identical (similar) goods; and
- 4) export and import transactions.

(3) In the cases referred to in Paragraph two of this Section, in conformity to the conditions of this Section, the value of a transaction shall be determined on the basis of the market price (value) of the transaction taking into account normal discounts or mark-ups in transactions between unrelated persons, including changes to prices which are associated with:

- 1) changes in demand depending upon seasonal or other circumstances;
- 2) loss of quality or other consumer characteristics of the goods (services, work);
- 3) the end of the time period for the sale of the goods;
- 4) goods marketing policy in relation to the promotion of new goods (goods for which there is no analogue in the market) or the promotion of goods in a new market; and
- 5) sale of samples of goods and experimental models in order to attract consumers.

(4) If the transaction price (value) indicated by the taxpayer does not conform to the market price (value), the tax administration in performing a tax review (audit) shall base itself on the market price (value) of the transaction in the relevant time period, which shall be determined taking into account any of the following factors:

1) the price or value which the taxpayer himself or herself has applied in similar transactions when entering into transaction relations with other persons;

2) the price or value which the taxpayer has applied in similar transactions with unrelated persons;

3) the assessed cost price of the transaction (assessment of expenditure), including in it the relevant average profitability indicators from the information base established by the Central Statistical Bureau of Latvia, but if such information is not available – the relevant average profitability indicators from the information base established by the tax administration;

4) the average similar item price of similar transaction value specified by the Central Statistical Bureau of Latvia; and

5) the evaluation of the transaction by invited independent experts.

(5) In calculating tax payments, the market price (value) shall be considered to be the value, which is formed in the demand and supply interaction of identical (equal) or if there are no identical, similar goods in the market in comparable economic circumstances.

(6) As identical (equal) goods shall be deemed to be goods, which in comparison to the goods to be valued is:

1) equal in all aspects, including the physical characteristics thereof, quality and reputation in the market; and

2) have been manufactured in the same state, taking into account negligible differences (including the packaging of the goods or their external appearance).

(7) As similar goods shall be deemed to be goods, which in comparison to the goods to be valued is:

1) similar in construction and characteristics; and

2) capable of performing the same tasks and in trading is mutually interchangeable.

(8) In determining whether goods are similar, the quality thereof, trademark, reputation in the market, country of origin of the goods and similar factors shall be taken into account. Goods manufactured by other persons shall be taken into account only if there are no similar goods, which have been manufactured by the same person who manufactured the goods to be valued.

(9) In determining the market price (value) of goods (services, work), the following shall be taken into account:

1) the prices in transactions between persons who not considered to be related persons. In transactions between related persons, the market price (value) may be utilised for specification if the economic results of the transaction are not influenced;

2) information regarding transactions with goods (services, work) entered into during sales of identical (equal) or similar goods in comparable circumstances (taking

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into account also the delivery volume (quantity) of the goods, relation to periods of execution and conditions of payment); and

3) other circumstances, which may influence the economic results of the transaction.

[28 February 2003]

#### **Section 24. Extension of Tax Payment Terms and Capitalisation of Tax Debts**

(1) The tax administration, which in accordance with Section 20 of this Law administers specific taxes, based on a reasoned submission in writing by a taxpayer has the right:

1) to extend the payment terms of the regular tax and other payments to be paid into budgets for up to three months, not assessing late charges set out in this Law and specific tax laws. The reasoned submission by the taxpayer shall be submitted to the tax administration not later than three days prior to the expiration of the payment term;

2) to extend the late tax payment term which is to be included in local government budgets repeatedly for up to three months, not assessing the late charges set out in this Law and specific tax laws if in the previous extension period not less than 20 per cent had been paid of the tax debt amount. The reasoned submission by the taxpayer shall be submitted to the tax administration prior to the expiration of the missed payment extension term;

3) to divide into time periods or to defer for a period of up to one year the payment of the tax payment and fine assessed as a result of controls performed by the tax administration (examinations, audits); and

4) to divide into time periods or to defer for a period of up to one year the payment of the late tax payment if the missed term was caused as a result of *force majeure*.

(2) The State Revenue Service, based on a reasoned written submission by a taxpayer which has been co-ordinated with the relevant local government, is entitled to carry out extensions of payment terms for regular and late tax and other payments to be included in budgets as provided in Paragraph one of this Section, in cases when the specific taxes are administered by the State Revenue Service and local governments. In relation to taxes, which are paid into local government budgets to the full amount, the relevant local government shall take a decision regarding the extension of the payment time period.

(3)[25 November 1999]

(4)[25 November 1999]

(5) [9 October 2002]

(6) Late tax payments shall be made by paying the principal debt, the increase in the amount of principal debt and the late charges proportionately.

(7) If, at the expiration of the term of extension, the taxpayer has not paid the late payments to the full amount or has not extended the terms of payment in accordance with the procedures prescribed in this Section, the late charge for the portion of the debt which is unpaid for the total late period shall be assessed in accordance with general procedures and the debt shall be recovered on an uncontested basis.

(8) Extension of the term of payment of late tax payments shall not release the taxpayer from the duty to make regular tax payments in the full amount and within the terms set out in tax laws. The principal tax debt, also in the case of extension of the payment term, shall be increased during the total late period in accordance with the refinancing rate set by the Bank of Latvia except for cases provided for in Section 29 of this Law.

(9) Relief provided for in Paragraph one, Clause 2 of this Section may not be applied to taxpayers who do not make regular tax payments to the full extent and within the terms set out in tax laws.

(10) The institution performing alienation of State property, in accordance with procedures prescribed by the Cabinet, shall capitalise the principal debt of tax payments to be paid into the State budget, at the same time writing off late charges and fines:

1) regarding undertakings (companies) or their divisions which are to be privatised; and

2) regarding privatised undertakings (companies) for which the tax debt to be paid into the State budget had arisen prior to privatisation and until the present time has not been paid due to circumstances beyond the control of the payer.

(11) Revenue, which has been obtained by realising capitalised tax debts to be included in the State budget, shall be paid into the general budget and the special budget as determined by specific tax laws regarding the inclusion in the State general budget or special budget of the regular payments of such tax.

(12) The institution performing alienation of State property, in accordance with procedures prescribed by the Cabinet, may capitalise the principal debt of property tax and personal income tax payments of privatised undertakings (companies) for which property tax and personal income tax debt had arisen prior to privatisation and until the present time has not been paid due to circumstances beyond the control of the payer.

(13) Revenue, which has been obtained by realising capital shares (stocks) acquired as a result of capitalisation of the principal debts of property tax and personal income tax payments, shall be included in an account specified for this purpose in the State general budget. The resources mentioned shall be divided between local governments and the State special budget in accordance with procedures prescribed by the Cabinet.

(14) Local governments, in accordance with procedures prescribed by the Cabinet, may capitalise the principal debt of land tax of privatised undertakings (companies) for which the land tax debt had arisen prior to privatisation and until the present time has not been paid due to circumstances beyond the control of the payer.

(15) Revenue which has been obtained, realising capital shares (stocks) acquired by capitalisation of the principal debt of land tax payments, shall be included in the relevant local government budget.

(16) [9 October 2002]

(17) [9 October 2002]

*[6 June 1996; 18 June 1998; 25 November 1999; 10 May 2001; 20 December 2001; 9 October 2002; 9 October 2003; 31 March 2004]*

## **Section 25. Extinguishment of Tax Debt**

(1) Tax debts to be included in the State budget, as well as fines, increases in the amount of principal debt, and late charges related thereto shall be extinguished by the Director General of the State Revenue Service in the following cases:

1) for an undertaking (company) – if by a court adjudication bankruptcy procedures have been completed and an insolvency matter has been terminated;

2) for an individual (family) undertaking, also a farm or fishing undertaking, in the event of the death of a founder-owner if it is not possible to recover tax debts from the heirs, as well as fines, increases in the amount of principal debt and late charges related thereto;

3) for a natural person – taxpayer – in the event of his or her death if it is not possible to recover tax debts from the heirs, as well as fines, increases in the amount of principal debt and late charges related thereto; and

4) for a taxpayer in relation to tax payments to be collected on an uncontested basis – if the decision regarding the recovery of the late tax payments has ceased to be in effect in accordance with Section 26, Paragraph nine, Clause 4 of this Law.

(2) Capitalised primary debt of tax payments, as well as fines and late charges related thereto, except for land tax debts, shall be extinguished by the Ministry of Finance, pursuant to procedures prescribed by the Cabinet, after a recommendation by the authority which is carrying out the capitalisation.

(3) Tax debts to be included in local government budgets, as well as fines, increases in the amount of principal debt and late charges related thereto shall be extinguished in cases set out in Paragraph one of this Section by the relevant local governments. Local governments shall extinguish the capitalised primary debt of land tax payments, as well as the fines and late charges related thereto in accordance with procedures prescribed by the Cabinet.

(4) The Ministry of Finance, the State Revenue Service or the relevant local government shall publish in the newspaper *Latvijas Vēstnesis* information regarding the extinguishment if it has not been provided otherwise in regulatory enactments.

(5) The following shall be sent to the Enterprise Register of the Republic of Latvia:

1) by the State Revenue Service – an order from the Director General of the State Revenue Service regarding extinguishment of tax debts to be included in the State budget, of such undertakings (companies) for which by court adjudication bankruptcy procedures have been completed and the insolvency matter has been terminated; and

2) by local governments – city council (parish or district council) decision regarding extinguishment of tax debts to be included in the local government budget of the undertakings (companies) for which by court adjudication bankruptcy procedures have been completed and the insolvency matter has been terminated.

[6 June 1996; 4 December 1997; 18 June 1998; 22 October 1998; 13 April 2000; 8 March 2001; 12 December 2002; 28 February 2003]

## **Section 26. Collection of Late Tax Payments**

(1) Tax payments in conformity with tax assessments or tax reports, declarations, assessments of advance payments, as well as other documents regarding payments into the budget or tax payments (also fines) assessed after tax administration controls (examinations, reviews), which are not paid within the time periods specified in tax laws or other regulatory enactments, and the increase on the basic debt and late charges (hereinafter – late taxes) associated with them, as well as expenditures regarding the recovery of late tax payments on an uncontested basis, the tax administration shall recover such on an uncontested basis based upon a decision regarding the recovery of late tax payments.

(2) Prior to the recovery of tax payments on an uncontested basis, the tax administration shall redirect any tax over-payments to cover the tax debt. The taxpayer shall be informed in writing regarding the redirection of over-payments to cover the debt, within a period of three days after such redirection has taken place.

(3) Late tax payments shall be recovered on an uncontested basis utilising the following means:

1) by withdrawing funds from the taxpayer's bank accounts in credit institutions by way of a tax administration collection order. It is mandatory for credit institutions to execute a tax administration collection order. If there are no funds in the account of the taxpayer, the credit institutions shall execute the collection order as soon as funds are received in the account. While the collection order has not been executed, funds from the relevant account for other purposes, except for work remuneration, which does not exceed the amount of the average work remuneration for the past six months, shall not be issued; If collection orders for the withdrawal of funds from the taxpayer's bank accounts have been submitted by several tax administrations, the earliest submitted collection order shall be executed first. The credit institution shall in the taxpayer regarding the receipt of a collection order;

2) by seizing cash from the cashier's office of a legal person in accordance with procedures prescribed by the Cabinet or other places of storage. Cash intended for work remuneration of employees, which does not exceed the amount of the average work remuneration for the past six months, shall not be seized; and

3) in accordance with the procedures specified in Part E of the Civil Procedure Law, direct the recovery of late tax payments on an uncontested basis to the property of the taxpayer (moveable and immovable property, also to property which is located with third persons). The direction of recovery to property shall be commenced if the tax administration has, by re-directing over-payments, sending collection orders and seizing cash, been unable to cover the late tax payments and the expenditures regarding the recovery of late tax payments on an uncontested basis.

(4) The order of application of the means of recovery referred to in Paragraph three of this Section and the number of times each means is applied shall be determined by the tax administration taking into account the following principles:

1) the recovery of late tax payments on an uncontested basis shall firstly be directed to the cash funds of the debtor; and

2) recovery directed to immovable property shall occur only if the debtor does not have moveable property or with the sale of the moveable property all the late tax payments cannot be covered.

(5) A decision by an authorised official of the tax administration regarding the recovery of late tax payments may be taken not earlier than five working days after the time period for the tax payment. A decision regarding the recovery of late tax payments assessed as a result of control (examination, review) by the tax administration shall be taken not earlier than 30 days after the tax administration has taken the relevant decision.

(6) The recovery of late tax payments on an uncontested basis shall not commence and a commenced recovery of late tax payments on an uncontested basis shall be suspended if at least one of the following conditions exists:

1) the decision taken regarding the results of control (examination, review) by the tax administration has been appealed – for the period of the pre-trial examination of the submission in accordance with the procedures specified in regulatory enactments;

2) the time period for payment of the tax has been extended, deferred or divided – in relation to the part of the tax payment extended or the deferred tax payment;

3) the circumstances specified in Section 560; Section 563, Paragraph two, Clause 4 or 5 or Paragraph two have come into effect;

4) a decision by the tax administration or a court adjudication has been taken with which the recovery of late tax payments on an uncontested basis has been suspended; or

5) a court judgment has come into effect with which the taxpayer has been declared insolvent. In respect of a taxpayer declared insolvent, all the regular tax payments in accordance with the specific tax laws shall be performed.

(7) A decision regarding the recovery of late tax payments is an execution document, and it shall be executed by:

1) an official of the tax administration in conformity with duties of the position; or

2) a sworn bailiff in accordance with the Civil Procedure Law and on the basis of a decision regarding the recovery of late tax payments if the tax administration has according to the procedures specified in the Civil Procedure Law submitted to the sworn bailiff execution documents.

(8) A decision regarding the recovery of late tax payments shall be executed within a period of three years from when the decision was taken. The prescription period for the execution of the decision shall be suspended if:

1) the time period for payment of the tax has been extended, deferred or divided – up to the end of such time period. If the time period for payment has been divided, the calculation of the prescription period shall be renewed after the last time period for payment;

2) the decision taken regarding the results of control (examination, review) by the tax administration, tax assessed or decision regarding the recovery of late tax payments has been disputed – for the period of the pre-trial examination of the submission;

3) the activities of the sworn bailiff have been appealed;

4) the debtor has died or the legal person has ceased to exist and the court established legal relations allow the succession of interest – up to the specification of the successor in interest;

5) the debtor has lost the capacity to act – up to the appointment of a trustee;

6) there is a court decision regarding the suspension of the execution of the tax administration's decision – up to the revocation of the court decision or for the time period indicated in the court decision;

7) insolvency proceeding have initiated for the taxpayer – up to the termination of the insolvency process; and

8) a decision has been taken and registered regarding the liquidation of the taxpayer – up to the termination of the liquidation process.

(9) A decision regarding the recovery of late tax payments shall cease to be in effect:

1) on the day when the voluntary payment of the late tax payments is performed or the decision regarding the recovery of late tax payments has been executed;

2) on the day when the tax administration revokes the decision regarding the recovery of late tax payments;

3) on the day when the court judgment comes into effect, which revokes the tax administration's decision regarding the recovery of late tax payments;

4) if the decision regarding the recovery of late tax payments has not been executed within the period specified in Paragraph eight of this Section and the tax administration has at its disposal a legally certified statement regarding impossibility of recovery; and

5) if the tax debt has been extinguished according to the procedures specified in this Law.

(10) The procedures for the recovery of late tax payments specified in this Law shall apply also to the recovery of late fees and other mandatory payments on an uncontested basis.

*[6 June 1996; 22 October 1998; 28 February 2003]*

## **Section 26.<sup>1</sup> Execution of Tax Administration Decisions Security**

(1) In relation to the decision taken as a result of the tax administration's control (examination, review), as well as the decision regarding the recovery of late tax payments on an uncontested basis, the tax administration is entitled to apply the following means of execution security:

1) the attachment of moveable property belonging to the debtor;

2) the recording of the a claim security notation (prohibition or pledge notations) in the Land Register, Ship Register or other property registers;

3) a prohibition on the debtor to perform certain activities, which are directed to evading the payment of taxes; and

4) the attachment of property belonging to the debtor, which is located with other persons.

(2) The decision of an authorised official of the tax administration regarding the

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application of security means shall be sent to the taxpayer within a period of one working day after its execution.

(3) If the tax administration determines that the taxpayer shall remove, alienate or conceal his or her property or other sources of income, reorganise or liquidate undertakings (companies), or there is other evidence that the taxpayer shall discontinue his or her activities in Latvia in order to evade the payment of late tax payments, as well as the taxpayer shall perform other activities as a result of which it may become impossible to execute the decision of the tax administration regarding the recovery of late tax payments on an uncontested basis, the tax administration may apply security means before the payment time period specified in regulatory enactments or the decision taken regarding the results of control (examination, review) by the tax administration.

(4) The decision regarding the application of security means shall be applied in such a manner that it causes the least possible losses to the taxpayer and that it interferes in the least possible way with his or her activities. The tax administration shall compensate the taxpayer according to the procedures specified in the Civil Law for losses, which have been caused by the unjustified application of security means.

*[28 February 2003]*

#### **Section 27. Collection of Taxes in Cases of Liquidation or Concealment of Source of Income**

If a taxpayer liquidates his or her property, undertakings, companies or other sources of income or conceals property or the tax administration has other evidence that the taxpayer is terminating his or her activity in Latvia, the tax administration is entitled to assess taxes and to carry out measures in order to ensure the receipt of the assessed tax amount before the end of the taxation period. In such cases information and declarations necessary for levying taxes, as well as the payment of the taxes levied may be requested by the tax administration irrespective of the time periods set out in the specific tax law.

#### **Section 28. Refund of Incorrectly Recovered Payments and Overpaid Tax Amounts**

(1) Payment amounts incorrectly recovered by the tax administration shall be refunded to the taxpayer within a period of 15 days from the day when the tax administration has taken or a court has adopted a decision that the payment has been recovered in error. The refundable amounts shall be determined taking into account the refinancing rates set by the Bank of Latvia at the time when the amount was incorrectly recovered. If the payment amounts recovered in error are not refunded within a period of 15 days, the refundable amounts shall be increased by 0.05 per cent of the payment amount incorrectly recovered for each late day, and such shall be paid from such budget funds as were paid in the amount incorrectly recovered.

(2) Pursuant to reasoned request from a taxpayer, overpaid tax amounts shall be refunded within a period of 15 days after submission of the request to the tax administration if

specific tax laws do not provide for other refund times and procedures. If the overpaid tax amounts are not refunded without justification within the time period specified in this Paragraph or in a specific tax law, the amount to be refunded shall increase by 0.03 per cent of the overpaid tax payment amount for each late day.

(3) The conditions set out in Paragraphs one and two of this Section shall not be applicable to taxpayers who have late tax payments in the amount of the late taxes and payments related thereto, as well as taxpayers against whom or against which official criminal charges have been initiated for fraud, forging of documents, tax evasion and payments which are equivalent payments to these or other criminal transactions, which may influence the specification of the amount of tax, except in cases where a decision has been taken regarding the termination of the criminal matter or an acquittal court judgment has come into lawful effect.

(4) The tax administration has a duty, in regard to taxpayers who have late tax payments to be paid into the budget and who have created overpayments of tax, in the cases mentioned in Paragraphs one and two of this Section, without an application by the taxpayer to direct the overpaid tax amounts toward covering the tax debt and related payments, at the same time proportionately covering the principal debt, fine, the increase in the amount of principal debt and late charge.

(5) If the specific tax law provides for the performance of a tax review (audit) in order to refund the overpaid tax, the part of the overpaid tax to be refunded shall be:

1) that part the justification of which has been verified as a result of the tax review (audit); and

2) that part for which the tax review (audit) continues if after the refund of the possible tax debt obligation is reinforced with a guarantee or secured with a pledge.

(6) A tax overpayment, which is being additionally evaluated, shall not be refunded until the end of the tax review (audit) if the taxpayer does not submit the guarantee referred to in Paragraph five of this Section or does not guarantee the repayment of such amount with a pledge.

(7) In the case provided for in Paragraph five, Clause 2 of this Section, the pledge contract shall be entered into between the tax administration and the taxpayer according to general procedures, which are specified in relation to pledge contracts, and such contract shall be free of the taxes and State fees, which are payable in drawing up a pledge contract. The object of the pledge may be property which is not burdened with debts or other property rights. In accordance with the guarantee contract entered into, the guarantor undertakes to pay the tax debt, the fines associated with it, the increase on the basic debt and late charges as would the debtor himself or herself. Pledge rights and guarantee obligations shall be established, changed and terminated in conformity with the provision of the Civil Law, but the resolution of disputes between the parties according to the procedures specified in the Civil Procedure Law.

*[6 June 1996; 9 October 2002; 28 February 2003]*

## **Section 28.<sup>1</sup> Use of Electronic Devices and Equipment for the Registration of Strict Accountability Bills of Lading, Tax and other Payments in the**

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## **Assessment of Taxes and Fees**

(1) In order to ensure, for the needs of tax assessments and reports, the drawing up of accurate and full documentation in respect of the receipt and issue of transactions with goods and other material valuables, the taxpayer shall use a bill of lading, which is a strict accountability document. The Cabinet shall determine the procedures for the preparation and distribution of strict accountability bill of lading forms, the users and procedures for use thereof, requisites, procedures as to how such bills of lading shall be drawn up, registered, applied and recorded in a unified data base (register), as well as the procedures for the supervision and control thereof.

(2) The Cabinet shall determine the procedures for the registration of taxes and other payments with electronic devices and equipment, the procedures for the release of a taxpayer from the mandatory use of electronic devices and equipment, the technical requirements of the referred to devices and equipment, and the duties of the users, traders, service personnel and experts of such devices and equipment, as well as the procedures for the registration of the electronic devices and equipment, the users, traders and service personnel thereof shall be registered in a unified data base (register), and the procedures for the supervision and control thereof.

*[28 February 2003]*

## **Chapter VII Liability for Violations of Tax Laws**

### **Section 29. Assessment of Increases in the Amount Principal Debt and Late Charges**

(1) The amount (principal debt) of late tax and fee payments (including fines) shall be increased in accordance with the refinancing rate set by the Bank of Latvia during the late period.

(2) For not observing the payment term for tax and fee payments (including fines), late charges shall be assessed in the amount of 0.05 percent of the principal debt not paid in time for each late day if other amounts for late charges are not provided for by specific tax laws.

(3) Increases in the amount of principal debt and late charges shall not be assessed if the State budget or local government budgets have received the tax payment which they are entitled to receive within five working days after expiration of the payment term. If the

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condition mentioned is not observed, increases in the amount of principal debt and late charges shall be assessed commencing with the next day after the payment term expiry date as provided for by the specific tax law. If the expiration of the payment term occurs on a non-working day (holiday), then the first working day after the non-working day (holiday) shall be considered the payment day.

(4) Assessment of increases in amount of principal debt and late charges:

1) shall be discontinued if it is not provided otherwise in Section 24 of this Law:

a) for undertakings (companies) to be privatised – from the day of commencement of privatisation, for undertakings (companies) – from the day of commencement of alienation, until the day when the obligations are transferred by an act of delivery and acceptance to the new owner, but not longer than for 12 months,

b) for undertakings (companies) which have been proclaimed as insolvent by a court, from the day that the adjudication was rendered, and

c) for undertakings (companies) whose principal debt of tax payments is being capitalised in accordance with procedures and within the term prescribed by the Cabinet; and

2) shall be renewed if:

a) with the expiration of the term provided for in Clause 1, sub-clause a) or c) of this Paragraph, the late tax payments have not been paid or capitalised and the changes related to capitalisation have not been registered with the Enterprise Register of the Republic of Latvia. The increase in the amount of the principal debt and late charges shall be assessed according to general procedures from the day that such assessment was discontinued, and

b) the solvency of undertakings (companies) mentioned in Clause 1, sub-clause b) of this Paragraph shall be renewed from the day when the court has adopted an adjudication regarding the termination of insolvency proceedings.

(5) In regard to taxpayers, for whom banks have accepted payment orders for execution for payment of tax, not executing such due to suspension of operations of the bank, assessment of increase in the amount of principal debt and late charges shall be suspended for a period until a decision is taken regarding the renewal of operations or bankruptcy of the credit institution.

(6) Assessment of increases in the amount of principal debt and late charges set out in Paragraph five of this Section shall be discontinued:

1) for amounts which have been referred for execution in accepted payment orders, from the day when the bank has accepted such for execution; and

2) only in a case when the owner-manager of cash funds which have been frozen (blocked) in bank accounts has not relinquished his or her rights to claim for the benefit of another person or has not transferred his or her rights to any other person.

(7) The assessment of late charges shall be terminated, if the increase in the amount of principal debt and the late charges amount to the extent of the late payment (principal debt).

*[6 June 1996; 22 October 1998; 25 November 1999; 13 April 2000; 10 May 2001; 9 October 2002]*

### **Section 30. Limitations in Cash Usage**

(1) Taxpayers, except for natural persons, each month in accordance with procedures prescribed by the Cabinet shall declare all the mutual transactions made in cash (irrespective of whether the transaction takes place in one operation or in several operations), the amount of which exceeds 1000 lats. If transactions made in cash the amount of which exceeds 1000 lats have not been declared, a fine in the amount of 5 per cent of the total amount of the undeclared transactions shall be payable.

(2) If the transactions mentioned in Paragraph one of this Section exceed 3000 lats, a fine in the amount of 10 per cent of the total amount of the transactions shall be payable; if these transactions have not been declared in accordance with procedures prescribed in Paragraph one of this Section – a fine in the amount of 15 per cent of the total amount of these transactions, if not provided otherwise in this Section.

(3) Shipping agent and airline agent undertakings (companies), as well as international road haulage and freight expedition undertakings (companies), only in relation to international road haulage and freight expedition transactions for which the total amount of transactions to be declared in a month exceeds 3000 lats and who have declared such transactions in accordance with procedures prescribed by the Cabinet, shall not have fines applied in the amount of 10 per cent of the total amount of such transactions.

(4) Shipping agent and airline agent undertakings (companies), as well as international road haulage and freight expedition undertakings (companies) who have not observed the conditions of Paragraph three of this Section shall pay a fine in conformity with the conditions set out in Paragraph two of this Section.

(5) The norms set out in this Section shall not apply to:

1) credit institution services; and

2) cash payments to credit institutions for transactions into member accounts provided for in Paragraph one of this Section.

(6) For transactions carried out in retail trade, the norms of this Section are applicable only to the purchaser of the goods.

*[6 June 1996; 4 December 1997; 25 November 1999; 13 April 2000; 9 October 2002]*

### **Section 31. Limitations on the Receipt of Tax Relief**

Taxpayers who have, unjustified late payments in a reporting year do not have the right to receive tax relief by making donations or giving gifts.

### **Section 32. Liability for Reduction of the Tax Base**

(1) If a taxpayer in violating the requirements of tax laws, in declarations submitted to the tax administration or in assessment of taxes reduces the tax base (the taxable item) and the tax amount assessed from such, the tax administration shall assess and recover for the

benefit of the budget from the taxpayer the reduced tax amount and a fine to the amount of such if another amount for the fine is not provided in specific tax laws.

(2) A fine shall not be assessed and recovered if both of the following conditions are complied with:

1) the taxpayer, in regard to a declaration or tax assessment submitted in due time, has submitted a correction of the declaration or a corrected tax (item subject to tax) assessment prior to the beginning of a verification by the tax administration; and

2) has paid, within five working days from the day of submission of the corrected declaration or corrected tax (item subject to tax) assessment, the reduced tax amount and the related increase in the amount of principal debt and late charge which has arisen up to the day of submission of the corrected declaration or corrected tax (item subject to tax) assessment.

(2.<sup>1</sup>) The increase in the amount of principal debt and late charge shall not be assessed for the reduced tax amount during the five working days prescribed in Paragraph two, Clause 2 of this Section from the day of submission of the corrected declaration or corrected tax (item subject to tax) assessment. If the payments are not made during the five working days as prescribed, the conditions of Section 29, Paragraphs one and two of this Law shall be applied from the day of submission of the corrected declaration or corrected tax (item subject to tax) assessment.

(3) [13 April 2000]

(4) The taxpayer shall pay the amount of the reduced tax and fine for the corresponding amount within a 30 day period from the day of receipt of a decision by the tax administration regarding the assessed tax amount. If the payments are not carried out within the 30-day period, with the 31<sup>st</sup> day the conditions set out in Section 29, Paragraphs one and two of this Law shall be applicable.

*[6 June 1996; 4 October 1998; 13 April 2000; 8 March 2001]*

## **Section 32.<sup>1</sup> Liability for Non-submission of Declarations in Due Time**

(1) If a taxpayer in submitting the declarations, reports or tax assessments (hereinafter – declarations) as provided for in specific tax laws to the tax administration has not observed the terms for submission specified in regulatory enactments, a fine, which shall depend on the extent of the lateness, shall be levied on him or her or it for late submission of the declaration in the following amounts if specific tax laws do not provide otherwise:

1) up to 15 calendar days 0.1 per cent of the total tax amount indicated in the declarations, but not more than 50 lats;

2) from 16 to 30 calendar days – 0.5 per cent of the total tax amount indicated in the declaration, but not more than 200 lats; and

3) more than 30 calendar days – 1 per cent of the total tax amount indicated in the declaration, but not more than 500 lats.

(2) If in the case specified in Paragraph one of this Section, as a result of assessment of the declaration, tax need not be paid, or if the fine which is assessed in accordance with Paragraph one of this Section is less than 10 lats, a fine in the amount of 10 lats shall be levied for the late submission of the declaration if specific tax laws do not provide otherwise.

*[13 April 2000; 14 December 2000]*

### **Section 33. Liability for Repeated Reduction of the Tax Base**

(1) If a taxpayer within a three year period has repeatedly violated tax laws (reducing the tax base, not declaring income or declaring less income, or has substantiated non-justifiable expenses with documents), the tax administration shall recover from the tax payer the unpaid (missing) tax amount and fine to double the extent of this amount.

(2) *[13 April 2000]*

(3) If within a three month period, the taxpayer has not paid the debt of a tax, fine or late charge into the budget and the terms for paying the taxes have not been extended in accordance with procedures prescribed in Section 24 of this Law, the tax administration shall initiate a matter in court regarding the insolvency of the taxpayer.

*[6 June 1996; 13 April 2000]*

### **Section 33.<sup>1</sup> Right of the Tax Administration to Reduce Fines Applied**

(1) The tax administration in evaluating the essence and nature of the violation of the taxpayer, the fact of how many times the violation has been committed, the harm caused and the integrity of the taxpayer in cases where the taxpayer has disputed the decision of the tax administration, has the right to reduce the fine imposed as a result of controls (tax verifications (audits) and examinations) up to 70 per cent of the amount, but not more often than once a year.

(2) The following tax administration officials have the right to reduce imposed fines in accordance with Paragraph one of this Section:

1) the head of the highest institution of the tax administration; and

2) the heads of territorial tax administration offices if the reduction amount of the fine does not exceed 1000 lats, informing the head of the highest institution of the tax administration of the decision taken within five days from the day the decision is taken.

(3) The head of the highest institution of the tax administration has the right to revoke unsubstantiated decisions taken by the heads of territorial tax administration offices regarding the reduction of fines within a period of 30 days from the day of the notice by the head of the territorial institution or the receipt of the complaint of the taxpayer.

*[13 April 2000; 31 March 2004]*

### **Section 34. Liability for Carrying on Entrepreneurial Activity, Not Being Registered as a Taxpayer and for Other Tax Law Violations**

If a natural or legal person who is carrying on entrepreneurial activity has not registered as a taxpayer or within a 30 day period after the specified term does not submit the declarations or tax assessments provided for by tax laws, as well as economic and accounting documents without which tax administration officials (employees) are not able to determine the tax base, or does not provide the opportunity to collect taxes, or does not allow a tax administration official (employee) to enter the premises of the taxpayer when such official (employee) has such rights, then:

1) liability as provided for in Section 33, Paragraph one of this Law shall be applicable, but if it is not possible to determine the amount of the taxes, they shall be collected at double the amount of assessed taxes for the previous period, but if there has not been such, the amount of taxes shall be determined based on the information the tax administration has at its disposal regarding analogous taxpayers and by applying double the amount of tax payments to the violators;

2) pursuant to the request of the tax administration:

a) ministries, local governments and other institutions shall revoke the permit (license) to carry on entrepreneurial activity issued to the taxpayer,

b) customs authorities shall suspend export and import operations by the taxpayer, and

c) banks shall discontinue the issuing of funds and transfers from the account of the taxpayer until a written revocation by the tax administration or a court adjudication has been received; and

3) sanctions set out in other legislative enactments shall be applied. The tax administration is entitled to submit to the relevant State institution materials for initiating a criminal matter.

### **Section 34.<sup>1</sup> Suspension of Economic Activity in Cases of Violations of Regulatory Enactments**

(1) If a natural or legal person or a group of such persons, in carrying on economic activity, violates the procedures provided for in regulatory enactments which ensure a correct and complete accounting of items subject to taxes and fees, the State Revenue Service is entitled, in order to carry out a special examination in accordance with procedures prescribed by the Cabinet, to suspend the activity of the violator of the regulatory enactments (or of the unit in which the violation has occurred) for a period of time which is not longer than 10 days from the day the State Revenue Service decision (order) was taken. The relevant decision (order) shall be taken by the State Revenue Service within a period of three working days after receipt of material for examination from the control authorities.

(2) The time restriction for the carrying out of the special examination provided for in Paragraph one of this Section shall not be applicable in cases when it has been established

during such an examination that it is necessary to carry out a special tax audit or in cases, for which criminal liability is provided, an audit of economic and financial activities.

(3) If the activity of the violator of the regulatory enactments (or the unit in which the violation has occurred), as provided for in Paragraph one of this Section, is suspended for a period, then the financial losses which have been incurred as a result of the suspended activities shall be covered from the resources of the violator (natural or legal person or groups of such persons).

*[6 June 1996; 4 December 1997]*

### **Section 35. Liability for Gross Violations of Tax Laws**

(1) On the basis of an application by the tax administration, the simplified liquidation proceedings shall be applied to an undertaking (company) if the taxpayer:

1) within a period on one year after registration in the Enterprise Register of the Republic of Latvia has not commenced entrepreneurial activities;

2) systematically does not submit declarations provided for by tax laws to the tax administration, as well as has not notified regarding the suspension of the activities thereof and the tax administration does not have information regarding the activities of such undertaking (company); or

3) cannot be reached at the legal address indicated by him or her or the declared address does not exist in fact.

(2) In all cases when the taxpayer has allowed violations, for which criminal liability is provided, the tax administration official (employee) who has discovered such has a duty to submit within a period of 10 days a notice regarding such to the relevant State institution for the initiation of a criminal matter. The necessity to submit the concrete materials shall be evaluated and they shall be additionally requested by the relevant State institution.

*[31 March 2004]*

## **Chapter VIII**

### **Dispute and Appeal Procedures for Decisions Taken Regarding Tax and Fee Issues**

#### **Section 36. Procedures for Submission and Review of Complaints [28 February 2003]**

*[12 December 2002; 28 February 2003]*

#### **Section 37. Dispute and Appeal Procedures for Decisions taken by State Revenue Service Officials regarding Tax Issues**

(1) A taxpayer who has received a decision taken by an official of the State Revenue Service as a result of control (examination, review), also proposals to taxpayers referred to in an examination and review document, a decision regarding the repayment of the amount of overpaid tax, a decision regarding the recovery of late tax payments, a decision

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regarding which the expenditures regarding the recovery of late tax payments on an uncontested basis, or a decision regarding the application of security means for the execution of a decision, has the right to dispute such decisions according to procedures specified in this Law.

(2) A taxpayer may dispute the decisions taken by an official of the State Revenue Service referred to in Paragraph one of this Section in writing within a period of 30 days after receipt of the decision according to the following order:

1) a decision taken by an official of the State Revenue Service territorial office – to the director of the relevant territorial office;

2) a decision taken by the director of the State Revenue Service territorial office – to the director-general of the State Revenue Service; and

3) a decision taken by an official of the State Revenue Service central office – to the director-general of the State Revenue Service.

(3) In disputing a decision a taxpayer is entitled to:

1) request that the decision be revoked in full or a part thereof ;

2) request that the assessed fine be reduced according to the procedures specified in this Law; and

3) propose the entering into of a settlement agreement according to the procedures specified in this Law.

(4) In examining a submission from a taxpayer, the officials referred to in Paragraph two of this Section may take the following decisions:

1) leave the disputed decision unchanged;

2) revoke the disputed decision fully or a part thereof; or

3) take a new decision in the taxpayer's matter.

(5) The State revenue Service shall examine a submission and within a period of 30 days reply to the submitter. The Minister for Finance has the right to extend the period for the examination of the submission up to 60 days.

(6) If the taxpayer does not agree with the decision of the director-general of the State Revenue Service, he or she has the right to appeal such decision to a court.

*[23 February 2003; 31 March 2004]*

### **Section 37.<sup>1</sup> Dispute and Appeal Procedures for Decisions taken by Officials of other State and Local Government Institutions regarding Tax Issues**

(1) Decisions taken by officials of other State institutions regarding tax issues may be disputed and appealed according to the general procedures, which are specified in administrative instruments for dispute and appeal.

(2) Decisions taken by local government officials regarding tax issues may be disputed (appealed) within a period of 30 days from the receipt of the decision according to the following order:

1) a decision taken by an official of a local government city council (parish, district or county council) – the chairperson of the local government city council (parish, district or county council) shall examine the submission and issue a reply within a period

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of 30 days; and

2) a decision taken by the chairperson of the local government city council (parish, district or county council) – in a court.

(3) In examining a submission from a taxpayer, the local government officials may take the following decisions:

1) leave the disputed decision unchanged;

2) revoke the disputed decision; or

3) take a new decision in the taxpayer's matter.

*[28 February 2003]*

### **Section 38. Provision of Evidence**

If a taxpayer does not agree with the amount of the tax payments assessed by the tax administration, evidence regarding the amount of the tax payment shall be provided by the taxpayer.

### **Section 39. Appeal of Decisions to the Transaction Evaluation Commission**

(1) If a taxpayer does not agree with the tax administration decision regarding market prices or the determination of market value for a specific transaction, he or she or it has the right within a period of 10 days to request an opinion from the Transaction Evaluation Commission.

(2) The Transaction Evaluation Commission shall be formed by the Cabinet from specialists, and it shall act and deliver opinions in accordance with procedures prescribed by the Cabinet.

(3) Until receipt of an opinion by the Transaction Evaluation Commission, the tax administration does not have the right to apply punitive sanctions against the taxpayer regarding the contested transaction.

(4) After receipt of an opinion both the tax administration and the taxpayer have the right to appeal to a court.

### **Section 40. Suspension of the Execution of a Decision in Connection with the Examination of a Submission**

(1) If a submission has been received regarding the dispute of a decision taken as a result of tax administration control (examination, review), the execution of the decision of the tax administration official shall be suspended for the duration of the pre-trial examination of the submission.

(2) The execution of the decision of the tax administration official shall also be suspended in the cases provided for in Section 39 of this Law.

(3) If a taxpayer removes, alienates or conceals his or her property or other sources of income, reorganises or liquidates undertakings, companies or there is other evidence that the taxpayer is terminating his or her activity in Latvia, the tax administration is entitled

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to carry out measures in order to ensure the receipt of the assessed tax amount before the examination of the taxpayer's submission has ended. In such cases, the tax payment levied may be requested by the tax administration irrespective of the stage of the examination of the submission and time periods.

*[28 February 2003]*

#### **Section 41. Entering into of a Settlement Agreement by the Tax Administration and Taxpayer**

(1) If as a result of tax administration official's control (examination, review) additional payments into the budget have been assessed, the taxpayer in the cases specified in Paragraph two of this Section is entitled to propose to the director-general of the State Revenue Service the entering into of a settlement agreement. The settlement agreement shall indicate that the taxpayer consents to the amount of additional tax payment assessed and undertakes to pay such amount, but in accordance with this Law, the assessed fine shall be revoked.

(2) The director-general of the State Revenue Service is entitled to enter into a settlement agreement if the taxpayer on the day, when the submission regarding the entering into of a possible settlement agreement was submitted, did not have a current tax debt and if one of the following conditions exists:

1) in examining the submission of the taxpayer, the director of the State Revenue Service territorial office has left the disputed decision unchanged or also has take a new decision with which the disputed decision is partially revoked;

2) the decision of the director of the State Revenue Service territorial office is disputed, and, in examining the submission of the taxpayer, the director-general of the State Revenue Service territorial office has left the disputed decision unchanged or also has take a new decision with which the disputed decision is partially revoked; or

3) the taxpayer has submitted a complaint to a court, but the adjudication of the matter has not been commenced on the merits.

(3) In the cases specified in Paragraph two, Clauses 1 and 2 of this Section, the taxpayer shall submit a submission regarding the entering into of a settlement agreement to the director-general of the State Revenue Service within a period of 30 days after the receipt of the relevant decision.

(4) In deciding the issue regarding the entering into of a settlement agreement, the reasons for the creation of the tax debt and the amount shall be taken into account, as well as the efficiency of continuing the dispute and the costs associated thereto.

(5) If the taxpayer does not fulfil the provisions of the settlement agreement, the tax administration shall perform the recovery of late tax payments according to the procedures specified in regulatory enactments.

(6) A settlement agreement shall not be entered into if the tax administration has submitted materials for a decision on the issue of bringing a criminal action.

*[6 June 1996; 28 February 2003; 31 March 2004]*

## Transitional Provisions

1. When this Law comes into force the following are repealed:

1) the Law On Taxes and Fees in the Republic of Latvia (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1991, Nos. 3/4/, 21/22; 1992, Nos. 2/3., 27/28; 1993, Nos. 7, 22/23; *Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 1994, No. 14);

2) the 28 December 1990 decision of the Supreme Council of the Republic of Latvia On Procedures by which the Republic of Latvia Law On Taxes and Fees in the Republic of Latvia Comes into Force (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1991, No. 3/4);

3) the 23 December 1991 decision of the Supreme Council of the Republic of Latvia On Additions to the Procedures by which the 28 December 1990 Republic of Latvia Law On Taxes and Fees in the Republic of Latvia Comes into Force (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1992; No. 2/3);

4) the 17 June 1992 decision of the Supreme Council of the Republic of Latvia On Additions to the Procedures by which the 28 December 1990 Republic of Latvia Law On Taxes and Fees in the Republic of Latvia Comes into Force (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1992; No. 27/28);

5) the 9 February 1993 decision of the Supreme Council of the Republic of Latvia On Additions to the Procedures by which the 28 December 1990 Republic of Latvia Law On Taxes and Fees in the Republic of Latvia Comes into Force; (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1992; No. 2/3); and

6) the 9 June 1993 decision of the Supreme Council of the Republic of Latvia On the Application of Section 3, Paragraph two of the Republic of Latvia Law On Taxes and Fees in the Republic of Latvia (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1992, No. 2/3).

2. [14 December 2000]

3. Effective 1 January 1998, the Law On Land Tax (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1991. Nos. 11/12, 21/22; 1992, No. 13/14; 1993, No. 20/21; *Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 1995, No. 24; 1997, Nos. 3, 14) is repealed.

4. Until the day the Law On Enterprise Income Tax comes into force, the Law On Profit Tax is in force.

5. Until the day the Law On Value Added Tax comes into force, the Law On Turnover Tax is in force.

6. [14 December 2000]

7. [28 February 2003]

8. By 1 April 1995, the Cabinet shall formulate and adopt regulations regarding the procedures by which local governments may determine local government fees.

9. By 1 April 1995, the Cabinet shall adopt regulations on establishing a Transaction Evaluation Commission and procedures of operation for application of Section 39.

10. Such norms of this Law whose execution is regulated by Cabinet regulations may not be applied until the relevant Cabinet regulations have come into force.

11. The Cabinet shall submit a draft law to the *Saeima* which specifies the administrative liability and criminal liability of tax administration civil servants (employees) regarding the disclosure of information mentioned in Section 22, Paragraph one of this Law.

12. The State Revenue Service shall develop and publish in the newspaper *Latvijas Vēstnesis* the methodology for assessment of taxes and the reflection of operations related thereto in accounting, by the day this Law comes into force.

13. Until corresponding amendments are made in the Law On Aviation, the Cabinet has the right to determine taxes and fees for airports.

14. [25 November 1999]

15. Late and unpaid tax payments which have arisen up to 1 October 1999 shall be made in the following sequence: first, the principal debt shall be paid, after that the increase in the amount of principal debt, and finally, the late charge.

16. [8 March 2001]

17. Effective 1 January 1998, the State Revenue Service shall administer social tax payment debts. In carrying out examinations for the period when the Law On Social Tax was in force, the norms of the Law On Social Tax shall be applied except regarding liability for reduction in the tax base which shall be determined in accordance with Section 32 of the Law On Taxes and Fees, observing that for a late social tax payment a late charge shall be recovered – 0.1 per cent of the principal debt (also the fine) not paid in time for each late day.

18. The amendments determined by this Law in Section 1, Clauses 1 and 5; Section 8, Clause 9; Section 19, Paragraphs one and two; Section 20, Clause 9; and Section 25, Paragraph four of the Law On Taxes and Fees shall come into force on 1 January 1998.

19. Section 11, Paragraph two, Clause 20 of the Law On Taxes and Fees shall come into force at the same time as the corresponding amendments in the Law On Entrepreneurial Activity.

20. Social tax payers (employers) whose social tax debts have arisen up to 1 January 1998 and who have co-ordinated the amounts of such with the State Social Insurance Agency shall submit a submission by 1 October 1998 to the State Revenue Service regarding the division of the social tax debt payments into instalments and deferment for a period of up to one year without assessment of late charges.

21. [8 March 2001]

22. For companies whose equity capital is not in compliance with the requirements of the Law On Companies With Limited Liability and against which only tax administrations have registered their claims as creditors with the Enterprise Register of the Republic of Latvia and the total amount of these claims does not exceed 5000 lats, tax debts shall be extinguished based on a submission to the Enterprise Register of the Republic of Latvia and the attached tax administration notice regarding tax debts, indicating for every type of tax, the principal debt, the increase in the amount of principal debt, late charges and fines. The tax debts which are to be paid into the State budget shall be extinguished by the Director General of the State Revenue Service, and the tax debts to be paid into local government budgets, by the relevant local government.

23. The amendments made with this Law to Section 8, Clause 5 in the Law On Taxes and Fees in respect of the Law On Excise Duty for Tobacco Products shall come into force at the same time as the Law On Excise Duty for Tobacco Products, but amendments in respect of the Law On Excise Duty for Alcoholic Beverages, simultaneously with the Law On Excise Duty for Alcoholic Beverages.

24. Decisions by the Ministry of Finance regarding extension of terms up to one year and up to three years for late tax payments which are to be paid into the State budget and the statement of obligations related to such extension of term, which have been taken up to the day of this Law coming in force, shall be in force for the term provided for in such. In accordance with procedures prescribed by the Cabinet, the Ministry of Finance, based on a recommendation by the Interministry Commission established by the Minister for Finance, is entitled to revoke a decision regarding extension of term for the late tax payment payable into the State budget, if the undertakings (companies) and institutions financed from the budget do not fulfil their obligations.

25. In accordance with procedures prescribed by the Cabinet, the Ministry of Finance, based on a recommendation of the Interministry Commission established by the Minister for Finance, is entitled up to 1 January 2001:

a) to reduce previously assessed late charges up to 100 per cent for late tax payments to be paid into the State budget, as well as personal income tax, for those taxpayers who within a 90 day period from the day a decision has been taken by the Ministry of Finance, pay the total principal debt of a specific late tax payment by 1 October 1999 and the related amount of increase in the principal debt,

b) to reduce previously assessed late charges in accordance with the percentage of fulfilment of obligations for late tax payments to be paid into the State budget, as well as personal income tax payments, if within the term provided for in sub-clause a) of this clause the taxpayer pays more than 50 per cent of the principal debt of the specific tax payment which, which has arisen up to 1 October 1999, and the related amount of increase in the principal debt,

c) to apply the conditions set out in Sub-paragraphs a) or b) of this Paragraph to taxpayers no more than two times, and

d) to apply the conditions set out in Sub-paragraphs a) or b) in respect of personal income tax payment debts with the consent of the local government into whose budget more than 50 per cent of the relevant tax payments are to be paid.

26. In applying Paragraph 25 of the transitional provisions, first the principal debt of compulsory instalments of state social insurance (social tax) and the related increases in the amount of principal debt shall be paid.

27. The Ministry of Finance shall reduce the previously assessed late charges by 100 per cent for undertakings (companies) if both of the following conditions exist:

a) the undertaking (company) based on an order of the Cabinet in regard to provision of State aid to a specific undertaking (company) in accordance with the Law On State and Local Government Privatisation Funds has received State aid for entrepreneurial activity, and

b) the undertaking (company) has utilised the resources from this aid from this State toward the payment of principal tax debts which have arisen up to 1 October 1999, and the related increases in the amount of principal debt.

28. By 1 September 2000, the Cabinet shall adopt regulations, which regulate the amount of the State fee for certification of fluency of the official language for carrying out professional and official duties, the payment procedures for such and fee reductions for socially vulnerable and indigent persons.

29. Section 11, Paragraph two, Clause 40 of this Law shall come into force on 1 January 2001.

30. Until 1 January 2001, undertakings (companies) registered with the Enterprise Register and the State Revenue Service, representative offices and branches thereof as well as public organisations and associations thereof are not required to re-register in accordance with Section 15.<sup>1</sup> of the Law On Taxes and Fees and the registration numbers

issued by the Enterprise Register and State Revenue Service shall be used for taxpayer identification.

31. Until 1 January 2003, the Enterprise Register shall issue the unified eleven-digit registration code and nine-digit Enterprise Register code. On the registration certificates issued, both codes shall be indicated. During the time period mentioned, both of the codes issued may be used for identification of the relevant legal persons.

32. All State institutions that use the nine-digit code to identify legal persons shall carry out the necessary transition by the deadline mentioned in Clause 31 of the transitional provisions in order to use the unified eleven-digit code from 1 January 2003.

33. By 31 March 2001, the Cabinet shall issue the regulations provided for in Section 15.<sup>1</sup> Paragraph seven of the Law On Taxes and Fees regarding the registration of taxpayers with the State Revenue Service.

34. In applying Section 15, Paragraph one, Clause 3 of this Law, until the day the regulatory enactment regarding the procedures for utilisation of electronic signatures comes into force, the taxpayers who submit declarations in electronic format shall also submit written declarations. An electronic declaration shall be deemed to be submitted within the term if:

- 1) it is submitted within the term specified in regulatory enactments;
- 2) the information included in the submitted written declaration is in conformity with that submitted in electronic format; and
- 3) the written declaration is submitted not later than within 15 days after the declaration in electronic format was submitted.

35. For privatised undertakings (companies) the Minister for Finance shall extinguish the fines, increases in the amount of principal debt and late charges related to tax debts, for payment into the State and local government budgets, if:

- 1) an undertaking (company) has made all regular tax payments and it does not have late tax payments which have arisen after 1 January 2000;
- 2) the tax obligations of the undertaking (company) do not exceed its assets. In determining the tax obligations of the undertaking (company), the amounts which are to be extinguished in accordance with this Clause are not taken into account;
- 3) a decision regarding the conformity of such State aid with the legal norms of the European Union has been taken by the European Commission; and
- 4) in regard to the extinguishment of fines, increases in the amount of principal debt and late charges for payment into local government budgets, consent has been obtained from the local government into whose budget more than 50 per cent of the relevant tax and related mandatory payments shall be paid.

36. Paragraph two, Clause 43 of Section 11 shall come into force at the same time as the law on detective activity comes into force.

37. The functions of the institution performing the alienation of State property as provided for in Section 24, Paragraphs ten and twelve and Paragraph 39 of these Transitional Provisions of this Law shall be performed by the Privatisation Agency the time when the Privatisation Agency, in accordance with an order of the Cabinet, has transferred such functions to the institution designated by the Cabinet to perform alienation of State property.

38. The Cabinet Regulations which have been issued in accordance with Section 24, Paragraphs ten and twelve of this Law are in force until the day when the Cabinet Regulations, on the procedures on how the activities mentioned in Section 24, Paragraphs ten and twelve and in the Transitional Provisions, Paragraph 39 of this Law, after the relevant functions are taken over from the Privatisation Agency shall be performed by the institution performing the alienation of State property as mentioned in the Transitional Provision, Paragraph 37 of this Law, shall come into force.

39. In cases when for privatised undertakings (companies) the tax debt to be paid into the State and local government budget has arisen after privatisation and has not been paid or has not arisen prior to privatisation and could not be capitalised, the Minister for Finance is entitled to take a decision on capitalisation and the institution performing alienation of State property shall capitalise the principal debt of the tax payment to be paid into the State or local government budget, at the same time writing off late charges and fines, if the undertaking conforms to the following criteria:

- a) the undertaking (company) manufactures high technology products and the products specified by the Cabinet as products be supported are more than 75 per cent of the net turnover of the undertaking (company) during the pre-taxation period, and
- b) the State or local government share does not exceed 25 per cent of the equity capital.

40. Paragraph 39 of these Transitional Provisions is applicable to the taxes and such principal tax debts mentioned in Section 8 of this Law as have arisen until 31 December 2000 and to the late charges and fines related thereto that have arisen until the time of capitalisation.

41. The institution performing capitalisation in the cases provided for in Paragraph 39 of these Transitional Provisions shall capitalise the principal tax debts to be paid into the State and local government budget and at the same time shall write off late charges and fines, applying the Cabinet procedures mentioned in Section 24, Paragraphs ten and twelve of this Law.



42. In accordance with Paragraph 39 of these Transitional Provisions, the capitalised principal tax debts and late charges and fines related thereto shall be extinguished by the Minister for Finance pursuant to notification by the institution performing capitalisation.

43. Section 11, Paragraph two, Clause 44 shall come into force on 1 July 2002.

44. Section 11, Paragraph two, Clauses 46 and 47 shall come into force on 1 March 2002.

45. The Cabinet has the right, up to 31 December 2003, to extend the payment time periods up to seven years those late tax payments to be paid into the State budget and local government budgets, which have formed for privatised or to be privatised undertakings (companies) up to 31 December 2000, not calculating the late charges specified in this Law and specific tax laws, and to extinguish the previously assessed fines and late charges for such tax payments if the following conditions are fulfilled:

a) the undertaking (company) from 1 January 2002 has made all regular tax payments to the full amount;

b) the debt obligations of the undertaking (company) does not exceed its assets. In determining the debt obligations of the undertaking (company), the amounts to be extinguished in accordance with this Paragraph shall not be taken into account; and

c) in relation to local government budgets, the consent of the local government into which budget more than 50 percent of the relevant tax payment is to be paid into has been obtained for the extension of the payment time period of the taxes to be paid in and the extinguishment of the late charges.

46. The extension of the payment time period of late tax payments provided for in Paragraph 45 of these Transitional Provisions for undertakings (companies) on the basis of a recommendation from the Minister for Finance, shall be granted by a Cabinet order not more than once only. The Cabinet shall determine the time periods for the performance of the late tax payment and the amount thereof, extinguish the previously assessed fines and late charges for such tax payments, as well as provide for the renewal of late charges and fines in respect of the part of the tax debt that is not paid within the time periods specified in the order.

47. The recommendation referred to in Paragraph 46 of these Transitional Provisions shall be issued by the Minister for Finance on the basis of:

a) documents submitted by the undertaking (company), which certify the conformity of the undertaking (company) to the conditions referred to in Paragraph 45 of the Transitional Provisions;

b) proposals submitted by the undertaking (company) regarding the fulfilment of such tax payment obligations as may have granted an extension of the time period; and

c) a statement submitted by the tax administration regarding the specific tax basic debt, the increase in the basic debt, and the amount of late charges and fines.

48. For an undertaking (company) which has been issued the tax administration statement referred to in Paragraph 47, Clause “c” of these Transitional Provisions regarding the extension of the time period for the payment of late tax payments, the tax administration shall suspend the assessment of late charges associated with the relevant basic debt. If the time period for the payment of the tax payment is not extended, the assessment of late charges shall be renewed according to general procedures from the day when such assessments were suspended.

49. [9 October 2003]

50. Section 11, Paragraph two of this Law:

- a) Clause 48 shall come into force simultaneously with the Law On Protection of Employees in Case of Insolvency of Employer;
- b) Clause 52 shall come into force simultaneously with the relevant amendments to the Personal Data Protection Law; and
- c) Clause 53 shall come into force simultaneously with the coming into force of the Electronic Documents Law.

51. Based upon a decision taken the Minister for Finance up to 31 December 2004, the Ministry of Finance is entitled to:

- 1) extinguish late tax payments to be paid into the State budget, as well as previously assessed late charges and fines for personal income tax payments for those taxpayers who within a period of 90 days from the day of the taking of the Minister for Finance’s decision pay all the late specific tax payment basic debt which has formed up to 31 December 2002, and the increase in the amount of basic debt associated with this;
- 2) extinguish late tax payments to be paid into the State budget, as well as previously assessed late charges and fines for personal income tax payments in conformity with the percentage fulfilment of obligations if within the time period specified in Clause 1) of this Paragraph, the taxpayer has paid in more than 50 per cent of the late specific tax payment basic debt which has formed up to 31 December 2002, and the increase in the amount of basic debt associated with this;
- 3) extinguish the increase in the amount of basic debt associated with the basic debt if the late tax payments to be paid into the State budget, as well as the personal income tax payment debt is paid in full 30 days from the day of the taking of the Minister for Finance’s decision; and
- 4) apply to the personal income tax payment debt the conditions referred to in Clauses 1), 2) and 3) of this Paragraph if the consent of the local government into whose budget more than 50 per cent of the tax payments are to be paid has been obtained.

52. For a taxpayer whom the Minister for Finance has permitted to organise the payment of the relevant late specific tax payment in accordance with the conditions in Paragraph 51 of these Transitional Provisions, the State Revenue Service shall suspend the

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assessment of late charges associated with the relevant tax payment basic debt from the first day of that month in which the decision of the Minister for Finance was taken.

53. The assessment of late charges shall be renewed according to general procedures from the day when such assessments were suspended in relation to that part of the relevant late specific tax payment basic debt, which is not paid in by the time period specified in Paragraph 51, Clause 1) of these Transitional Provisions.

54. Those tax payments which are performed in accordance with the decision of the Minister for Finance referred to in Paragraph 51 of these Transitional Provisions, shall be paid in the following order: firstly the basic debt, thereafter the increase in the amount of basic debt.

55. The decision of the Minister for Finance referred to in Paragraph 51 of these Transitional Provisions shall be taken if up to 31 December 2004 the following documents are submitted to the Ministry of Finance;

1) taxpayer's submission in which a characterisation of the taxpayer is given and the reasons for the creation of the debt are indicated, and the measures which have been performed to pay the tax debt;

2) tax administration's issued statement regarding late tax payments, which the taxpayer has formed up to 31 December 2002, indicating separately the payment basic debt, the amount of increase in the basic debt and the late charges on the first day of the month of submission; and

3) the decision of the relevant local government city council (parish, county or district council), which certifies that the relevant local government consents to apply the conditions referred to in Paragraph 51, Clauses 1, 2 and 3 of these Transitional Provisions regarding personal income tax payment debt.

56. Within a period of ten days after the end of the time period specified in the decision of the Minister for Finance, the State revenue Service shall submit to the Minister for Finance a statement in which is indicated that the taxpayer has fulfilled the obligations specified in the decision.

57. Amendments to Section 11, Paragraph two of this Law in relation to the deletion of Clause 22 shall come into force on 1 January 2004.

58. In applying Section 15, Paragraph one, Clause 10 of this Law, up to the day when the regulatory enactment regarding the procedures for the utilisation of electronic signatures comes into force, those taxpayers who submit corroborative documents and data from accounting registers in electronic form shall also submit them in writing.

59. Section 18, Clauses 13, 14 and 15 of this Law shall come into force on 1 September 2003.

60. Amendments to Section 28, Paragraph two of this Law in relation to the application of fines for late payments for non-repayment of tax overpayment amounts within the specified period shall come into force on 1 January 2004.

61. On the basis a justified submission from a taxpayer, Section 25, Paragraph one, Clause 4 of this Law up to 1 April 2004 shall be applied also to those State Revenue Service tax control (examinations, reviews) additional assessed tax payment debts, as well as the fines associated thereof, increases in the basic debt amounts and late charges, the time period for the collection of which has ended in accordance with Section 23, Paragraph one, of the Law On Taxes and Fees in the version that was in force up to 1 January 2000.

62. Section 11, Paragraph one, Clause 10 of this Law shall come into force simultaneously with the Goods and Services Lottery Law;

63. Amendments to Section 11, Paragraph two, Clause 51 of this Law shall come into force simultaneously with the coming into force of the new version of the Hunting Law.

64. Section 22, Paragraph two, Clause 9 of this Law shall come into force on 1 May 2004.

65. Up to the day of the coming into force of new Cabinet regulations, but not later than 1 July 2005, Cabinet Regulation No. 322 of 31 October 1995, Regulations regarding the Procedures by which Local Governments may Impose Local Government Fees, shall be in force.

66. For Norwegian employers who employ Latvian seafarers on ships registered in the Norwegian International Ship Register, in accordance with the Temporary Agreement between the Ministry of Welfare of the Republic of Latvia and the Royal Norwegian ministry of Labour and Social Welfare, the increase in the amount of principal debt and the fines for late payments of the State mandatory social insurance payments shall not be calculated if the State budget has received such payments within a period of 183 days after the coming into effect of the referred to Agreement. If the referred to condition is not observed, the increase in the amount of principal debt and the fines for late payments shall be calculated beginning with the 184<sup>th</sup> day after the coming into effect of the Agreement.

*[6 June 1996; 4 December 1997; 18 June 1998; 4 October 1998; 25 November 1999; 13 April 2000; 14 December 2000; 8 March 2001; 10 May 2001; 20 December 2001; 9 October 2002; 12 December 2002; 28 February 2003; 19 June 2003; 9 October 2003; 31 March 2004; 16 December 2004]*

## **Informative Reference to European Union Directives**

Legal norms arising from directives 76/308/EEC, 2001/44/EC, 77/799/EEC, 79/1070/EEC and 2003/93/EC have been included in this Law.  
[31 March 2004]

This Law shall come into force on 1 April 1995.

This Law has been adopted by the *Saeima* on 2 February 1995.

President

G. Ulmanis

Rīga, 18 February 1995

## **Transitional Provisions Regarding Amendments to the Law on Taxes and Fees**

### **Transitional Provision**

(regarding amending law of 22 October 1998)

The amendments to Section 29, as prescribed by this Law, regarding the discontinuing of assessment of increases in the amount of principal debts and late charges for undertakings (companies) which have been proclaimed as insolvent by a court (Paragraph four, Clause 1, Sub-clause b) of Section 29) shall come into force simultaneously with the relevant amendments to the Law On the Insolvency of Undertakings and Companies.

### **Transitional Provision**

(regarding amending law of 14 December 2000)

Cabinet Regulation No. 109 On the Taxpayer Register, 22 April 1995 (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 1995, No. 10) issued in accordance with Article 81 of the Constitution, is repealed as of 1 April 2001.

**Transitional Provision**  
(regarding amending law of 31 March 2004)

This Law shall come into force on 1 May 2004, except for the new text of Section 11, Paragraph two, Clause 8 of the Law On Taxes and Fees, which shall come into force on the next day after the proclamation of this Law.